



Capital Campaign Presentation
for
Peace Lutheran Church, PreSchool and Mercy Ministries.

August 26, 2012

And I tell you, you are Peter, and on this rock I will build my church, and the gates of hell shall not prevail against it. (Matthew 16:18 ESV)



Capital Campaign Presentation

Overview

The Lord has blessed Peace with a great Pastor, Deaconess, church, preschool and ministry programs and there more great things ahead. We are at a point where we need to consider the future. So how do we capitalize with Peace?

- Should we stay as we are and revisit a capital campaign next spring or next fall?
- Should we pay down our debts to help pay our on-going monthly bills?
- Should we enlarge our facilities and, can we support a project this size with our time, talents and treasures, at this time?



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SWOT analysis is a method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project. It involves specifying the objective of our church and identifying the internal and external factors that are favorable and unfavorable to achieve our objectives. So, what are the SWOTs for Peace Lutheran Church, PreSchool and Mercy Ministries?

SWOT Analysis



Strengths

- **Jesus Christ**
- Pastor and Deaconess
- Friends and Families
- Preschool Ministry
- Ministry/Outreach Programs
- Location and Land

Weaknesses

- Average Attendance
- Average Giving
- Limited Space to Expand/Grow
- Large Debt Service (loans)
- Increasing Operational Costs

Opportunities

- Enlarge Facilities
- Expand Ministry/Outreach
- Expand Preschool Enrollment
- Increase our Time/Talents/Treasures

Threats

- Satan
- Economic Factors
- Time Distractions
- Personal Financial Instability



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Overall

Overview

Based on our SWOTs, where are we now and where do we want to go, we need to consider all options for the future.

Question

What are our options?



Recommendations

1. Stay The Way We Are – walking, growing and sharing together in God's Word and Sacraments with our current space.
2. Consider a Capital Campaign to Pay Down our Debt.
3. Consider a Capital Campaign to Expand our Facility.



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Foundational Steps

As we look to the future and consider the three options before us, it is important to remember that all options include these 4 foundational steps.

1. Walk, Grow and Share Together in God's Word and Sacraments.
2. Increase Congregation Attendance and Participation Using our Time and Talents.
3. Increase Congregation Giving Using our Treasures by initiating an operational stewardship Campaign

(See Slide 12 for Operational Stewardship recommendations)





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Option 1 – Stay as We Are

Overview

Our single structure is currently sharing space with multiple ministry and operational programs.

Question

How do we make better use of our space to work, grow and share together in God's Word and Sacraments?

Recommendations

1. Assess the needs of each program and prioritize space requirements.
2. Clean out and organize all areas of the facility.
3. Consider construction of additional shed, storage or closet space.



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Option 2 - Pay Down Our Debt

Overview

We are currently carrying a series of debts requiring long term mortgage payments and short term Loans and Line of Credit. If we can pay down all or part of our debt service we will have less to pay each month and more for ministry and operational programs.

Question

Should we pay down our debts?



Recommendations

1. Determine How much we owe
2. Initiate a 3 year Capital Campaign to solicit funds

(See Slide 11 for Capital Campaign recommendations)



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Option 3 – Enlarge Facility

Overview

We have interest and opportunities to grow our ministry and outreach programs but we are limited on physical space.

Question

Should we enlarge our facility to support expanded ministry and outreach opportunities?

Recommendations

1. Project future capital and operational giving and whether we can afford an expansion project at this time.
2. Consider varying expansion options:
 - Larger Preschool and Offices
 - Larger Preschool, Offices and Fellowship Hall





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Option 3 - Enlarge Facility

Recommendations (cont.)

4. Identify new and expanded ministry/outreach opportunities
 - Add another 3 Year old Preschool Class
 - Expand 4 year Old Enrollment
 - Add Summer Camp or Preschool program
 - Initiate Adult Education Classes
 - Offer Space for Private (Fee based) Events
 - Increase in Fund Raising
 - Guest Speakers/Seminars
 - Concerts
 - Identify Creative Revenue Opportunities
5. Initiate a 3 year Capital Campaign to raise funds to enlarge the facility and minimize the long term loan amount.
(See Slide 11 for Capital Campaign recommendations)



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Summary

- Review the information provided in this packet.
- Provide feedback including questions, comments and concerns.
- Consider how you can use your time, talents and treasures for Peace.
- There will be a voters meeting scheduled for Sunday, September 16th after the second service:
 - We will approve one of our three options.
 - We will provide stewardship information scheduled to start on October 1st.
 - Based on the option approved, we will contact the LCEF/CFS to provide an update on the capital campaign process in schedule the capital campaign kickoff.
 - In addition, we will have sign-up sheets for ministry and operational programs needing you time and talents.



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Capital Campaign

- **Donation Opportunities**
 - ⇒ Support from LCEF/CFS (*Fee Based*)
 - ⇒ Congregation Families and Friends
 - ⇒ Pre-School Parents (*past/present*)
 - ⇒ Local Business
 - ⇒ Grants/Endowments
 - ⇒ Synod and District Donors
 - ⇒ LCMS Churches





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Operational Stewardship

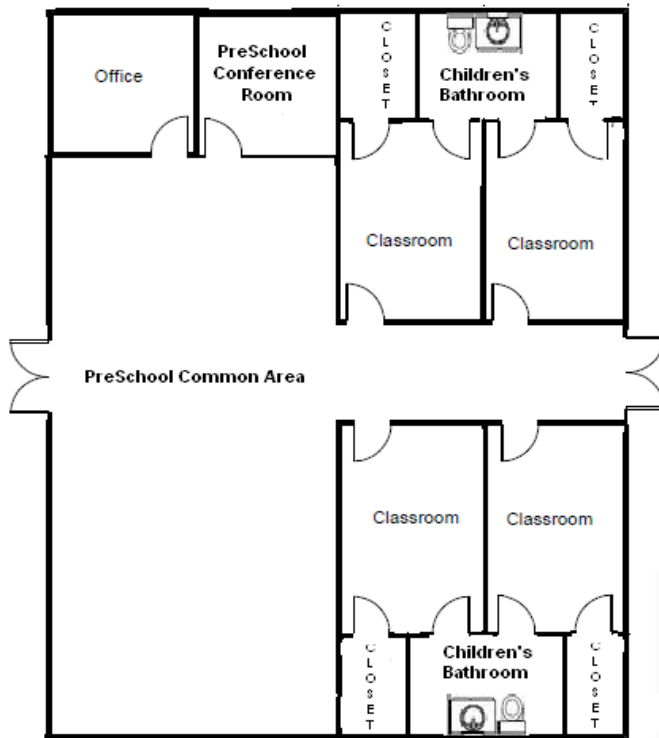
- Giving Opportunities
 - ⇒ Awareness/Pledge Campaign
 - ⇒ Increase Weekly Offering
 - ⇒ Monitor/Manage Expenses
 - ⇒ Additional Fund Raisers
 - ⇒ Creative Revenue Opportunities



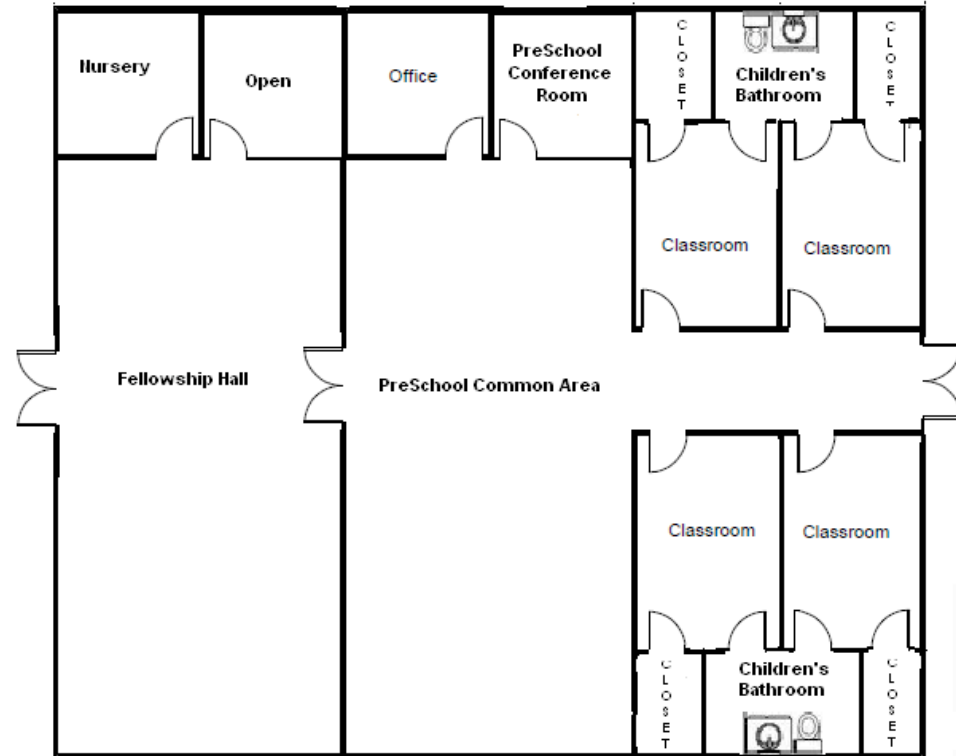


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Building Options



Proposed Preschool Layout 1



Proposed Fellowship & Preschool Layout 2



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Cost to Build

Step 1: Calculate how much it will cost to build based on which building type we decide to use.

CONSTRUCTION COSTS	Proposed Layout 1 - Preschool and Offices Only					Proposed Layout 2 - Fellowship Hall, Offices and Preschool				
	% of total	Public Contractors	LCEF LFC	Modular New	Modular Used	% of total	Public Contractors	LCEF LFC	Modular New	Modular Used
Construction Costs	75%	\$324,000	\$297,000	\$202,500	\$148,500	75%	\$432,000	\$396,000	\$270,000	\$198,000
FF&E	5%	\$21,600	\$19,800	\$13,500	\$9,900	5%	\$28,800	\$26,400	\$18,000	\$13,200
Permits/Studys	6%	\$25,920	\$23,760	\$16,200	\$11,880	6%	\$34,560	\$31,680	\$21,600	\$15,840
Professional Fees	6%	\$25,920	\$23,760	\$16,200	\$11,880	6%	\$34,560	\$31,680	\$21,600	\$15,840
Insurance/Legal Fees	3%	\$12,960	\$11,880	\$8,100	\$5,940	3%	\$17,280	\$15,840	\$10,800	\$7,920
Financing Costs	3%	\$12,960	\$11,880	\$8,100	\$5,940	3%	\$17,280	\$15,840	\$10,800	\$7,920
Start-up Costs	2%	\$8,640	\$7,920	\$5,400	\$3,960	2%	\$11,520	\$10,560	\$7,200	\$5,280
Total Costs	100%	\$432,000	\$396,000	\$270,000	\$198,000	100%	\$576,000	\$528,000	\$360,000	\$264,000
Width	60					60				
Length	60	cost/sqft	cost/sqft	cost/sqft	cost/sqft	80	cost/sqft	cost/sqft	cost/sqft	cost/sqft
Total Square Feet	3600	\$120	\$110	\$75	\$55	4800	\$120	\$110	\$75	\$55

In order to provide a consistent example I have selected the Modular New building type for both proposed layouts. This means it would cost us:

- \$270,000 to build a preschool only
- \$360,000 to build a fellowship hall and preschool.



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Final Loan Balance

Step 2: Calculate the final balance of each loan based on applying the monies we collect during the capital campaign.

Pledge Level	Pledge Factor	Paydown the Debt		Proposed Layout 1 - Preschool and Offices Only					Proposed Layout 2 - Fellowship Hall, Offices and Preschool				
		Total Income	Current Debt	Total Income	Public Contractors	LCEF LFC	Modular New	Modular Used	Total Income	Public Contractors	LCEF LFC	Modular New	Modular Used
		Amount Raised	Remaining Balance	Amount Raised	Remaining Balance				Amount Raised	Remaining Balance			
		122800	256596	263,050	432,000	396,000	270,000	198,000	263,050	576,000	528,000	360,000	264,000
Low	0.5	61,400	195,196	131,525	300,475	264,475	138,475	66,475	131,525	444,475	396,475	228,475	132,475

I have selected a very conservative pledge factor to help understand the impact. A pledge factor of 0.5 means that our capital campaign will raise half our annual income.

Example 1: For Pay-down the Debt - we can expect to receive \$61,400 if we raise half (0.5) our annual church income *(note: I have used only the church income the debt pay-down)*.

Example 2: For Proposed Layout 1 - we can expect to receive \$131,525 if we raise half (.05) our annual church and PreSchool income. *(note: I have used both church and preschool income for the building campaign)*.

Once we know how much we raised in our capital campaign, we can apply those monies to our existing mortgage and determine our remaining balance.

Example 1: For Pay-down the Debt – If we apply the \$61,400 we raised to our current mortgage of \$256,596 we will have a new mortgage balance of \$195,196.

Example 2: For Proposed Layout 1 - If we apply the \$131,525 we raised to the cost of building a new modular structure at \$270,000, we will only have an additional load of \$138,475



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New Annual Payment

Step 3: Now we can calculate the new or additional annual payment to the church based on varying interest rates on a 20 year loan.

Interest Rate	20 Year Loan	Paydown the Debt		Proposed Layout 1 - Preschool and Offices Only					Proposed Layout 2 - Fellowship Hall, Offices and Preschool				
		Pledge Level	Current Debt	Pledge Level	Public Contractors	LCEF LFC	Modular New	Modular Used	Pledge Level	Public Contractors	LCEF LFC	Modular New	Modular Used
4.0%	240.0	Low	14,194	Low	21,850	19,232	10,070	4,834	Low	32,321	28,831	16,614	9,633

Staying with a conservative flow I have used a reasonable interest rate to calculate the annual payment on the loan.

Example 1: For Pay-down the Debt – If our new mortgage balance is \$195,196, based on an interest rate of 4% over 20 years, we will now have a new mortgage annual payment of \$14,194

Example 2: For Proposed Layout 1 - If our additional building loan balance is \$138,475 based on an interest rate of 4% over 20 years, we will now have an additional annual payment of \$10,070 on top of our existing debts.

Example 3: For Proposed Layout 2 - If our additional building loan balance is \$228,475 based on an interest rate of 4% over 20 years, we will now have an additional annual payment of \$16,614 on top of our existing debts.

We can now add the new or additional payments to our operational budget.



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Operational Income

This slide show how our **Incomes** will be affected each year by paying-down the debt or expanding our facility.

Budget Item	Income	Pay Down our Debt				Layout 1 - Preschool Only				Layout 2 - Preschool and Fellowship Hall						
		KAI	2012	2013	2014	2015	KAI	2012	2013	2014	2015	KAI	2012	2013	2014	2015
Church Revenues			122,800	122,800	122,800	122,800		122,800	122,800	122,800	122,800		122,800	122,800	122,800	122,800
Giving based on Attendance Growth	5%			6,140	6,570	6,600	5%		6,140	6,570	6,600	5%		6,140	6,570	6,600
Stewardship Giving Increase	2%			2,456	2,628	5,268	2%		2,456	2,628	2,640	2%		2,456	2,628	2,640
School Revenue			140,250	140,250	140,250	140,250		140,250	140,250	140,250	140,250		140,250	140,250	140,250	140,250
Adjustment for Preschool Tuition	0			0	0	0	35,000		35,000	35,000	35,000	35,000		35,000	35,000	35,000
Total Income			263,050	271,646	272,248	274,918		263,050	306,646	307,248	307,290		263,050	306,646	307,248	307,290

The Key Adjustment Indicators (KAI) used are described below:

Giving based on Attendance Growth – which assumes that the number of people coming to church will grow by only 5% each year.

Stewardship Giving – indicates that those coming to church will increase their giving by only 2% each year.

Adjustment on Preschool Tuition – shows the amount money we expect to receive annually based on expanding our facility and increasing enrollment, tuition fees and varying scheduling



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Operational Expense

This slide show how our **Expenses** will be affected each year by paying-down the debt or expanding our facility.

Budget Item Expenses	Pay Down our Debt					Layout 1 - Preschool Only					Layout 2 - Preschool and Fellowship Hall				
	KAI	2012	2013	2014	2015	KAI	2012	2013	2014	2015	KAI	2012	2013	2014	2015
Total Pastor Expense		90,386	90,386	90,386	90,386		90,386	90,386	90,386	90,386		90,386	90,386	90,386	90,386
Adjustment for Annual Salaries	3%		2,712	2,793	2,795	3%		2,712	2,793	2,795	3%		2,712	2,793	2,795
Total Deaconess Expense		11,088	11,088	11,088	11,088		11,088	11,088	11,088	11,088		11,088	11,088	11,088	11,088
Adjustment for Annual Salaries	3%		333	343	343	3%		333	343	343	3%		333	343	343
Total Other Church Expense		21,628	21,628	21,628	21,628		21,628	21,628	21,628	21,628		21,628	21,628	21,628	21,628
Adjustment for Church Utility Costs	0		0	0	0	0%		0	0	0	0%		0	0	0
Adjustment for Property Insurance	0		0	0	0	15%		352	352	352	25%		587	587	587
Adjustment for Annual Expenses	3%		649	668	669	3%		649	679	680	3%		649	686	687
Total School Expense		120,702	120,702	120,702	120,702		120,702	120,702	120,702	120,702		120,702	120,702	120,702	120,702
Adjustment for Additional Teacher Salary	0		0	0	0	11,500		11,500	11,500	11,500	11,500		11,500	11,500	11,500
Adjustment for Additional Teacher Benefits	0		0	0	0	17%		1,139	1,333	1,559	17%		1,139	1,333	1,559
Adjustment for PreSchool Utility Costs	0		0	0	0	10%		745	819	901	20%		1,489	1,787	2,144
Adjustment for PayChex Payroll Tax	0		0	0	0	10%		590	649	714	20%		1,180	1,416	1,699
Adjustment for Preschool Refunds	0		0	0	0	0.4%		532	535	537	0.4%		532	535	537
Adjustment for Property Insurance	0		0	0	0	15%		352	405	465	25%		587	733	916
Adjustment for Annual Expenses	3%		223	230	237	3%		223	230	237	3%		223	230	237
Adjustment for Annual Salaries	3%		2,682	2,762	2,845	3%		2,682	2,762	2,845	3%		2,682	2,762	2,845
Total Expense		243,804	250,402	250,600	250,693		243,804	265,612	266,202	266,732		243,804	267,416	268,507	269,654

Adjustment for Additional Teacher – with expanded PreSchool enrollment comes the need to add a teacher. The adjustments above reflect the increase in salary, benefits, payroll tax, service fees.

Adjustment for Expanded Facility Expenses – this include an increase in overall utility costs and property insurance.

Adjustments for Annual Salaries, Utilities, Expense – increase at a rate of 3% year-over-year (YOY).



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Debt Service/Mortgage

This slide show how our **Debts (Mortgage, Loans, Line of Credit)** will be affected each year by paying-down the debt or expanding our facility.

Budget Item Debt Servicing/Capital Projects	Pay Down our Debt					Layout 1 - Preschool Only					Layout 2 - Preschool and Fellowship Hall				
	KAI	2012	2013	2014	2015	KAI	2012	2013	2014	2015	KAI	2012	2013	2014	2015
Current Mortgage and loans		19,246					19,246	19,246	19,246	19,246		19,246	19,246	19,246	19,246
Mortgage payment - Low	14,194		14,194	14,194	14,194	10,070		10,070	10,070	10,070	16,614		16,614	16,614	16,614
Mortgage payment - Mid	9,729		9,729	9,729	9,729	505		505	505	505	7,050		7,050	7,050	7,050
Mortgage payment - High	5,264		5,264	5,264	5,264	-9,059		-9,059	-9,059	-9,059	-2,514		-2,514	-2,514	-2,514

The Debt Service will be have the most impact based on the capital campaign. It we raise a lot, we will pay less in the long run. I have tried to show the effect of each campaign level on our annual payments.

Mortgage Payment Low – this will be the annual payment based the church raising only half of our current income during the capital campaign (**a negative** number means we will have extra money)

Mortgage Payment Mid – this will be the annual payment based the church raising the same amount as our current income during the capital campaign (**a negative** number means we will have extra money)

Mortgage Payment High – this will be the annual payment based the church raising one and a half times our current income during the capital campaign (**a negative** number means we will have extra money)

For the Pay-Down Campaign any monies we raise, will be used to pay down our existing debt and thus replace that payment with a lower payment.

For the Facility Expansion Campaign any monies raised will be used to pay down the construction loan and thus be an additional payment to our current debts.



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The Bottom Line

This slide shows the final difference between our income and our expenses including debts.

Budget Item	Pay Down our Debt					Layout 1 - Preschool Only					Layout 2 - Preschool and Fellowship Hall				
	KAI	2012	2013	2014	2015	KAI	2012	2013	2014	2015	KAI	2012	2013	2014	2015
Total Income		263,050	271,646	272,248	274,918		263,050	306,646	307,248	307,290		263,050	306,646	307,248	307,290
Total Expense		243,804	250,402	250,600	250,693		243,804	265,612	266,202	266,732		243,804	267,416	268,507	269,654
Current Mortgage and loans		19,246					19,246	19,246	19,246	19,246		19,246	19,246	19,246	19,246
Mortgage payment - Low	14,194		14,194	14,194	14,194	10,070		10,070	10,070	10,070	16,614		16,614	16,614	16,614
Mortgage payment - Mid	9,729		9,729	9,729	9,729	505		505	505	505	7,050		7,050	7,050	7,050
Mortgage payment - High	5,264		5,264	5,264	5,264	-9,059		-9,059	-9,059	-9,059	-2,514		-2,514	-2,514	-2,514
Net Projected Difference															
Net Projected Difference - Low		0	7,050	7,454	10,031		0	11,719	11,730	11,242		0	3,370	2,880	1,776
Net Projected Difference - Mid			11,515	11,918	14,495			21,283	21,294	20,807			12,934	12,444	11,340
Net Projected Difference - High			15,980	16,383	18,960			30,847	30,858	30,371			22,499	22,009	20,905

The Numbers are Good and we can build if – we give, gather and grow together.

Net Projected Difference Low – this will be how much we have left, either profit or (loss) if we raise the lower end of the capita campaign projection.

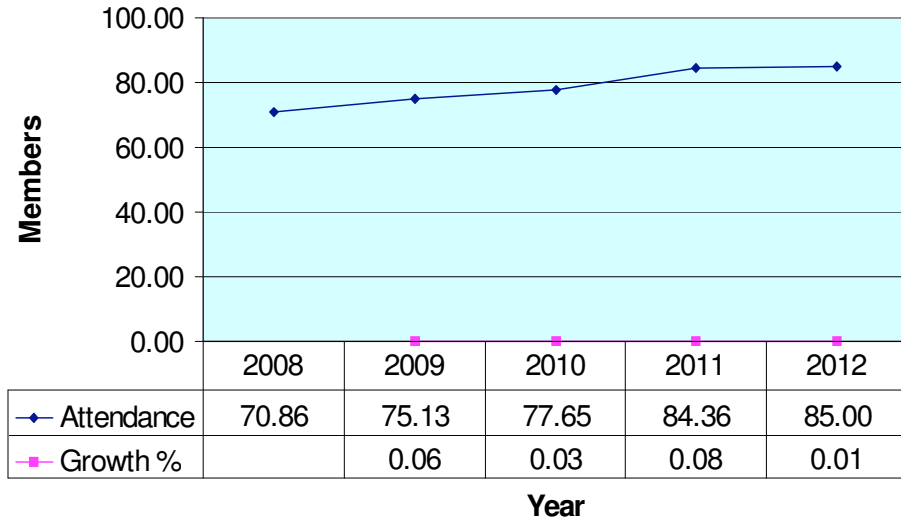
Net Projected Difference Mid – this will be how much we have left, either profit or (loss) if we raise the middle of the capital campaign projection.

Net Projected Difference High – this will be how much we have left, either profit or (loss) if we raise the higher end of the capital campaign projection.



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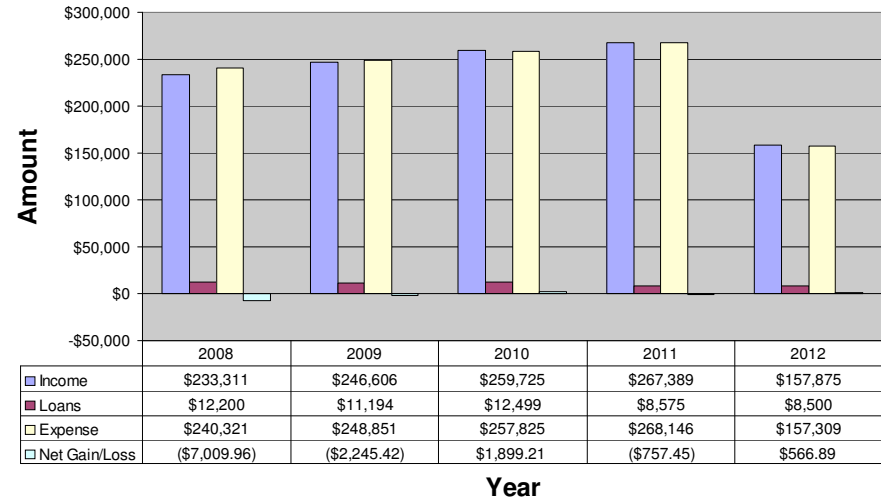
5 Year Attendance Analysis



- Attendance this summer has increased by 18% over last year based on the Mustard Seed service
- We are projecting an attendance growth of 1% over 2011
- June attendance averages have been affected by the Derecho storm

Attendance/Budget Facts

5 Year Income/Expense Analysis



- We have received additional financial help of at least \$8000 every year for the past 5 years.
- Expenses have been erratic over last few years due to snow storm plowing, and utility increases



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Financial Facts

Type	PLCPM Debt Service		
	Outstanding	Annual	Monthly
Mortgage	234,937	16213	1351
PreSchool Loan	13,183	1694	141
LCEF LOC ¹	7,282	1339	112
Total	255,402	19,246	1,604

Member Loan ² 3000 3000 750

¹ Does not include \$2500 drawn-down on August 24th (see slide 10)

² Member loan will be paid off by end of fiscal 2012

- The above chart shows our the status of all PLCPM Loans.
- We drew-down an additional \$2500 from our LCEF Line of Credit on August 24th to help pay bills for August.
- The member loan will be paid back before end of fiscal 2012 and will not impact monthly payments for fiscal 2013.

- We have multiple lenders interested in providing long term loans based on our church ministry and outreach programs and our PreSchool.

- Construction Costs are Down

- We are waiting on information from the SELC architect regarding projected costs to build from the LFC (Laborers for Christ)

- We currently have approximately \$300,000 in equity based on commercial value of our land.

- We have resumed paying both interest and principle on our mortgage and preschool loans within the last 2 years.



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- We have had 52-55 children per year for the past 5 years
- The past few years we have had anywhere from 8 to 14 children on a waiting list.
- This year we have about 50 with a few more families to meet the week of August 27th.
- Tentative waiting list for 3 year olds has been started

PreSchool/Deaconess Facts



- Dorcas' Closet helped 38 families including over 188 children.
- VBS had 76 enrolled children with an average of attendance of 68 children per day.
- Counseling services we provided over the summer
- Meals and transportation setup for families in need.