Finances related to Property

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Sequence of Decisions

First - “why?”

Then - “what?”

Then - “how?

This sequence costs less, saves time, and is more likely to result in a positive outcome

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Defining the "Why"

Defining the "What"

Frequent situations include:

- Aging-in-Place
- Continuing congregation with a sale of lease or sharing of real property:
  - No financial partner / "going solo"
  - With a financial partner
- Merger
- Dissolution

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Defining the "How"

Key elements:

- Identifying and naming the transaction
- Identifying partners and key stakeholders
- Estimating the time horizon
- Identifying complicating factors
- Identifying approvals needed
- Evaluating the financial implications

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Defining the "How"

Identifying and naming the transaction:

- Aging-in-Place
- Continuing congregation with a sale of lease or sharing of real property:
- No financial partner / "going solo "with a financial partner
- Merger
- Dissolution

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Defining the "How"

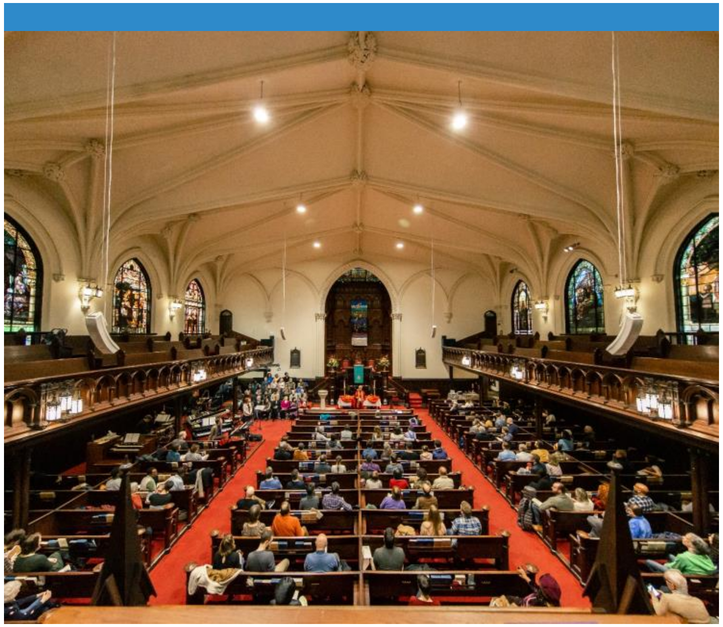
Identifying and naming the transaction:

- Maintenance mode
- Sale
- Lease or rental
- Partnership
- Creation of new entities
- Dissolution

Defining the "How"

Identifying partners and key stakeholders:

- Leaders and members
- Presbytery
- Municipality
- Partners and lenders
- Advisors
- Neighbors



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Defining the "How"

Estimating the time horizon:

- Lease / sharing relationships can be quick
- Sales average 18 months from listing to close
  - Most contracts fall through
- Mergers work averages 18–24 months
  - Most discussions fail
- Dissolution speed varies
- Redevelopments often take 5 years

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Defining the "How"

Given these time horizons …

- Do you have enough time?
  - Will your money last that long?
  - Will your people stay that long?
  - Will your energy last that long?
- Perhaps the greatest danger: fatigue

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Defining the "How"

Identifying complicating factors:

- Ownership complexity
- Reversionary or restrictive clauses
- Zoning and related restrictions
- Historic status and historic districts
- Environmental hazards
- Cemeteries

Defining the "How"

Identifying approvals needed:

- Defining authority to enter into agreement
- Presbytery policies
- "Opt out" congregations (Chapter 7)
- Clarity in communications with buyer or lenders or partners
  - Set expectations conservatively

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Evaluating Financial Implications

Essential tasks:

- Current financial position defined:
  - Financial statements are accurate and fully representative
  - Current income streams are understood
  - Member giving patterns have been analyzed
- Cash-flow requirements and timing defined

Evaluating Financial Implications

Essential tasks:

- Projected continuing and new expenditures
- Projected continuing and new income streams
- Must assume loss of some members
- Evaluate sustainability factors
- Evaluate risk

Evaluating Financial Implications

Considerations:

- “Disinterested” third party assistance is often beneficial
- Leaders’ optimism must be balanced with pragmatism

- If this were easy, someone else would have already done it!

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Evaluating Financial Implications

Frequently-encountered obstacles:

- Absence of accurate and timely financial data
- Absence of leadership familiarity with finances
- Disproportionate dependence on a few families for ongoing revenues
- Naïveté re property values, buyer expectations

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Success Factors

Patterns of success usually include:

- Strong leadership, both clergy and lay
- Both vision and goals clearly defined
- Realistic expectations
- History of operational excellence
- Clear and compelling communications
- Discretion and confidentiality
- Well-organized & attention to details

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"Leadership is disappointing your own people at a rate they can absorb."

management expert Ron Heifetz
as quoted in Tod Bolsinger's book,
Canoeing the Mountains

"Insanity is doing the same thing over and over again and expecting a different result."

Albert Einstein *(maybe)*

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