



Project/Loan Approval Review Checklist – Working Document

Introduction

When a church wishes to undertake a capital project – new build, purchase, sale or renovation – or if a church wishes to incur debt (the ‘project’), District approval is required per the Financial Authority Policy.

To determine if the project should be approved, there are several steps that are undertaken prior to obtaining the final approval of DEXCOM or its delegate.

Although every request is unique and as a result, requires subjective review, this document provides a listing of the process and metrics that are considered when reviewing each request.

Process

- 1) When a church is considering a project, they should reach out in the initial stages of the project and engage the appropriate District staff. This includes the Development Consultant (Steven John), Finance personnel, their Church coach and any other personnel who might need to weigh in on the project.
- 2) As the project continues, the Church is expected to keep their Board and membership up to date as well as their key District contacts. For most projects, the majority of the interaction between the church and the District is via the Development Consultant.
- 3) The Development Consultant works with the church to help ensure that the project scope is realistic and the anticipated costs of the project are accurate. This is critical as the financial analysis of the project is based on these costs.
- 4) Before the Church commits to a project, it must solicit the approval of its membership (as per its by-laws) as well as the approval of DEXCOM.
- 5) Before a project is presented for DEXCOM approval, it will have been vetted by and have the recommendation of the Development Consultant, the Church coach, the District Superintendent and the Finance department. This recommendation will be based on discussions regarding the purpose of the project, the physical scope of the project, project process review and finances.

Financial Review Checklist

The following outlines the process undertaken when performing a financial review for a project request.

1) Documents/information required:

Churches are asked to provide the following documents:

- a) The last two years of financial statements (include balance sheet and income statements) – preferably reviewed or audited.
- b) Current year to date financial statements (B/S & I/S).
- c) Current year budget and future year forecast, if available.
- d) Project cost, cash flow and anticipated funding.
- e) Church attendance over the last 3 years and per capita giving history.



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Associated Questions:

- Does your budget/forecast incorporate any financing costs? (interest and/or principal + interest)
- Has the church been experiencing growth in attendance? In giving? In giving per capita?
- What impacts do you anticipate the project will have on attendance and giving?
- Has the church given faithfully to DOB?
- Has the church serviced any previous or existing debt as required?
- Does the church have any additional outstanding debt?

2) Financing Details

The District has an expectation that the project will be funded at least 1/3, 1/3, 1/3. This means the following:

- a) The Church will have 1/3 of the cost of the project available as cash in hand.
- b) The Church will have raised 1/3 of the cost of the project through pledges (received within 3 years) and disposal of assets.
- c) The District will provide long term financing for a maximum of 1/3 of the cost of the project (subject to availability of funds) but may provide interim financing for up to the 1/3 associated with Point 'b' above.

Associated Questions:

- Do you have 1/3 of the cost of the project available as cash on hand?
- What pledges do you have for the project? When are they expected to be received?
- What assets are you planning to dispose? How liquid are they? What is the basis for your valuation of these assets? When are you able to sell these assets and how long do you anticipate this taking? What is your contingency if the assets do not sell by the anticipated date?

3) Overall history and health of the church:

- How healthy is the church? What criteria is this based on?
- What is the opinion of the membership/congregation of this project? Buy-in?
- Is the Pastor loved/respected and does the Pastor have influence in the body and on the Elders board?
- Is there unity in the staff?
- Is the Senior Pastor stable or in transition or soon likely to be in transition?



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4) **Financial Review**

Once the above questions are answered favourably, the Finance Department works with the church to determine the required financing for the project and evaluates its ability to service its debt without impairing its ministry. Generally, the District would ask the Church to provide a funding model to demonstrate its ability to fund the project and service the debt over time. At this time, the following figures are reviewed.

- 1) Debt servicing requirements – 15-year amortization – variable interest rate
 - Based on required financing, P+I payments are determined at various interest rates for a 15-year amortization
 - A longer amortization period could be considered but is not desirable to the District
- 2) Cash on hand
 - Cash available exclusive of operations funding that church can put towards project
 - Does this cover 1/3 of the project expense?
- 3) Pledges
 - Value of pledges outstanding?
 - If 90% of pledges are met, does this cover 1/3 of the project expense? In conjunction with saleable assets?
 - Need to ensure this considers outstanding pledges only; met pledges are likely included in cash on hand figure.
- 4) Saleable assets
 - Does the church intend to sell any assets? If so, what is the value of these assets?
 - When will this revenue be realized? Will it be included in the cash on hand figure (realized pre-project) or in the pledges+assets figure?
 - This figure is significant as it can result in unanticipated interim financing costs if there is difficulty liquidating the asset(s).
 - There is a significant subjective piece in evaluating saleable assets.
- 5) Other assets
 - Does the Church have other assets that will be used towards the cost of the project?
 - These may include insurance proceeds, inheritance, etc.
 - What is the value and timing of these proceeds?
- 6) Operating revenue and expenses/net income – current/budget
 - How does the church propose to service their total debt for the next five years and longer? This includes interim and long-term financing.
 - Is there currently a positive net income? Does this cover the financing costs at each interest rate?
 - How many years has the Church recognized a net income (operating & other) sufficient to cover financing costs?



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- Do projected revenues and expenses for the next five years reflect a reasonable growth rate? On what basis? What proportion of any resulting net income is available for debt servicing? And is the net income sufficient to cover financing costs?
 - Does the church have surplus cash to cover any shortfalls?
- 7) Development/Building Fund
- Does the church have another fund that is used to service financing costs?
 - What is the balance in this account?
 - What is the anticipated net income? On what basis?
- 8) Project specific revenue and expenses
- Does the project generate any revenue or create any expenses outside of regularly budgeted revenue and expenses?
 - If so, what is this based on, how much is this and to what extent can it be used to service financing costs?
- 9) Budget for servicing debt
- Do the figures in the budget reflect reasonable assumptions?
- 10) Growth projections
- Assume current trends; increases must be supported with specific rationale; decreases must be considered
 - What attendance growth is being projected? Is this reasonable? On what basis?
 - What growth in giving is being projected? Is this reasonable? On what basis?
 - What growth in giving is being projected per capita? Is this consistent with current giving per capita?