

SAINT LUKE'S

P R E S B Y T E R I A N C H U R C H

MID-YEAR FINANCIAL REPORT

JUNE 30, 2017

SAINT LUKE'S ENDS 1st HALF OF 2017 IN GOOD FINANCIAL STANDING, BUT CHALLENGES REMAIN AHEAD

Saint Luke's ended the first half of 2017 in a good financial position. YTD Income of \$946,195 fell short of plan by \$17,405, and was \$14,389 less than the same period last year. However, YTD Expenses of \$842,326 were better than plan, and the Net of Income minus Expense was a positive \$103,869. The positive position is thanks to all contributors and an excellent job in expense management by all areas of the church.

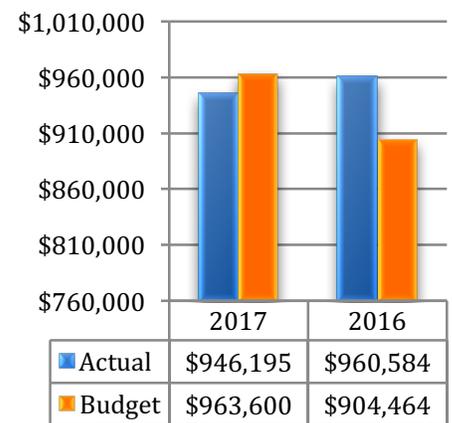
While the positive Net of \$103,869 sounds good, at this time last year we had a positive Net of \$140,256. Historically, due to lower income during the summer months, we begin to run a deficit until December, which is the highest income month of the year.

The bulk of the church's income comes from Pledged Giving which is used as the basis for our annual budget. You may be surprised to learn that approximately 25% Saint Luke's members do not pledge. This requires part of the annual budget to be prepared on faith that these members and members who gave above their pledged amounts will continue to do so at prior year levels. The Unpledged Giving budget for 2017 is \$230,000 and the Unpledged Giving was \$46,986 at mid-year.

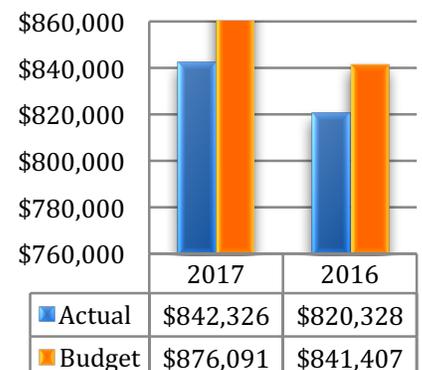
All members are encouraged to keep their pledges current, and for those who were unable to pledge, please know that your giving is very important in helping the church meet its planned budget.

Thank you to all Saint Luke's members and friends for your continued contributions of time, talent, and treasure.

YTD Income



YTD Expense



Inside:

Page 2:

- Saint Luke's Financial Plan
- Source & Use of Funds
- Source & Use of Funds
- Operating Budget Key Stats

Page 3:

- 2017 Commitment Season
- Cash Reserves
- Saint Luke's Endowment Fund

Page 4:

- "Let Us Give Thanks"

SAINT LUKE'S FOUR YEAR FINANCIAL PLAN

Necessitated by financial needs of the church and the approaching mortgage balloon payment, the Finance Committee is preparing a four-year financial plan for Saint Luke's.

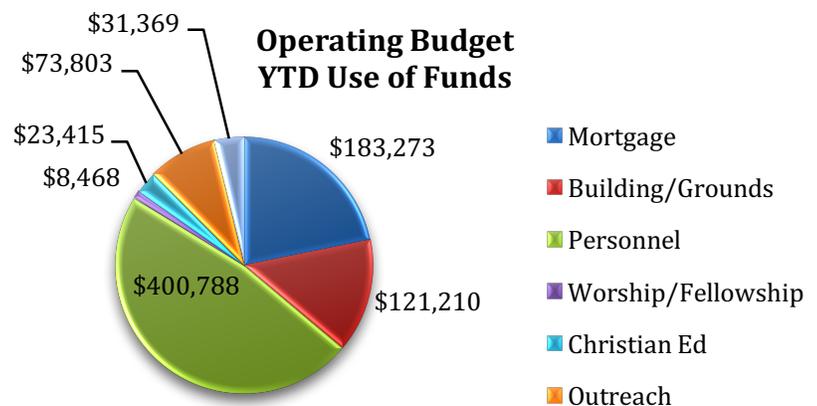
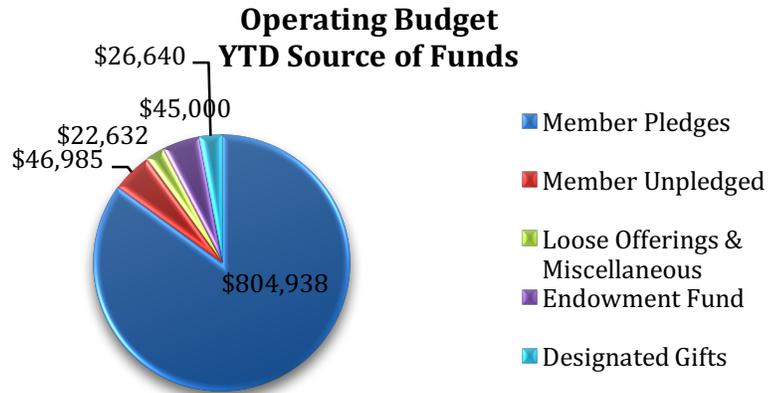
The church infrastructure is aging, and maintenance costs are expected to escalate over the next several years. The heating and air conditioning systems are of particular concern as they are nearing end of life, and there are limited reserves available to replace the systems. The mortgage is held by Regions Bank. The monthly mortgage payment is more than \$30,000 per month. The current mortgage balance is \$3,095,000. In 2021 a balloon payment of approximately \$2,500,000 will come due requiring Saint Luke's to take out another mortgage. Before that can happen, we will need to have the church finances audited by an outside Certified Public Accounting firm. The intent is to entertain at least three proposals for the new mortgage.

The strategic objectives established by the Finance Committee are to reduce the mortgage requirement in 2021 from \$2,500,000 to no more than \$2,000,000, reduce the monthly mortgage payment by \$10,000 per month, and pay off the mortgage in 10 years. If we can achieve those objectives:

- Between 2021 & 2031, the \$10,000 per month mortgage cost reduction could be used to relieve financial pressures, improve the church infrastructure, and support programs and ministries at a greater level.
- By 2031, Saint Luke's would be debt free, freeing up an additional \$20,000 per month (\$240,000 per year) to fund church programs, missions, and staff needs.

The challenges are how to reduce the mortgage by at least \$500,000 by 2021, and to find a mortgage for the church at an acceptable mortgage interest rate allowing Saint Luke's to achieve our strategic financial objectives.

The Finance Committee is exploring options to achieve the four-year plan. More information to come at a later date.



Operating Budget – Key Stats (YTD 2017)

- **75% of members pledged in 2017**
- **Where YTD Income Came From:**
 - 85% of came from those who pledged
 - 5% came from unpledged giving – those who did not pledge, but gave and those who gave more than they pledged
 - 5% came from an annual Endowment Fund distribution
 - 3% came from designated gifts
 - 2% came from Loose Offerings & Miscellaneous
- **Where Funds Were Used:**
 - 47% of income was used to pay staff expenses
 - 22% of income was used to pay the mortgage
 - 14% of income was used to maintain the Building & Grounds
 - 9% of income was used for Outreach
 - 4% of income was used for Operating Expense
 - 3% of income was used for Christian Education
 - 1% of income was used for Worship & Fellowship
- **Giving Profile**
 - Average Pledge = \$6,247
 - 33 Members who pledged over \$10,000 represent 59% of pledged income
 - 45 members who pledged between \$5,000 & \$9,999 represent 23% of pledged income
 - 47 members who pledged between \$2,500 & \$4,999 represent 12% of pledged income
 - 24 members who pledged between \$1,500 & \$2,499 represent 4% of pledged income
 - The remainder pledged below \$1,500

2017 Commitment Campaign

Commitment season is coming in October!

Details will be provided soon. Please be thinking about your 2018 commitment to Saint Luke's.

In the meantime, if you have not already fulfilled your 2017 commitment, the stock market is at record highs, and now is a great time to use appreciated stock to do so. Avoid capital gains tax and get a tax deduction for a charitable contribution.

Stock or Mutual Fund Gifts

Saint Luke's welcomes those who choose to meet annual pledges or make a special gift by transferring stocks or other financial assets.

Your financial advisor or broker can email Mark Rogers at jjmarkrogers49@gmail.com to secure the necessary information to transfer stock or mutual funds to the Saint Luke's brokerage account.

Please be sure, if you choose this method of contribution, that you or your broker alert Mark Rogers in advance with the following information so that the contributing individual or family is properly credited for the gift:

- Name of contributor
- Amount of contribution
- Name(s) of equities/funds
- Pledge or gift
- Date transferred to Saint Luke's

SAINT LUKE'S ENDOWMENT FUND

Saint Luke's Endowment Fund has been blessed with rapid growth over the last 4 ½ years, growing from \$82,000 to \$925,000. This growth was driven by large contributions from a few members and estate gifts as well as the proceeds from the tower lease sale. We have also benefited from good stock market returns. The Fund is now in a position to make a meaningful contribution to the church's operating budget each year.

The Endowment Fund received donations during the 6-month period ending June 30, 2017 totaling \$150,000. Investment returns added another \$68,000 representing a 10.1% return on investment. This favorably compares to the S&P 500, which was up 9.3% during the same period. The firm of Investment Research & Advisory Group Inc. manages the Endowment Fund's investments, and Saint Luke's Endowment Committee meets quarterly to review fund performance and direct investment strategy and distributions.

A gift to the Saint Luke's Endowment Fund helps ensure Saint Luke's financial stability for future generations. The fund's principal (or the original gift) is invested in perpetuity (the Permanent Fund). A portion of income generated from that investment is set aside (and held in the Distribution Reserve) to support St. Luke's annual operating budget. The goal is to maintain a Distribution Reserve of 20% of total Endowment balances. As of June 30, 2017, the Distribution Reserve was fully funded at \$186,000. This secures four annual contributions of approximately 5% of current Endowment balances without relying on additional investment returns. The Endowment was able to meet this 20% goal for the first time during the preceding 6-month period. This is a significant accomplishment due in large measure to the material donations received via our recent tower lease sale and strong market returns.

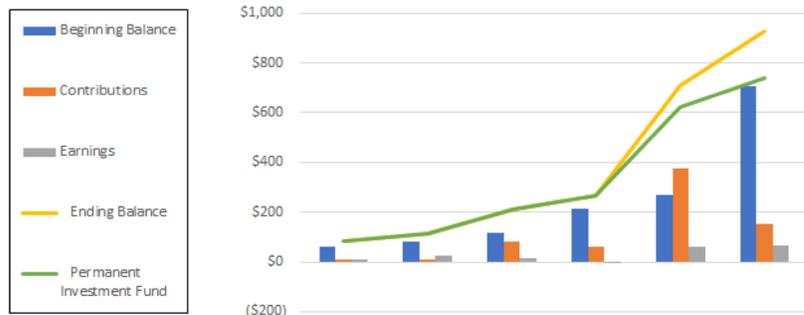
You can find a brochure containing more information in the church office. If you would like to learn more about the Fund, please contact a pastor or a member of the Committee:

Mark Douglass - Committee Chair
 Dan Joyce - Investment Advisor
 Bona Allen
 Mike Kitchens
 Pete Shelton
 Dave McKenney

SLPC Endowment Fund

\$-in thousands

Ending 6/30/17



<i>\$-in thousands</i>	2012	2013	2014	2015	2016	Jun-17
Beginning Balance	\$62	\$82	\$116	\$212	\$268	\$707
Contributions	\$10	\$10	\$82	\$59	\$377	\$150
Earnings	\$10	\$24	\$14	(\$3)	\$62	\$68
Ending Balance	\$82	\$116	\$212	\$268	\$707	\$925
Permanent Investment Fund	\$82	\$116	\$212	\$268	\$623	\$739
Cash Distribution Fund	\$0	\$0	\$0	\$0	\$84	\$186

A MESSAGE FROM DAN JOYCE, CHAIRMAN-FINANCE COMMITTEE

Having served on the Finance and Commitment Committees in recent years, I am overwhelmed by how positively our members responded to some difficult situations. David recently preached that life is filled with worry and all we have to do is turn to the Lord for guidance. The load gets lighter when we follow God's path. The Lord's work at Saint Luke's is done by a loving and dedicated church family that listens for the Spirit and says YES when the Spirit calls. The church's finances are light years ahead of where we were five years ago as a result of the Foundations Capital Campaign, the Tower Lease Sale, the growth of the Endowment Fund, and tight management of operating expenses. The Spirit beckoned and this congregation responded with a loving and resounding YES.

The financial challenges of running a church our size never cease. The Finance Committee is tasked to build a budget that is supported by member pledges; we do not have the luxury of deficit spending. In recent years, we asked for 10% and 7% increases in pledged giving and both campaigns went well, but we now have fewer members. We understand there are unending demands on your personal budgets and for this reason, we ask that when you consider your charitable giving, please make Saint Luke's your top priority. Please keep your 2017 giving up to date and be generous with your giving in 2018. Our expenses are pretty much fixed and we are skilled at managing expenses under our control. The never ending challenge is estimating revenue each year. We do not want to increase expenses too far beyond pledged giving.

We also face the reality of refinancing our mortgage in four years. The Finance Committee determined an appropriate goal would be to reduce the principal to be refinanced and to pay the mortgage off in ten years or less. Reduced mortgage payments and eventually no mortgage payments will solidify Saint Luke's finances and support the expansion of the work we do in God's name. We are enthused with the job at hand and with God's good grace, see a clear path to achieving these goals.

Thank you to all members who have contributed their time, talent, and treasure over the past five years and we look forward to your ongoing support. And "Thanks Be to God" for bringing us together at Saint Luke's.

Finance Committee Members

Dan Joyce - Chairman

Mark Rogers - *Treasurer*

Steve Cashwell

Rich Crutchfield

Don Dill

Mary Martin

Dave McKenney

Pete Shelton

Rebecca Strickland

Brad Troha

**Saint Luke's Presbyterian Church
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