



**YORKMINSTER PRESBYTERIAN CHURCH**

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6218 George Washington Memorial Hwy.  
Yorktown, VA 23692

Interim Pastor  
*Russ Ritchel*

Phone: 757 898-4YPC (4972)  
Fax: 757 877-8110

Associate Pastor  
*David Pierce*

Website: [www.yorkminsterpc.org](http://www.yorkminsterpc.org)

Minister of Music  
*John McDonough*

February 28, 2012

Dear Members and Friends of Yorkminster Presbyterian Church,

Each year, Yorkminster's Financial Improvements Study Committee (FISC) performs a review of the Church's financial status. We then report on our Capital Fund that supports the financing of our Fellowship Center and the parcel of land along Highway 17 next to Stor Moore (known as Rollins II). YPC has just completed the 2nd year of its third 3-year Capital Campaign, 2010 through 2012, and we would like to share with you the financial highlights for 2011 and update you on arrangements for the next few years. It is particularly important this year for our members to understand the financial status since our congregation is seeing some increasing financial challenges.

For 2011, the Capital Income was \$283,575; the Capital Expenses were \$342,894. The expenses are primarily for loan payments with just over \$12,000 being spent on miscellaneous fees; most of the fees were for the refinancing of our debt on the Fellowship Center. The new loan is with SunTrust Bank at an interest rate of 4.77%, replacing the loan at Old Point National Bank at 6.50%. The expenses are larger than the income; however, what is not shown is the \$65,000 transferred from the Operating Fund to the Capital Fund (more on this transfer later).

The church bears two loans on real estate owned: one on the Fellowship Center and one on Rollins II. The 2011 loan activity on the two loans is as follows:

	<u>Principal Paid</u>	<u>Interest Paid</u>	<u>Total Paid</u>
Fellowship Center	\$75,625	\$103,790	\$179,415
Rollins II Land	141,236	10,076	<u>151,312</u>
			\$330,727

Following is information on the two loans:

	<u>Original Loan Amount</u>	<u>Outstanding Principal (12-31-2011)</u>
Fellowship Center	\$2,771,865	\$2,044,515
Rollins II	428,444	<u>162,208</u>
		\$2,206,723

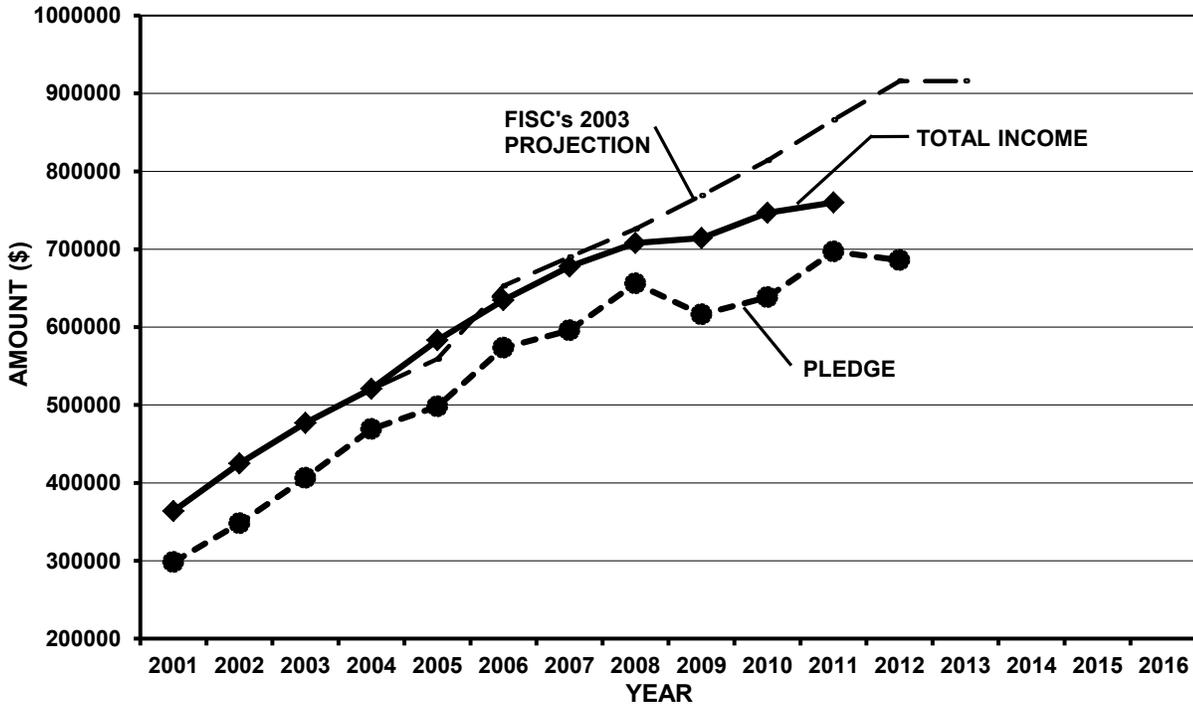
The outstanding debt on Rollins II was paid off last week, giving the church a clear title for future use. This property is now considered a solid asset that will strengthen YPC's balance sheet.

Our plan has always been for the Capital Campaign to end in 2012, and for the Operating Fund to take over the debt payments at that time. As part of this debt payment transition from the Capital Fund to the Operating Fund, the Operating Fund has been contributing to the debt payment for two years. The plan was for the amount to increase each year until it reached a debt payment of \$165,000 in 2015. This was to provide for a manageable build up in payment rather than face a large step-up debt payment by the Operating Fund in one year, hopefully, minimizing the impact on Church programs. Since this buildup of Operating Fund contributions was planned to stretch out for several years, the Capital Fund would carry over funds beyond 2012 to assist the operating budget in making debt payments. FISC coordinated with the Financial Oversight Committee (FOC) to arrive at the best solution for making this transition.

A positive indicator of the dedication of YPC's congregation is that gifts to the Operating Fund always exceed the amount pledged. However, Operating gifts have not grown as fast as originally projected. The graph on the following page depicts the Operating Fund projection versus our actual situation.

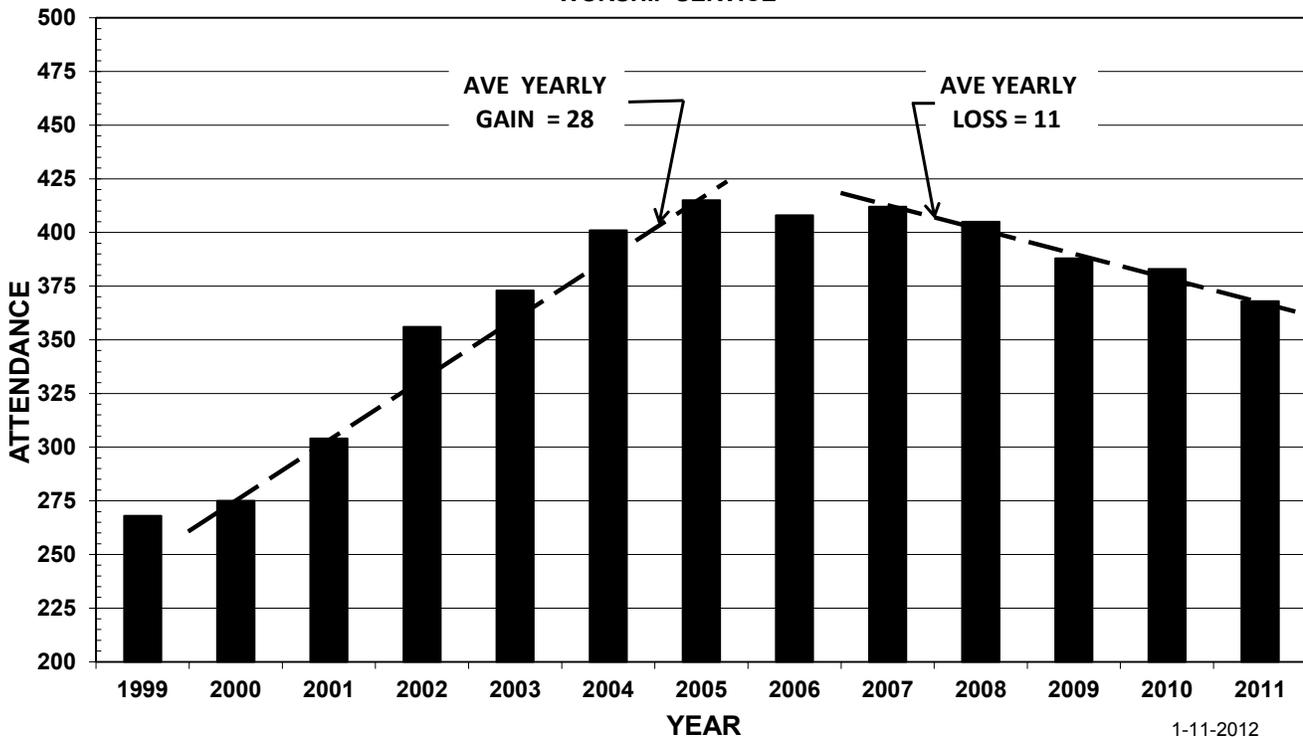
For God so loved the world that he gave his only Son, so that everyone who believes in him may not perish but may have eternal life.  
John 3:16

### OPERATING INCOME YORKMINSTER PRESBYTERIAN CHURCH



FISC believes that this slowdown in our operating income's rate of growth may be attributed to two things: the general economic conditions over the last four years and the decrease in Yorkminster's Worship attendance, see chart below. (Denominational financial experts tell us that there is a strong correlation between attendance and giving.)

### AVERAGE WEEKLY ATTENDANCE WORSHIP SERVICE



While the congregation's giving has not grown as fast as projected, the fact that our giving has continued to grow is a testimony to the faithfulness of those who give.

Our Capital Fund Income is on plan and in very good shape as shown below,

<u>Pledge Campaign</u>	<u>Calendar Year</u>	<u>Pledge Amount(\$)</u>	<u>Total Income Received (\$)</u>	<u>Income Compared to Pledge (%)</u>
1	2004 thru 2006	1,100,000	1,381,846	126
2	2007 thru 2009	1,248,603	1,202,627	96
3	2010 thru 2012	831,088	657,411*	79

\*Income for 2010 and 2011 only. Income transferred from the Operating Fund is not included. We are 66% of the way through the campaign and 79% of the pledge amount has been received; however, income for capital campaigns tends to be front end loaded.

SunTrust Bank, which holds our loan, is very satisfied with our performance and speaks encouragingly with respect to a follow-on loan when refinancing is required in 2016.

Yorkminster's challenge is that the Operating Fund is not going to be able to pick up the expected portion of the loan payments in the next few years without devastating the funding for the ongoing mission of our Church. Severe cuts have been taken in 2012 so that this fund can contribute to the mortgage payments as planned. The Session has concurred with FOC and FISC that unless there is a significant increase in Operating Income in the next few years, this fund will be unable to carry the loan payment alone without unacceptable additional cuts in our Church's program. Therefore, FOC is discussing with the Session a three pronged approach to tackle this challenge: Yorkminster must use fiscal prudence in all expenditures; all members of the Church must join with the Session in making Church growth a priority; and there must be another Capital Campaign to generate additional income to pay the mortgage until the operating fund is able to take over the total mortgage payments on its own.

Some of this is already underway. You are all aware of the emphasis on fiscal austerity in the 2012 operating budget. The Minister and the Session are making strong efforts to help our church grow. The Church has initiated participation in The Upward Basketball Program, which is designed to reach families with children. Our contemporary service is moving to 9:30 am Sunday to reach more people in our community. Other outreach programs are being explored. In February the Session approved a new Capital Campaign in 2012. These new pledge commitments will begin in 2013 and will provide a portion of the mortgage coverage in 2013 through 2015 and, hopefully, prepay additional principle so that the loan will be significantly reduced when we refinance in 2016. Details of the Campaign (length, goal and structure) will be proposed to the Session by FISC and the Minister. Both financial committees (FISC and FOC) and the Session believe that another Capital Campaign is necessary and will keep Yorkminster on track to meet our debt commitments without undue damage to the ongoing mission of our Church. The timing of the campaign will need to be coordinated carefully with the tenure of our Interim Minister and the arrival of a new Senior Minister.

Yorkminster is a dynamic Church with a congregation dedicated to doing our part of God's work in this area and beyond. With concentrated effort and an enthusiastic congregation we expect to see growth in membership and attendance and with it increased giving that will support our mission according to the vision that the Session has established based on Congregational input. Our beautiful facility has already been and will continue to be a magnificent resource as we reach out to serve our community.

(FISC's presentation to the Session, Feb 2012 provides more numerical details concerning our current financial status and future projections. It is available on the Yorkminster web site: [http://members.yorkminsterpc.org/Documents/2012-02-06-FISC\\_presentation\\_to\\_session.pdf](http://members.yorkminsterpc.org/Documents/2012-02-06-FISC_presentation_to_session.pdf)

*Belinda Adams, Ed Bruce, Bill Eutsler, Mary Catherine Fralich and Dr. Russell Ritchel, ex-officio,*

Financial Improvement Studies Committee  
Yorkminster Presbyterian Church