

# Church of the Heavenly Rest

Annual Meeting  
January 29, 2012

# Meeting Objectives

- 2011 in review
  - Operations and programs review
  - Budget and financial results
- Strategic initiatives
  - Rector search
  - Stewardship
  - Foundation
  - Real estate
- 2012 budget and long range forecast

# We had an active, successful year of services and programs

- 265 worship services
- Sunday school
  - 60 children
- Confirmation program
- Adult education
- Special music programs
- Friday Flings
- Holiday meals
  - Over 900 served
- Shelter
  - Over 1,500 guests
- Prayer, spiritual groups
- Outreach
  - 19 diverse recipients
- Carpenters Kids
  - 252 children in 5 villages
- Thrift
- Many others

# Jim Burns' retirement added an unexpected dimension to the year

- Celebration Committee
  - Gala dinner in October honoring Jim and Nancy
  - Celebration dinner in December
  - Sunday brunch
- Formation and activities of the Parish Profile and Rector Search Committees
- Interim Rector Search Committee
- Jim and Nancy Burns Gift Fund

**Although with mixed emotion, one of Jim's departing gifts was further opportunity for communion among us**

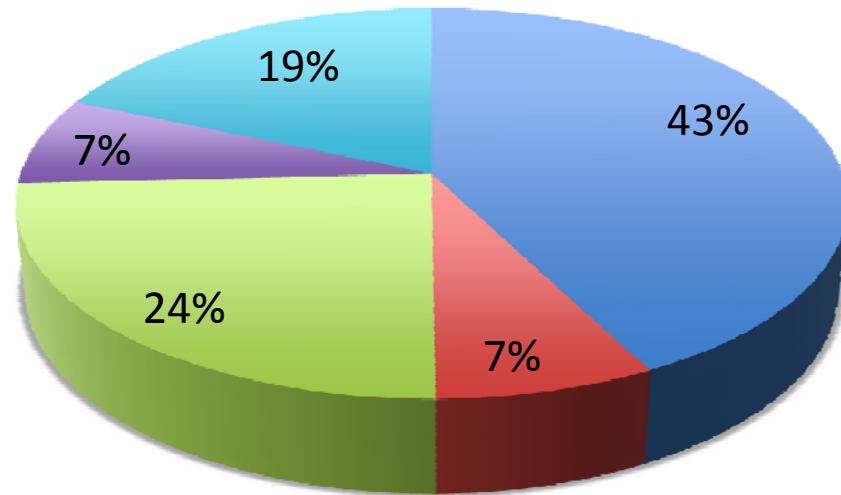
# We discussed a variety of financial initiatives at the last Annual Meeting

- Re-energize stewardship
  - Congregational support flat since 2005
- Encourage change in the pattern of giving
  - Eliminate strain of seasonality from “final drive”
  - Encourage on-line giving
- Diversify support/revenue sources
  - Foundation, HRS, space rental
- Continued focus on expense control
- Reduce risk of dependence on endowment draws
- Seek forbearance from Diocesan Assessment

# 2011 Budget review

- Pledge is the largest component of Church funding
  - We set a 2011 target of \$1.2 million, a 14% increase
  - Stretch goal of \$1.45 million to also cover Diocesan Assessment
- Tenant revenue represents roughly ¼ of our funding
  - Vital to effectively manage that revenue stream
- Objective to reduce draining of endowment
  - Policy of drawing 4-4.5% of value; trailing 3-year basis

## Budgeted Sources of Revenue

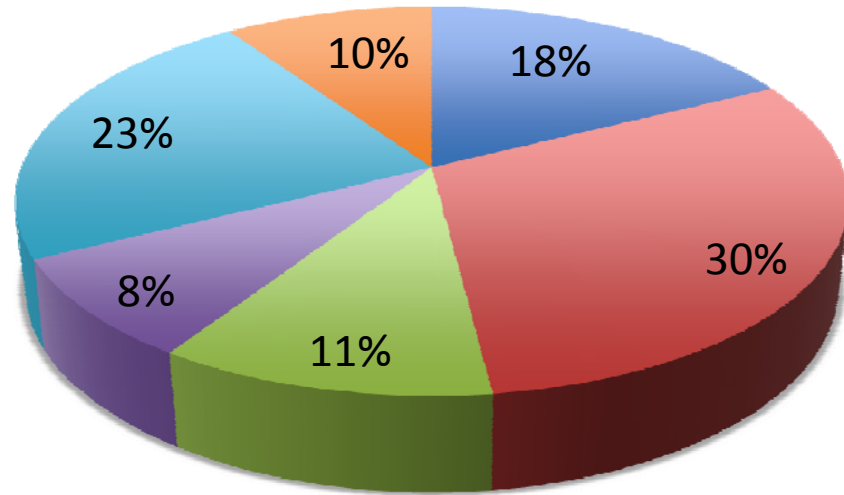


- Pledge
- Other Support
- Tenant Revenue
- Other Revenue
- Draws from Endowment

# 2011 Budget review

- Staff-related expense is the largest component of our operating costs
- Building costs represent the second largest
  - Typically the most volatile element of cost
  - ¼ relates to A/C loan
- Clergy-related expense was 18% of budget
  - About ¼ of this relates to clergy housing
- Diocesan Assessment of approximately \$300,000

## Budgeted Expense Composition



- Clergy Salaries, Benefits, Housing
- Staff Salaries and Benefits
- Worship/Programs/Outreach
- Administration
- Building Costs
- Diocesan Assessment

# Operating results for 2011

	Budget	Actual	Variance
Pledge	\$1,200,000	\$1,065,199	-\$134,801
Other Support/Revenue	414,640	540,851	126,211
Tenant Revenue	688,791	684,158	-4,633
Endowment Draws	524,377	508,031	-16,346
			-\$29,569
Clergy and Staff	1,508,797	\$1,623,517	-\$114,720
Worship/Programs	350,268	356,902	-6,634
Administration	264,434	323,636	-59,202
Building	718,009	578,791	139,068
Sub-total	-\$13,700	-\$84,757	-\$71,057
Diocesan Assessment	299,768	0	299,768
Total	-\$313,468	-\$84,757	\$228,711

# Key 2011 takeaways

- Approximately \$85,000 cash operating deficit financed from endowment
  - Any Assessment payment will require further endowment draw
- Fell short of our pledge goal; pledges were once again flat y-o-y
  - J&N Burns Gift Fund and Foundation demonstrate additional pledge capacity
- Negative expense variances were partially offset but lower building costs and utilities
- \$8.0 million of unrestricted endowment at YE 2011
  - Approximately flat year-over-year
- Ongoing dialogue with the Diocese
  - Appealed 2011 Assessment; 2012-2014 forbearance sought
  - So far supportive of our need for time to repair structural deficit
  - Recognition that we are in a transition period

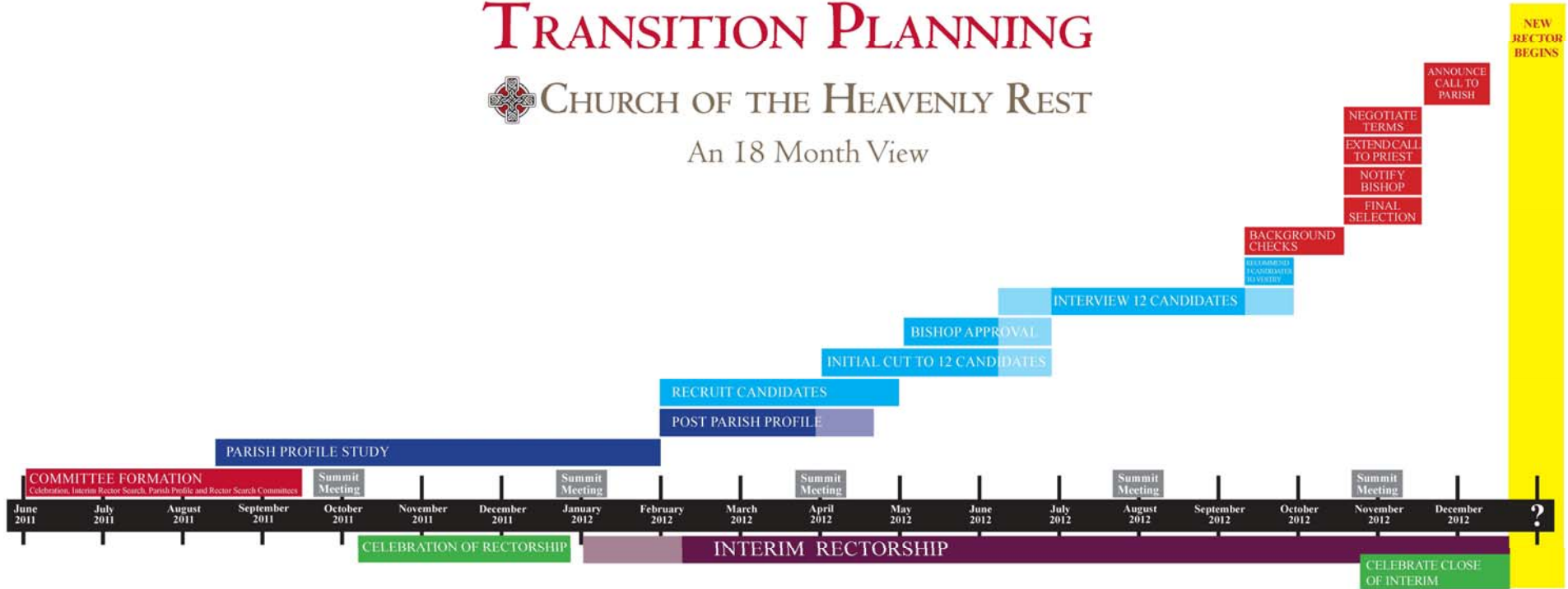
# Rector search process is underway

- Parish Profile Committee formed last summer
  - Chaired by Euan Cameron and Holly Hughes
  - First step before seeking candidates; important for discernment and as a marketing tool for candidates
  - Final report expected soon
- Rector Search Committee formed in September
  - Chaired by Robert Williamson and Gail Zimmerman
  - Will solicit a broad range of candidates
  - Aiming to be interviewing/observing candidates within six months
  - Process typically takes at least a year

# TRANSITION PLANNING

## CHURCH OF THE HEAVENLY REST

An 18 Month View



### KEY OF RESPONSIBILITY:

<p><b>VESTRY</b>  <b>Wardens:</b>                  Andrew Horrocks                  John Hitchcock  <b>Treasurer:</b>                  Caroline Williamson  <b>Vestry:</b>                  Gray Boone                  Richard Buonomo                  David Chapman                  Judi Counts                  Jack Cunningham                  Clara Dale                  Evan Davis                  Meredith Hawkins                  Holly Hughes                  Karen Hughes                  Margaret McQuade                  Stephen Schaible                  Joseph Seiler                  Judith Washam</p>	<p><b>PARISH PROFILE COMMITTEE</b>  <b>Co-Chairs</b>                  Euan Cameron                  Holly Hughes  <b>Committee</b>                  Molly Grose                  Stephen Koch                  Marion Morey                  Bill Niles                  Bo Niles                  Janet Robertson                  Possible Extension of Parish Profile Project</p>	<p><b>SEARCH COMMITTEE</b>  <b>Co-chairs</b>                  Robert Williamson                  Gail Zimmermann  <b>Committee</b>                  David Chapman                  Jack Cunningham                  Jim DeWoody                  Tina Donovan                  Liana Doyle                  Richard Johnson                  Margie McKittrick                  Marion Morey                  Elizabeth Stevens                  Possible Extension of Search Committee Project</p>	<p><b>CELEBRATION COMMITTEE</b>  <b>Co-chairs</b>                  Jo Dare Mitchell                  Judi Counts  <b>Committee</b>                  Melissa Bernstein                  Patty Bigelow                  Susan Binger                  Ruth Anne Cary                  Joanna Cawley                  Ann Collins                  Ninna Denny                  Amanda Frei                  Jane Havemeyer                  Karen Hughes                  Valerie Kekana                  Tim Lively                  Marjorie McKittrick                  Cheryl Mwarira                  Molly Parkinson                  Janet Robertson                  Leslie Rupert                  Allison Saxe                  Aleta Shipley                  Margot Spelman</p>	<p><b>INTERIM RECTORSHIP</b>  <b>Clergy</b>                  The Rt. Rev. Michael Marshall, <i>Priest in Charge</i>                  The Rev. Thomas N. J. Synan, <i>Associate Rector</i>                  The Rev. Elizabeth Garnsey, <i>Associate Rector</i>                  The Rev. Caroline Boynton, <i>Deacon</i>  <b>Supply Clergy</b>                  The Rev. Kristin Kopren, <i>Assisting</i>                  The Rev. Rhonda Rubinson, <i>Assisting</i>  <b>Music</b>                  Mollie Nichols, <i>Director of Music</i>                  Steven Lawson, <i>Assisting Organist</i>  <b>Staff</b>                  Ruth Anne Cary, <i>Director of Finance &amp; Administration</i>                  Caren Miles, <i>Director of Children &amp; Family Ministries</i>                  Kara Flannery, <i>Director of Communications</i>                  Krys Valentin, <i>Parish Secretary</i>                  Elinor Loveridge, <i>Financial Secretary</i>                  Patricia Gibson, <i>Receptionist</i>                  Roger Chavannes, <i>Vergor</i>                  Craig S. Sibbles, <i>Sexton</i>                  José Barahona, <i>Sexton</i>                  Elmer Barahona, <i>Sexton</i>                  Possible Extension of Interim Rectorship</p>
<p><b>Summit Meeting</b> A meeting of Vestry and all Transition Committee Members</p>				

# Interim Rector update

- Met with multiple candidates last fall
  - Exceptional talent pool available
- Selected Bishop Michael Marshall
  - Extraordinary career history, with substantial portions spent in the U.S.
  - Also a prolific author and musician
  - Previously visited, preached, performed at CHR
  - Now awaiting CIS documentation
  - March target, if not sooner

# Effort to revitalize Stewardship is underway

- Long-term health of the Church requires increasing support over time, in line with increasing costs
- Entire Stewardship process being re-evaluated
  - Mission, message and dialogue with the parish
  - Consultant retained in December
  - Program roll-out over the course of 2012
- Stewardship Committee chaired by Tina Donovan and Bill Herrman

## 2 East 90<sup>th</sup> Street Foundation progress

- Final corporate documentation completed and bank account opened in mid-2011
- Part of strategy to broaden Support
- Separate, non-religious, non-profit corporation dedicated to preservation of our building
  - Facilitates corporate matching gifts
  - Enables support without giving to religious entity
  - Opportunity for architectural/landmark grants
- First grant made to CHR in 2011
  - \$10,000 for cost of two maintenance projects

# Important real estate matters being evaluated

- Lease with Trevor Day School expires in June 2013
- Jones Lang LaSalle retained to evaluate and market property to prospective lessees
  - Exact square footage to be made available for lease has not been determined
- Multiple scenarios depending on CHR space and financial needs, rental rates, tenant types, etc.
  - Preference for new rector input
- Clara Dale leading a committee of Vestry and other congregants

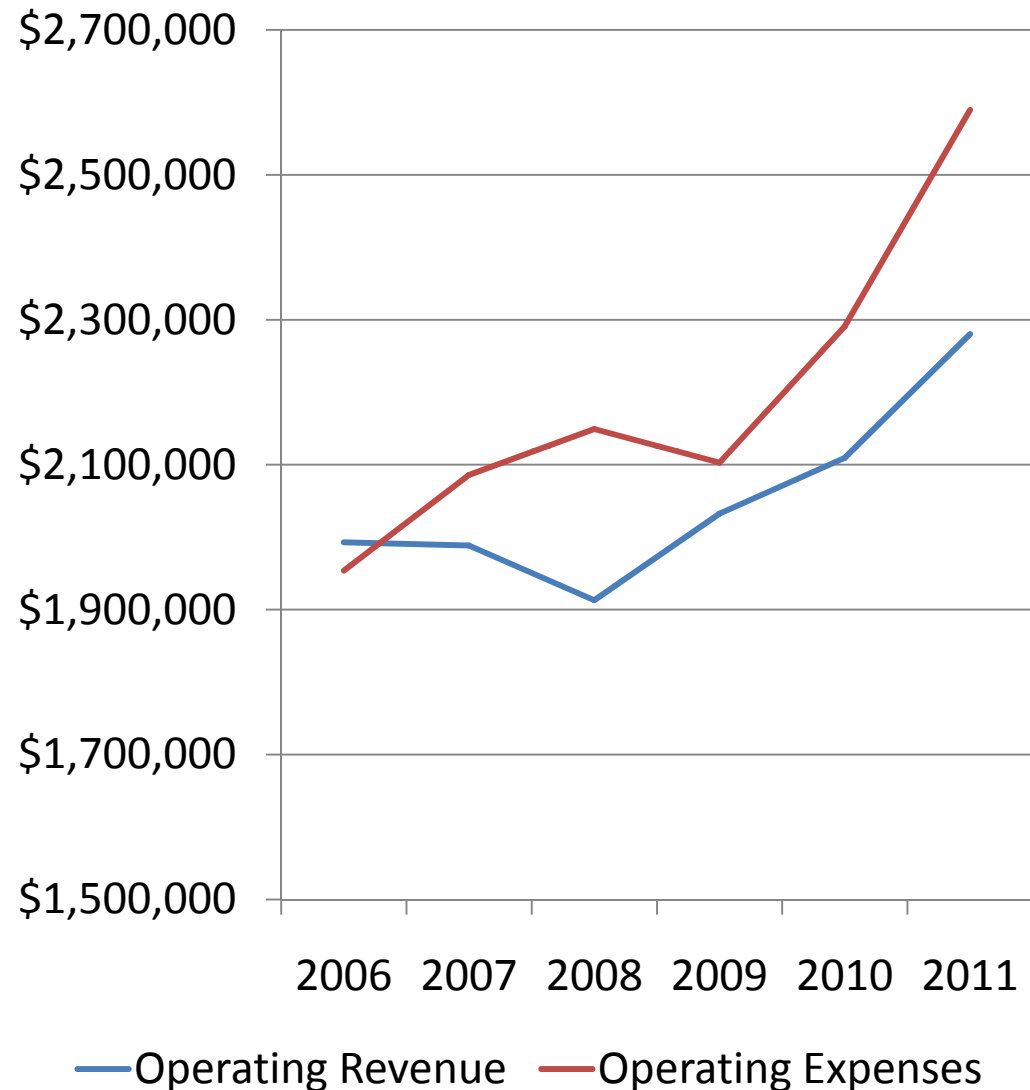
# Long-term outlook

- Many core strengths to build on with new rector
  - Engaged congregation
  - Talented clergy and dedicated staff
  - Healthy building in strategic location
- Long-term goal to eliminate deficits and contribute to the Diocese
  - Vital for sustainability
  - Enables endowment to grow over time
- Likely operating deficits during 2012-2014 transition period
  - Rector transition
  - Real estate resolution

## Historical operating revenue and expense trend

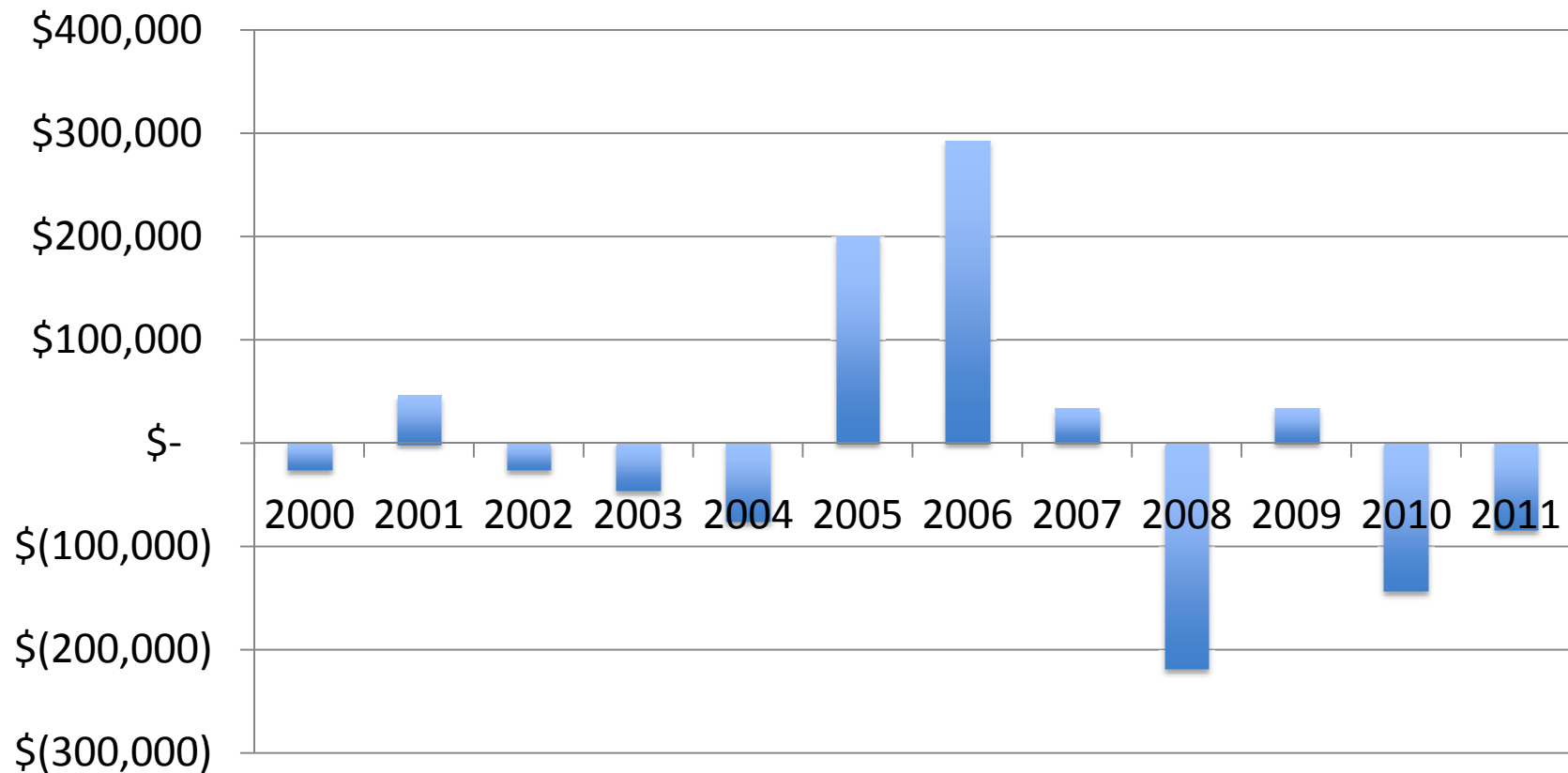
- Chronic operating deficits require action
  - Widening at an accelerating rate
- Expenses growing at a faster rate than revenue
  - Revenue growth of roughly 3%
  - Expenses growing at 6% since 2006 (8% since 2001)
- Cost control is an ongoing objective, but changing the rate of growth is also essential
- Amounts shown exclude endowment draws and Diocesan assessments

## Widening operating deficit



We typically balance budgets through cycles, but we haven't recovered post-2008

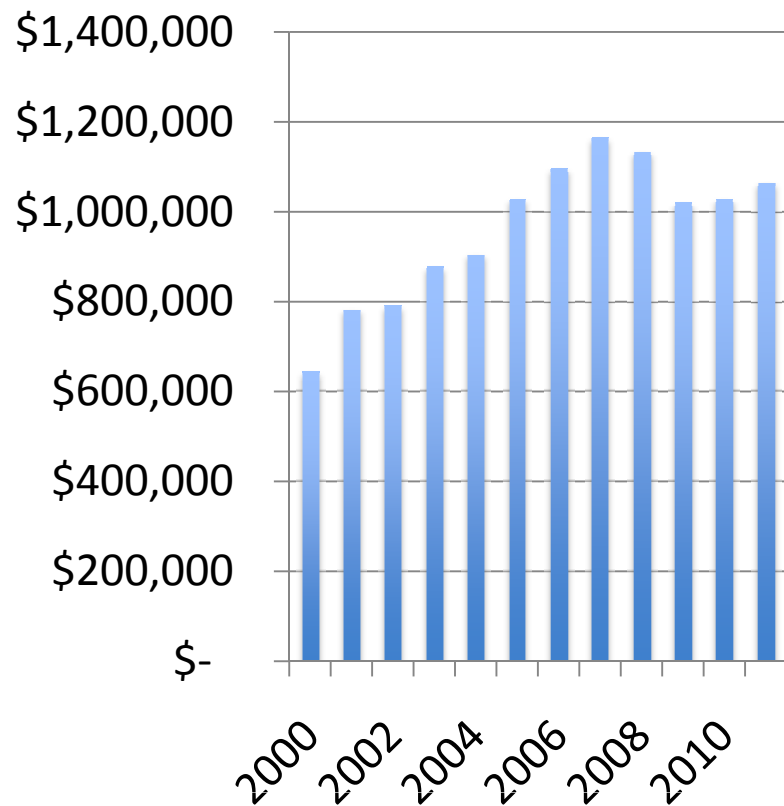
### Annual Gross Budget Surpluses/(Deficits)



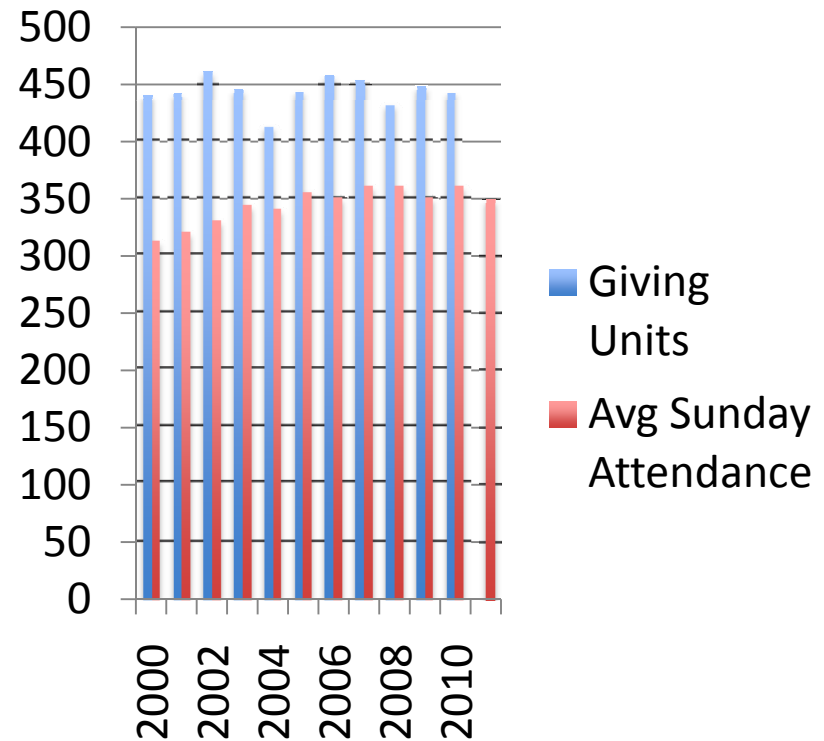
**Note: We benefited from one-time Diocesan re-assessment in 2009 and no payment in 2011**

# The key to revenue growth is increasing support from a growing congregation

## Annual Pledge/Support



## Sunday Attendance and Traceable Giving

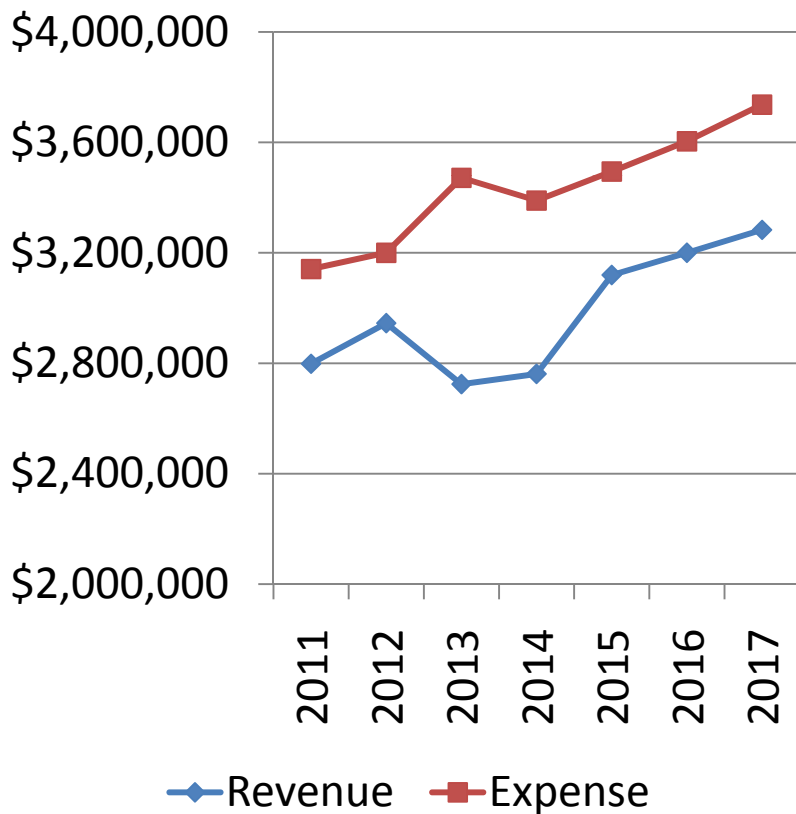


# Objectives of long-term plan are clear; specific strategic actions have not been decided

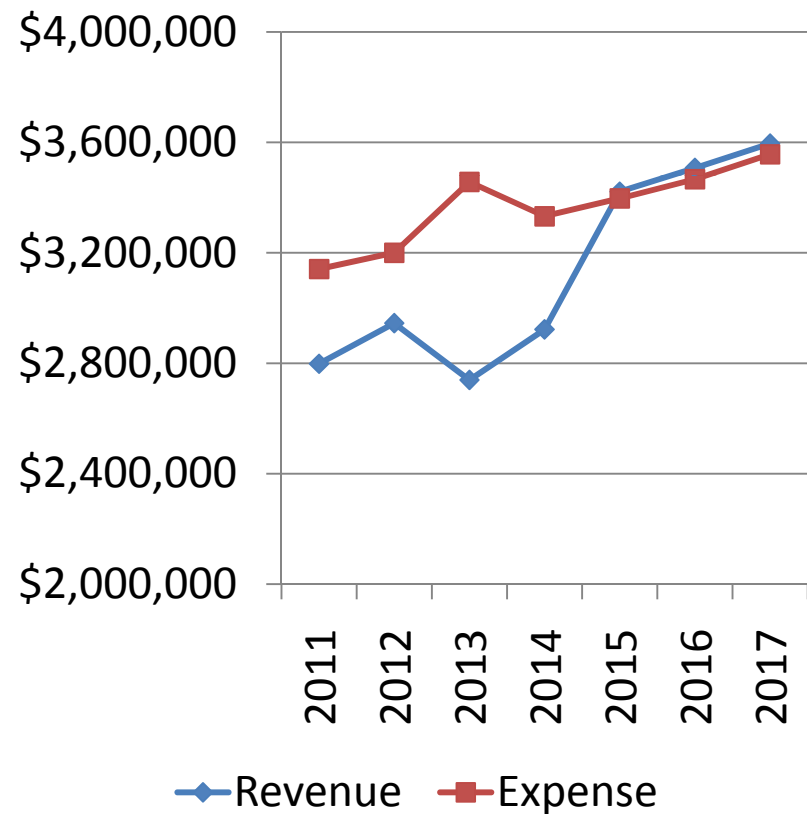
- Need to grow our congregation over time
  - Traditional and non-traditional ways likely required
  - Engage all demographics and draw in new members
- Broaden and diversify support
- Increase building utilization to add revenue
- Optimize real estate situation
- Carefully control costs
- Grow endowment over time
- Vestry has evaluated multiple scenarios required for a long-term balanced budget
  - Necessity and type of cost-oriented actions will depend on success of revenue enhancement measures
- Long-term needs and goals help to inform new rector choice
  - New rector will be essential to strategy implementation

# 5-year financial forecast results

## Forecast - Current Trend



## Forecast - Selected Actions



# 2012 Budget - in focus

	2011 Actual	2012 Budget	Improvement
Pledge	\$1,065,199	<b>\$1,260,000</b>	\$194,801
Other Support/Revenue	540,851	443,500	<b>-97,351</b>
Tenant Revenue	684,158	720,751	36,593
Endowment Draws	508,031	520,722	12,691
Sub-total	2,798,239	2,944,973	
Clergy and Staff	\$1,623,517	\$1,514,483	109,034
Worship/Programs	356,902	361,598	<b>-4,696</b>
Administration	323,636	394,946	<b>-71,310</b>
Building	578,941	620,849	<b>-41,908</b>
Diocesan Assessment	0	0	0
Subtotal	\$2,882,996	\$2,891,876	
Total	<b>-\$84,757</b>	\$53,096	\$137,853

# In conclusion

- Exciting time of discovery for our Church
  - Opportunity for spiritual growth
- Unwavering commitment to worship and programs
- Need to grow our congregation and grow Stewardship
- Delicate period of financial transition
  - Your ongoing support is vital
- Viable long-term financial framework
  - Specific new programs and strategic actions to be determined during transition period
  - Input and talents of congregation needed