Why are we talking about selling real estate?

- Last year, when Session was putting together a budget for 2019, they were not able to balance the budget without inserting a line for $60,000 of fundraising

- Recognizing that this was well beyond the scope of our regular fundraisers (fish fry's, car washes etc.) they set up three committees to look at other opportunities to significantly increase our annual income

- These were selling residential real estate, leasing commercial real estate and hosting a telecom cell tower.

- This is a report from the residential real estate committee whose members are Bryan Ackland, Jim Farry, Susan Fenning and Kathy Martel.

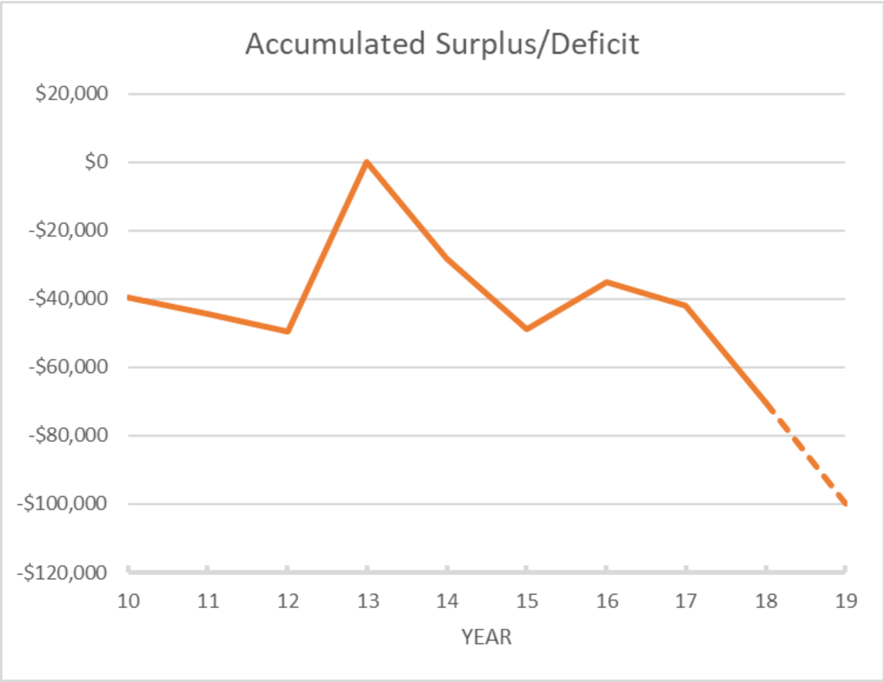
Our Current Financial Situation

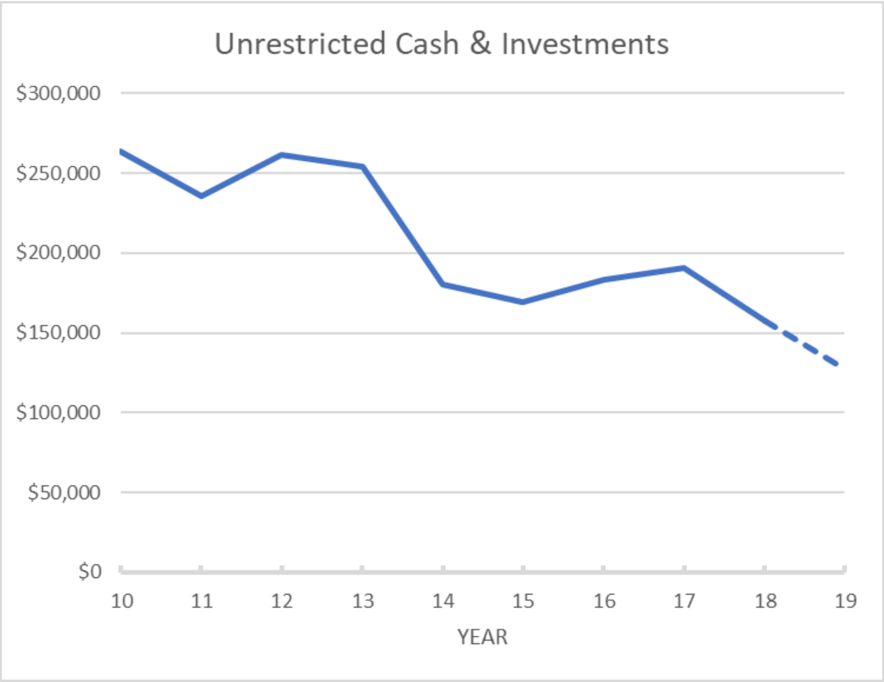
- Over the last 10-15 years, we have found it increasingly difficult to balance our budget, even when reducing our costs to a bare minimum.
  - Over many of those years, we have run a significant deficit – often in the tens of thousands of dollars
- We have been able to do this and still pay our bills for two reasons:
  - Around 2008-2009, we received a bequest from the estate of Maria Lapa for approx. $250,000.
  - We have been able to borrow against the special funds that we set up for specific purposes as listed in the annual report.
- We cannot continue to do this. The following chart shows our income and expenses for the last 10 years.
- You will see that we have run significant deficits each year (but one) except for those years when our deficit was zeroed out by bequest funds.
- The fifth column shows our accumulated deficit – this is the amount we have borrowed from our designated funds. The last column shows the total cash and liquid investments (not counting the Endowment and Scholarship Funds) we had available at the end of each year.

Financial History

Year	Income	Expenses	Surplus/ (Deficit)	Accum. Surp./(Def.)	Unrestricted Cash & Investments
2010	281,724	290,523	(8,799)	(39,514)	263,699
2011	255,261	254,261	0	(44,242)	235,860
2012[1]	280,497	278,821	1,676	(49,625)	261,557
2013[2]	277,703	277,703	0	0	254,008
2014	266,023	294,116	(28,092)	(28,092)	180,605
2015	262,926	283,604	(20,677)	(48,769)	168,936
2016[3]	282,961	269,393	13,568	(35,201)	183,509
2017	265,635	272,368	(6,733)	(41,935)	190,846
2018	264,647	292,809	(28,162)	(70,096)	157,464
2019[4]			(30,000)	(100,000)	127,000

1. Corrected historical PNS payable
2. Used Maria Lapa finds to zero-out accumulated deficit.
3. Strong investment income this year
4. Estimated





- Projecting these trendlines forward, in 2-5 years we would deplete all our unrestricted funds. We would then be forced to pay our bills out of the restricted Endowment and Scholarship Funds
- About two years after that, we would be closing our doors
- We currently have an interim pastor. We are about to begin the process of searching for a new permanent pastor. Our current financial situation will seriously inhibit our ability to attract the kind of senior pastor we would be looking for.
- For all these reasons, we need to dramatically change our financial picture

- We have an asset that could be used to generate significant income – our real estate
- There is a mostly hidden, unused portion of our land that could be sold to a builder for residential development
    - The land is between the parking lot and the lake, fronting Franklin St. and can be seen on the next chart.
- The funds generated by the sale of this property could be invested to generate an ongoing income that could be used to maintain our existing facility and significantly reduce or reverse our deficits.
- We contacted Michael Little (Keller Williams) who is an experienced commercial real estate broker. He met with our committee, inspected the property and prepared an initial proposal.


Church Property
Outdoor Worship Center
PNS
Unused land
Manse
Existing homes
First Presbyterian Church
Franklin St
Franklin St

Key Points from Michael Little Report

- Property would be interesting to residential builders. Could support 3 conforming residential lots with frontage on Franklin St. One or more lots could have lakefront.
- Utilities are already extended to end of Franklin St.
- Matawan is good seller's market with only 3.8 months supply
- Average price in Matawan is $360,350. Highest price in last 12 months was $653,000
- Homes on this land could sell for $550,000 - $650,000
- Allowing for builder's cost & profit, land value for three lots could be $450,000 - $510,000
- Keller Williams commission would be 5%

So what might this look like?

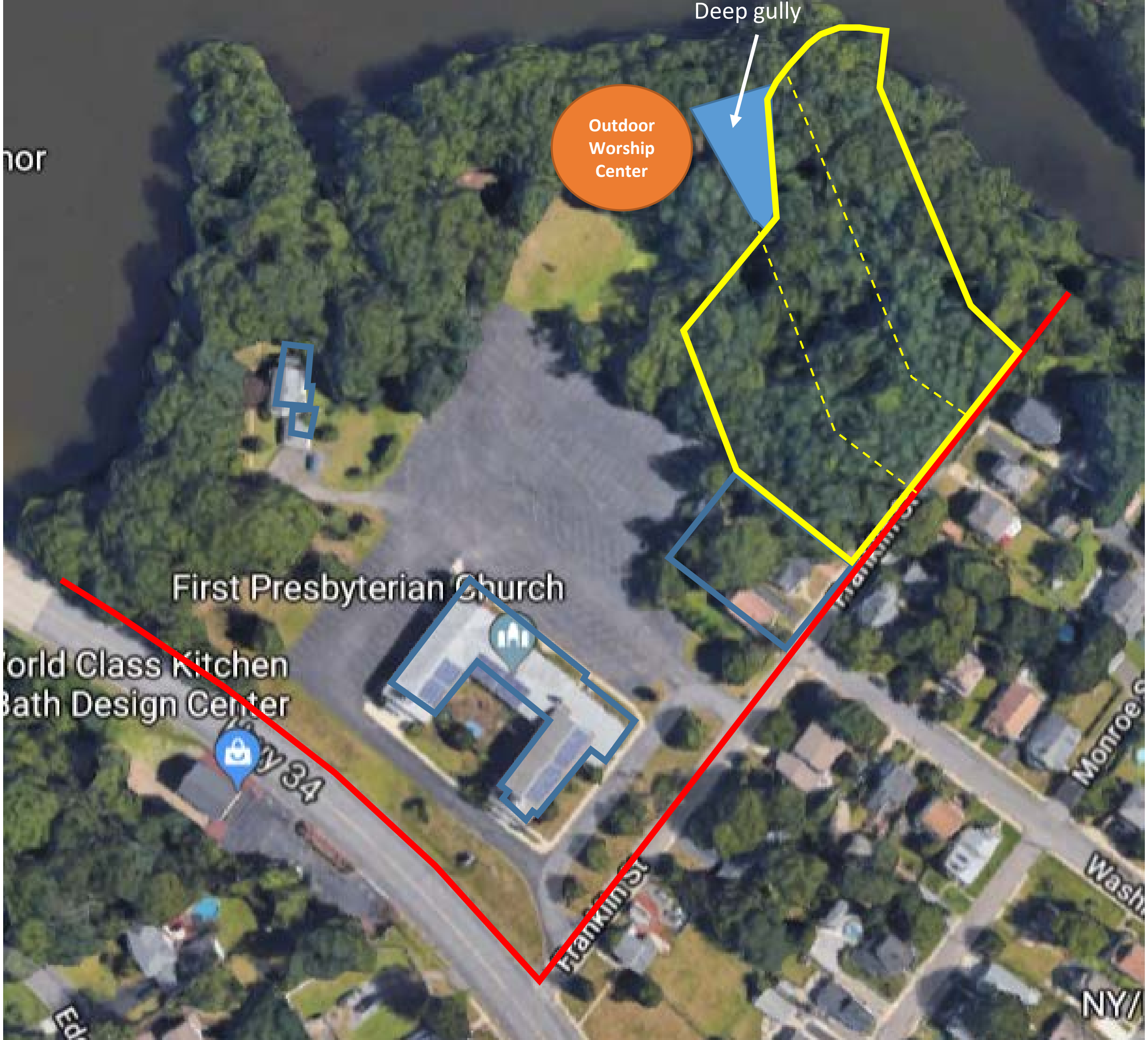
- The following chart shows an example of what three residential lots might look like.

- We would sell a single piece of property (the solid yellow line) to a builder or developer. We would not further subdivide into individual lots – that would be done by the buyer.

- Note that there is a very deep gully between the land we would sell and our outdoor worship center. This gives a natural barrier between the residential lots and own outdoor activities. We would retain ownership of that gully.

- We would not spend the proceeds of the sale. Rather, we would invest them, protecting the principal and only using income from the investment as income.

Our Proposal



Selling Process

- Congregation meets to discuss and approve proposal
- Presbytery approval
- Agree on price and enter into exclusive contract with KW
- Property is listed & marketed
- Buyer signs non-binding letter of intent
  - We negotiate terms of contract
- With Congregational & Presbytery approval we enter into contract
  - Buyer has 60 days to do due diligence
  - Buyer has 6 months to get subdivision and permits
  - All costs are borne by buyer
- Overall process takes about one year
- Our costs would be commission, attorney fees and possibly roll-back taxes

Impact of Investing Proceeds

Realtor estimated land value: $450,000 - $510,000

Less 5% commission: $427,000 - $484,000

Suppose we had sold this land when we first tried 10 years ago…

This table shows the cumulative total of what we might have made over the last 10 years (while still retaining the principal) if we had sold the property at that time.

	10 Year Compounded Return		
Net Proceeds	3%	4%	5%
$250,000	$85,000	$120,000	$157,000
$350,000	$119,000	$168,000	$220,000
$450,000	$153,000	$216,000	$284,000

As an example going forward, if we were to sell the property for a net $400,000 (after expenses), we could generate $16,000 annually assuming a 4% return on investment. This would significantly reduce (but not eliminate) our current annual deficits.

How Does this Relate to our Calling and our Mission?

- Matthew 25: 14-27, "The Parable of the Talents"
- Our Mission: To be the Body of Christ in Matawan
- We have been given wonderful resources/talents by God and our church forebears
- Proposal to invest and put to work those unused talents entrusted to us so long ago
- We are not just giving up an asset. We are transforming one asset (real estate) into another asset (financial investment) which can work for us to improve our financial situation and further support out mission.