



Financial self-assessment -- 10 Year Projection Guide

As described in the Loan Program Overview, part of your congregation's loan application with the WELS Church Extension Fund (CEF) will be to complete a financial self-assessment. The self-assessment focuses primarily on the revenue, expense, and building mortgage payments. After your congregation has provided your historical financial statements your CEF Loan Officer will prepare the projection worksheet with your data and provide the amortization schedule to you for your completion of the look forward. In working through this self-assessment and projection guide CEF hopes to understand the financial impact of your ministry plan and project.

- Mission status congregations are reminded to work closely with your District Mission Board (DMB) in the development of written ministry plans and in the application process. Your DMB has years of experience in the process of land acquisition and building projects and tying your congregation's ministry plan into the project request. Using their insight into the process will be beneficial.

"Mission minded" Self-supporting (MMSS) congregations do not need to contact their respective DMB with their project request however, CEF would ask that the congregation please follow the District's requirement for contact and intended project information updates to your respective district.

- Developing your 10 year projections should follow the ministry plan's focus. If your ministry plan calls for a early childhood education, a K-8 LES, a before and after school care program, a music education program or any other outreach related initiative then your financial projections should follow those ministry initiatives and the **harvest strategy** that the congregation anticipates. The impact on your congregation's finances is the end result of the ministry plans.
- Using your ministry plan as the guide, determine your communicant and average attendance growth after the construction portion of your project is complete. Growth in communicant members and average attendance leads to more financial resources.

CEF asks for your best effort in determining your growth in this important area. We fully understand that "seeing into the future" is not a blessing that we expect you to have however, projections that are prayerfully considered using the time, talents, and treasures of the congregation and the opportunity for outreach in your community is a trusted method of assessment. Each congregation is presented with unique outreach



WELS Church Extension Fund

Wisconsin Evangelical Lutheran Synod

opportunities -- please work with your DMB to determine if your projections make sense based on your location, demographics, and those outreach opportunities.

- Strictly from a financial / accounting viewpoint, average attendance drives offerings. In reviewing your projections, the CEF Loan Committee looks at the relationship between attendance growth and offerings growth. If attendance is projected to increase by 4%, your offerings will probably not increase by 20%. Projecting offerings is probably the most difficult part of the loan application process. There is not a formula that you can simply plug information into and get the “correct” answer. A few items to consider when projecting offerings include:
 1. Past giving trends
 2. Future growth trends
 3. Giving maturity of the membership
 4. Giving capacity of the membership

- The CEF loan committee focuses on general offerings (envelopes, plate, interest) and projected debt retirement offerings. A congregation needs to show they can afford the loan payments in addition to paying their operating expenses. WELS CEF will NOT approve a loan if, in its opinion, the congregation will be unable to make the loan payments from general and debt retirement offerings.

- Projection issues to avoid:
 - **Straight line increases in revenue, building fund, baptized members, etc. (static percentage increases for consecutive years / dollar increases)**
 - **Growth in revenue or membership without corresponding growth in the other.**
 - **Post construction growth at sustained levels. Generally, growth in attendance / baptized and communicant membership and corresponding revenue is at its best within the first 2-3 years post construction – a leveling or slower growth measure is to be expected after that time period.**

- The 10 year projection worksheet received from CEF after you have provided your historical financial information will include the estimated loan payment calculated on the amortization schedule. To ensure no double counting of expenses, please do not include loan payments in your expense projections.

- The Loan Committee meets on the third Tuesday of the month. Loan applications **MUST** be received by no later than eleven days prior to the meeting. Early submission of the loan application is preferred so CEF loan officers have the time to clarify any questions that may arise at the Loan Committee meeting. It is everyone’s goal to get loans approved the first time.



WELS Church Extension Fund

Wisconsin Evangelical Lutheran Synod

Please keep in mind that these are **your** projections for **your** loan. CEF staff can only provide guidance and identify areas that could be improved. If you feel those projections are correct, that is what will be presented.

If you have any questions about any part of the loan application process, please do not hesitate to contact me either by phone at (414) 256-3270 or by e-mail at rory.vircks@wels.net.