Church of the Heavenly Rest

Annual Meeting
February 3, 2013
Meeting Objectives

• Reflections on 2012
• Update of major initiatives
  – Rector search
  – Stewardship revitalization
  – Trevor Day School’s departure
  – Diocesan assessment
• 2012 financial results
• 2013 budget and long range forecast
2012 was a remarkable year of discovery and growth at CHR

• Bishop Marshall joined us in March
• Full complement of services and programs
  – Enhanced during interim period
• Profile Committee completed its work; the Search Committee launched the Rector search process
• Re-energized stewardship program launched
• Building Committee work/audit
• Space rental marketing process underway
Annual meeting message last year: CHR is in a critical period of change

• Multiple, simultaneous initiatives underway to achieve long-term sustainability
  – Multi-year implementation
• Transition to a new rector
• Real estate utilization and space rental being evaluated
  – Departure of TDS expected
  – Opportunity to regain space for CHR growth
  – Substantial renovation of retained space contemplated
• 5-year financial forecast projects significant deficits during transition
• Seek forbearance from Diocese for assessments
• Need to re-energize stewardship and expand congregation
Update on Rector search

• Profile completed and submitted to the Diocese in February 2012
• Search Committee work began in earnest in April
• Approximately 70 candidate applications reviewed
• Candidate pool narrowed to eight by last fall
• Narrowed to three finalists, who were observed and interviewed at their parishes in January
• In-person meetings and interviews with Vestry underway
• Goal: call a new rector by Easter, and installed as soon as practicable thereafter
Stewardship Objectives

- Engage the congregation more effectively
- Increase stewardship revenue
  - Largest component of Church funding
  - Flat since 2005
  - $1.07 million in 2011
  - $1.26 million goal in 2012
- Grow number of pledge-making congregants
- Simplify giving process
- Alter pledging cycle to Nov-Dec to better fit with budget cycle

2012 Budgeted Sources of Revenue

- Pledge: 43%
- Other Support: 17%
- Tenant Revenue: 24%
- Other Revenue: 9%
- Draws from Endowment: 7%
Stewardship and Membership

• Stewardship Committee chaired by Bill Campbell, Josh Doyle and Bill Herrman
• Approach to giving re-evaluated with clergy and our consultant
  – More holistic appeal to generosity, consistent with Gospel
  – Broader participation
  – Deeper understanding through October teachings, Festive Dinner
• Progress: number of pledges doubled in 2012, faster start to 2013 but full benefits not expected for another 2-3 years
• Membership Committee chaired by David Chapman and Holly Hughes
  – To be not only welcoming but inviting: deeper connections with visitors and new congregants
  – Newcomer events at the rectory in June, October and February
  – 14 lay greeters mingle after services specifically to chat with new faces
  – About 75 new parishioners “touched” by this effort since inception
Real estate/TDS update

• Decision taken to market the Tower space only
  – Informed in part by current rental rates
• Jones Lang LaSalle actively marketing
  – Multiple candidates; strong interest among schools
• Tentative plan to retain Darlington Hall and basement
  – Church use as first priority
  – Third-party rental revenue opportunities to be developed
• TDS exit expected by year-end 2014
  – Current lease expires June 2013
  – Dialogue with TDS regarding lease extension
Diocesan assessment update

- Historical commitments met
  - Substantial CHR cost
- Forbearance sought in 2011 for 2011-2014
- Granted in March 2012, with substantial reduction and deferral
  - But only for 2011-2012
- Deferred amounts subject to re-assessment in 2015
- Appeal for forbearance required again in 2013
Operating results for 2012

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<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
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<td>$1,260,000</td>
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<td>Other Support/Revenue</td>
<td>443,500</td>
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<td>Tenant Revenue</td>
<td>720,751</td>
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<td>Sub-total</td>
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<td>Total</td>
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Key 2012 financial highlights

• Operating deficit explained predominantly by pledge shortfall
  – Overall Support down 7% Y-o-Y, 21% versus budget, and consistent with pre-2004 levels

• Pledge shortfall largely offset by reduced payments to the Diocesan

• Operating results where generally in line with budget
  – Favorable variance in Other Revenue/Other Support
  – Slight favorable variances in most expense categories
  – Negative variance in Building categories

• Endowment value of $9.3 million at YE 2012
  – Compared to $8.7 million at YE 2011
  – Approximately $2.2 million is restricted endowment
# 2013 Budget

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Long-term outlook

• Long-term goal to eliminate deficits, reduce heavy dependence on endowment and contribute to the Diocese
• Break-even goal by 2017
  – 7% pledge growth rate needed to make this possible
• Significant deficits will persist until new tenant pays full rent in 2016
  – Favorable 2014 forecast is an anomaly due to rent structure
  – 2015 is forecast to be deepest deficit
• Forbearance likely needed from Diocese until 2016/2017
• Other structural actions may be needed to address deficits
  – Deemed unnecessary at present
5-year forecast overview

Note: Assumes full payment of Diocesan Assessment in 2013+
In conclusion

• Time of significant transition for our Church
  – New rector installation is a critical first step
• Core commitment to worship and programs
• Long-term sustainability requires growing the size of our congregation and deepening our commitment to stewardship
• Delicate period of financial transition
  – Real estate/Trevor Day School
  – Minimize endowment draws to cover deficits
  – Support from the Diocese
• Viable long-term plan
  – Capital campaign likely in medium-term