

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

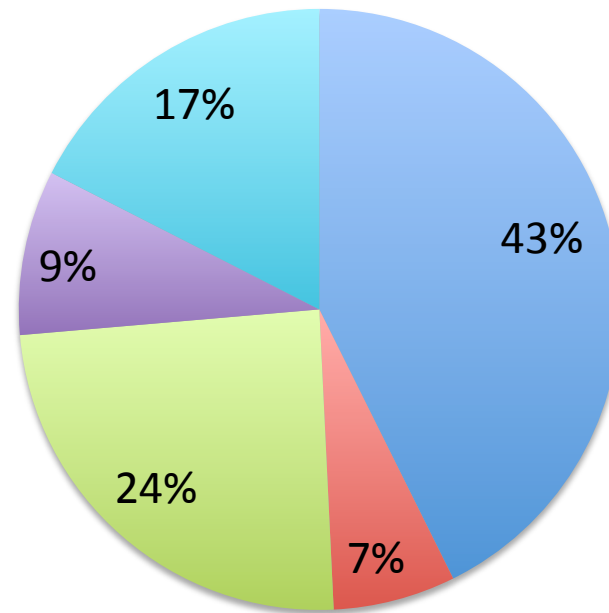
Update on Rector search

- 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
- Other Support
- Tenant Revenue
- Other Revenue
- Draws from Endowment

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 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

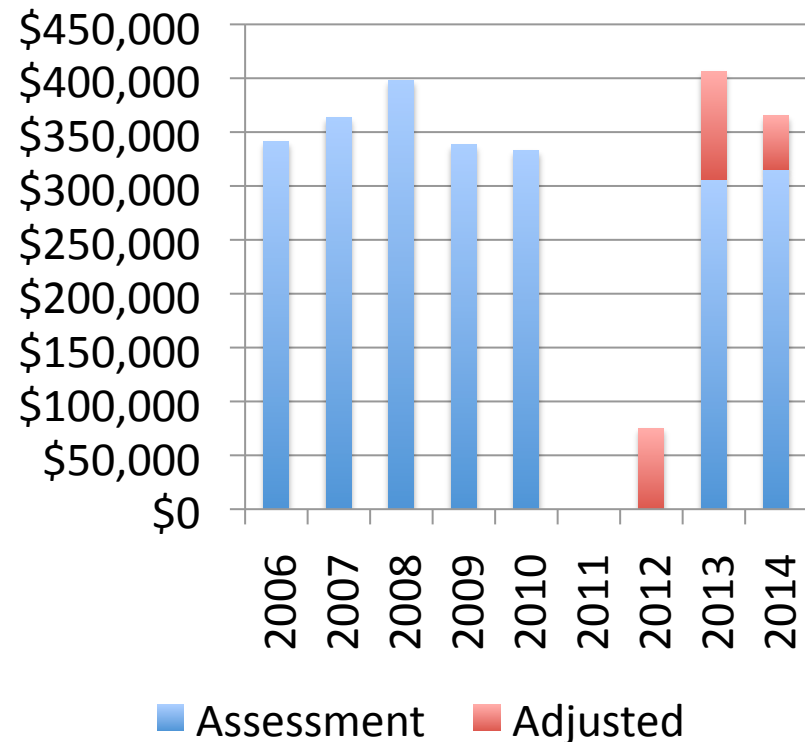
Real estate/TDS update

- 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

**Historical/Projected
Diocesan Support**



Operating results for 2012

	Budget	Actual	Variance
Pledge	\$1,260,000	\$997,109	\$262,891
Other Support/Revenue	443,500	581,332	137,832
Tenant Revenue	720,751	729,672	8,921
Endowment Draws	520,722	511,872	8,850
Clergy and Staff	1,514,655	1,495,832	18,823
Worship/Programs	361,598	356,917	4,681
Administration	394,947	366,446	28,501
Building	620,848	668,137	47,289
Sub-total	52,925	67,347	120,272
Diocesan Assessment	308,359	75,000	233,359
Total	\$255,434	\$142,347	\$113,087

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

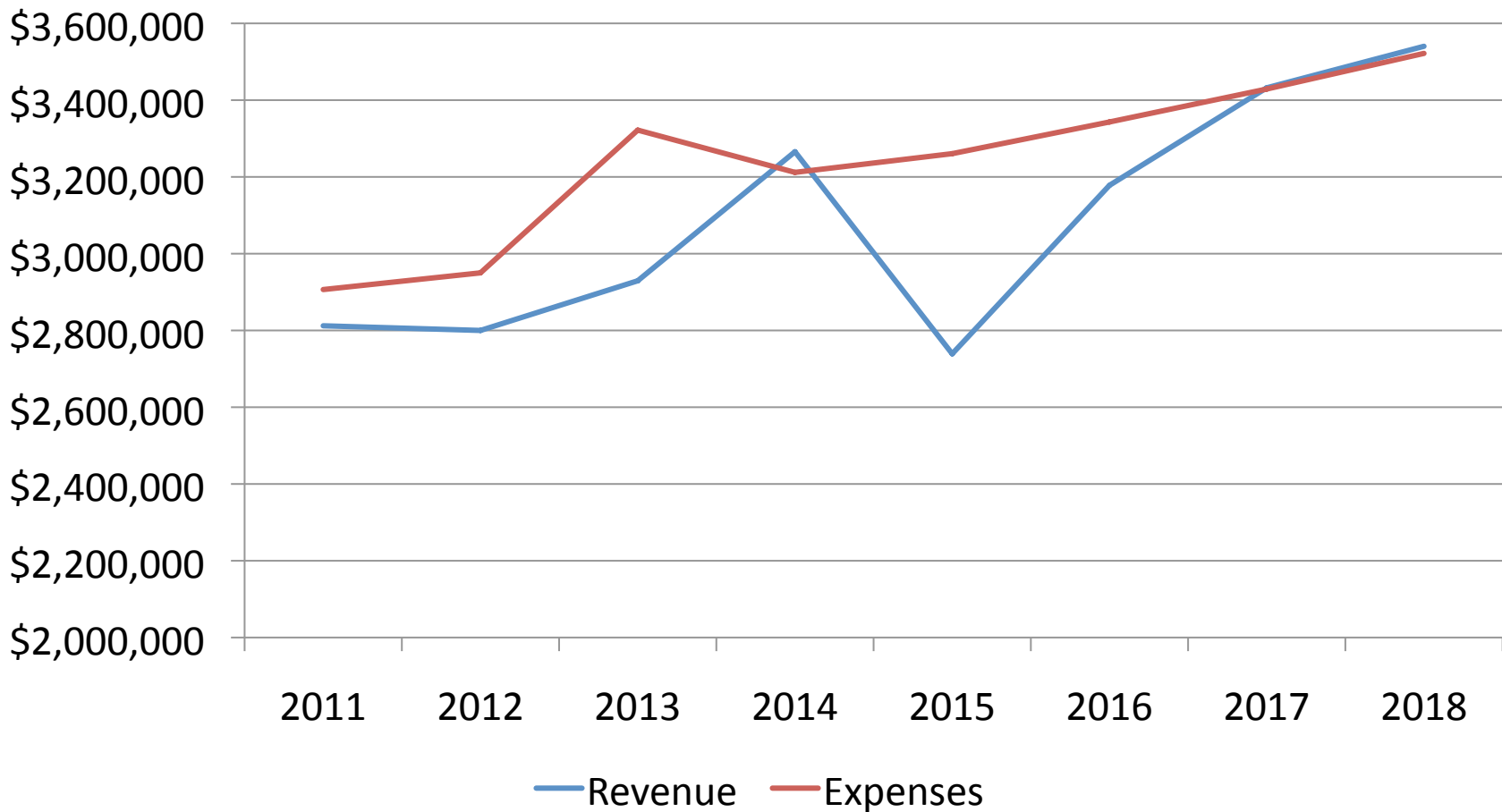
2013 Budget

	2012 Actual	2013 Budget	Change
Pledge	\$997,109	\$1,200,000	\$202,891
Other Support/Revenue	581,332	504,243	77,089
Tenant Revenue	729,672	777,597	47,925
Endowment Draws	511,872	447,520	64,352
Sub-total	\$2,819,985	\$2,929,360	\$109,375
Clergy and Staff	\$1,495,832	\$1,541,109	\$45,277
Worship/Programs	356,917	319,790	37,127
Administration	366,446	413,103	46,657
Building	668,137	645,023	23,114
Diocesan Assessment	75,000	406,018	331,018
Subtotal	\$2,962,332	\$3,325,043	\$362,711
Total	\$142,347	\$395,683	\$253,336

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