

Capital Campaign Frequently Asked Questions

Questions about the mortgage debt

Q1 - What is the outstanding principal balance, term of loan, payment term, interest rate, structure, and lender?

A1 – At December 31, 2016, the mortgage principal balance was \$4,179,888.50. We refinanced the debt in May 2016 into a 10 year fixed payment structure with an opening balance of \$4,400,000 and an effective interest rate of 3.07%. The monthly payment is \$42,725.55, and the lender is HomeTrust Bank.

Q2 - Why did we refinance the mortgage in 2016?

A2 – Our prior mortgage had a balloon payment due in 2017, so the Session and the Funds Management Committee were looking for the right time to approach the market to extend the debt. The prior debt was on a 30-year amortization schedule, and given the rate environment in early 2016, we thought we could shorten the term of the loan without a significant increase in payment. Because the church's annual cash flows, when compared to the total debt outstanding, have improved over time, the church was able to get a favorable interest rate. This allowed the church to shorten the life of the loan with a small increase in the required monthly payment. The Funds Management Committee made the recommendation to the Session, who unanimously approved it.

Q3 - What was the original debt amount incurred / when / term?

A3 – SMPC's debt balance prior to the 2008 construction of our sanctuary was \$1.4 million, primarily related to the construction of the Chapel/Administration building. Sanctuary construction costs totaled \$6.2 million, \$1.3 million of which we paid in cash. At completion of the Sanctuary in 2009, SMPC's debt balance totaled \$6.3 million. Principal payments over the last 6 years total:

Balance, 12/31/2009	\$ 6,279,305.69
2010	249,973.72
2011	249,315.83
2012	218,334.97
2013	254,111.78
2014	264,511.63
2015	275,273.93
2016	587,895.33
Balance, 12/31/2016	<u>\$ 4,179,888.50</u>

Q4 - Is the debt prepayable?

A4 – The current mortgage is structured with a variable rate note and an interest rate swap agreement that results in a fixed rate liability for the church. The loan note can be prepaid without penalty. The interest rate swap would be marked to market at the time of termination – generally favorable to us if rates are higher at the time.

Q5 - Is the debt secured by the church property or something else?

A5 – Yes, secured by the church property.

Q6 – Will we seek to build a mortgage payment reserve in order to protect against potential periodic shortfalls in monthly cash flow?

A6 – Depending on the outcome of this capital campaign and subsequent cash contributions, we will strive to safely manage the finances of the church to protect against periodic interruptions in cash flows.

Q7 - What happens if the capital campaign comes in short of target?

A7 – Given the church’s history of giving, the growth in church membership since the last campaign, and the state of the economy, we believe this campaign should safely meet the targets we have set out. However, should the campaign come in short of the goal, we will likely have to re-visit the overall budget of the church and look to the membership to assist in meeting our financial commitments overall.

Q8 - If we complete payments at the end of this mortgage, how long will it have taken us to pay this off?

A8 – We have a 10-year mortgage that will mature in 2026.

Original construction project questions

Q9 - When did construction occur?

A9 – Construction began on our Sanctuary in late 2008 and was completed in November 2009.

Q10 - What was the original cost of the construction of the sanctuary?

A10 – Construction costs totaled \$6.2 million, \$1.3 million of which was paid in cash.

Q11 - Did it come in on budget / on time?

A11– Yes

Q12 – How did the other sections of the campus get funded?

A12 – SMPC has incurred debt with each phase of our property build-out. At the close of construction of our Sanctuary, \$4.9 million of construction debt was added to our then debt balance of \$1.4 million, primarily related to the 2006 construction of our Chapel/Administration building.

Prior capital campaign questions

Q13 - How many campaigns have we already done for this building?

A13 – The 2017-2020 Capital Campaign is the fourth campaign supporting the construction of the Sanctuary.

Q14 - What were the size of those campaigns? Dollars / number of participants / done over 3 years?

	2014-2017	2011-2014	2008-2011	
Number of Pledges	244	164	207	
Amount Pledged	1,454,460	1,408,354	2,594,317	
Amount Received	1,373,215 *	1,360,856	2,372,426	
	94.4% *	96.6%	91.4%	

A14 – * projected receipts for 2014-2017 campaign

Q15 - Did the actual receipts equal the pledged amounts? Why if short?

A15 – It is not unusual to realize slightly less than the overall pledged amount over a campaign of three years. Some people’s financial circumstances change such that they cannot fulfill their original intentions. We believe that all pledges are entered into with the full intention of fulfilling that commitment. We also regularly experience people who later decide to increase their contribution over their original pledged amount.

Q16 - Were there capital campaigns for other parts of the campus?

A16 – All of SMPC’s building projects have been funded with capital campaigns.

Capital Campaign and the Operating Budget questions

Q17 - Why do we have a capital campaign and an operating campaign?

A17 - SMPC relies on two sources of income to fund God’s work, including expenses related to all church ministries, operations, benevolences and debt service: 1) Operating Fund contributions and 2) multi-year Capital Campaign Fund contributions.

Operating Fund Contributions

Operating Fund contributions fund the day-to-day ministries, programs and operations of SMPC. All that you see us do in this place and outside our doors, from worshipping on Sunday mornings to providing classes, small groups and Bible studies on Sundays and throughout the week to assisting those in need here in our community and beyond, is made possible by contributions to the Operating Fund.

SMPC encourages members to make a financial commitment to the

Operating Fund during the annual Operating Fund campaign each fall.

Multi-year Capital Campaign Fund Contributions

Sanctuary Fund contributions allow us to worship God in our beautiful sanctuary. Since our founding more than twenty-five years ago, our membership has constantly been growing, and we have undertaken a series of building projects to accommodate this growth. Today we have an attractive and functional campus. We fund building projects (when ongoing) and debt service (currently) with three-year capital campaigns.

Q18 - Why do I need to make a pledge? Can't I just make contributions over the next three years when I can afford them?

A18 - Pledging provides a disciplined approach to church stewardship. Not only can pledging be an act of spiritual discipleship, but it is a valuable tool for church financial planning. Pledging allows the church to predict its future cash flow, prepare budgets and make financial commitments in furtherance of this project. Unless we understand what the congregation has pledged and intends to give and when, this process becomes more difficult. Nevertheless, a pledge is not required. Importantly, individuals are free (and encouraged) to make contributions to the campaign over time as they are able.

Q19 - How long is the campaign and how can I make my pledge?

A19 - The term of the campaign is three years from May 2017 to April 2020. Pledges will be received in worship on April 23rd – Commitment Sunday. You can pay in whatever way is most convenient for you and on whatever schedule works best. Some members will pay monthly, others will pay quarterly, others will pay annually, and some may choose to make a one-time gift.

Q20 - Would it be helpful to make the gift of my pledge early?

A20 - Yes, any early gifts or pledges will assist our financial planning.

Q21 - Will someone call me, visit me, or contact me about the campaign?

A21 - Yes, you will hear about the campaign from a variety of sources. In particular, you are invited to attend one of the Vision Awareness

Gatherings between March 12 and March 19, where we will discuss the particulars of the campaign. If you are unable to attend a meeting, we will be happy to visit or speak with you separately.

Q22 - What happens if I am unable to fulfill my pledge?

A22 - Pledging is an estimate of giving. Sometimes situations prevent someone from making their full pledge, while other events may allow folks to increase their pledge. You can modify your pledge – just let the church know of your adjustment.

Q23 - Are my campaign contributions tax deductible?

A23 - Yes, all gifts to the campaign are tax deductible.

Q24 - Is this gift in addition to my gift to the Operating Fund?

A24 - Yes, this is an additional pledge and does not alter your pledge to the Operating Fund. The pledge you make during the annual Operating Fund campaign is for our operating budget. Your pledge and gifts for this capital campaign will support debt service of our mortgage.

Q25 - Why is there a mortgage subsidy in the operating budget?

A25 – Each year since 2012, \$90,000 of our Operating Fund has been allocated to debt service. This subsidy is necessary to meet our mortgage payment requirements.

Q26 – What is paid for in the Operating Fund budget? Are there building costs in that budget?

A26 – The Operating Fund covers the day-to-day ministries, programs and operations of SMPC. There is also a \$90,000/year mortgage payment subsidy included in the Operation Fund to meet our debt service requirements.

Q27 - What happens if this campaign eliminates the need for the mortgage subsidy in the Operating Fund budget?

A27 – We look forward to being able to make this decision. The Session and Funds Management committee would take that opportunity to look at

the next priorities of the church from a budget perspective. It is likely we will begin to put aside an amount for building maintenance and capital improvements.

Q28 - Does the money raised for the capital campaign go to anything else, such as mission or outreach activities, operating budget subsidy, endowment?

A28 – For our last three campaigns, 3% of campaign receipts have been designated for benevolence – 1.5% for local mission agencies and 1.5% for our ministry partnership in Haiti, and we plan to continue that approach in this campaign.

Q29 - What has the growth of the church been since SMPC started the existing capital campaign? Number of new members/giving units, number of staff or full time equivalents, number of children/youth, community outreach activities, etc.

	membership
2008	752
2009	862
2010	967
2011	1028
2012	1073
2013	1,133
2014	1,163
2015	1,180
2016	1,196

A29 –

We had 7.5 staff members in 2008 compared to 9.25 in 2016

Q30 – Is SMPC on solid financial footing?

A30 – Although SMPC does have this mortgage debt, we believe our congregation has demonstrated its commitment to our church since its inception more than 25 years ago. Our recent Operating Fund campaigns and Capital campaigns have all resulted in commitments that meet the church’s financial needs. We believe the congregational support will continue long into the future.

Q31 – Will the congregation receive periodic updates regarding the

capital campaign and progress toward paying down the debt?

A31 – Yes, we will continue to update the congregation on both the Operating Fund budget performance and the Capital Fund / mortgage obligation.

Q32 – Why have we engaged a consultant to work on the campaign?

A32 – Our church has retained John Hewett, a professional consultant who works with non-profits nationwide, to assist our church with this campaign. The Session concluded that this campaign is too important to proceed without professional help. The use of professional consultant services can increase giving by 50% to 100% over pledges solely raised from the pulpit, and such increased giving more than pays for the flat fee charged for the services.

Q33 – How much will this campaign cost?

A33 – By the time all the expenses are paid, we expect this campaign to cost approximately 3% to 4% of the total amount pledged.

Q34 – Is this campaign spiritually based?

A34 – Yes. Every aspect of this campaign is based on spiritual and biblical principles. There are Spiritual Life Directors responsible for ensuring a positive spiritual climate to enhance the overall purpose of the campaign. With their leadership, we are guided by three questions in this journey of faith:

- 1. Where is God in this endeavor? (Have I prayed about it?)*
- 2. Where am I in this journey? (Have I left room for faith?)*
- 3. How can I make this experience holy? (Is my gift a sacrifice?)*

Different ways to give / participate

Ways to Give:

Cash Contributions: the most efficient way to give, automatic bank draft service is available

Stocks, mutual funds and securities – fair market value determines the tax-

deductible amount

Real estate – land, building, homes – all such gifts must be approved by the session

Life Insurance – a paid-up policy or a new policy; each has tax deductible elements

Retirement plans – certain types of retirement plan benefits can be donated; consult your tax advisor.

Q35 - Do we provide classes new members and congregational members may attend to learn more about giving as a spiritual discipline?

A35 – At the new member orientation program, new members meet with Nancy Metzler, hear about both the Operating Fund and the Capital Campaign Fund, and have an opportunity to pledge to both.

Q36 - Will we have other fundraisers/events during the 3 year capital campaign to pay down the mortgage?

A36 – We are not planning for any other capital campaign events during the 3 year window; this is the one broad based campaign where the church asks its members to support the capital costs.

Vision for what happens after we pay off debt

Q38 - Do we have a capital reserve for needed repairs?

A38 - At this point, SMPC budgets \$20,000 for building maintenance costs each year and reserves an additional \$10,000/year for capital repairs in the Operating Fund budget. Any additional amounts needed for building repairs & maintenance is funded by our general contingency fund (\$187,000 at 12/31/2016).

Q37 - Will we embark on other building projects on the campus? What other needs/desires do we have (member programming, outreach)?

A37 – We believe the current footprint and facilities are suited to meet the

needs of this church for a number of years. Our capacity in the sanctuary is comparable to churches in the area with a greater number of members. By paying off this mortgage, it will free our church up to make investments in our missions (e.g., Haiti, Urban Ministry, Charlotte homelessness). It will also allow us to continue to expand our ministries in music, education and outreach. Our church's goal is to be a community that reflects the character of Christ on earth today. Our goal in all we do is directed toward that vision.

For follow up or answers to additional questions, please feel free to contact any member of the Vision Awareness Team.

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