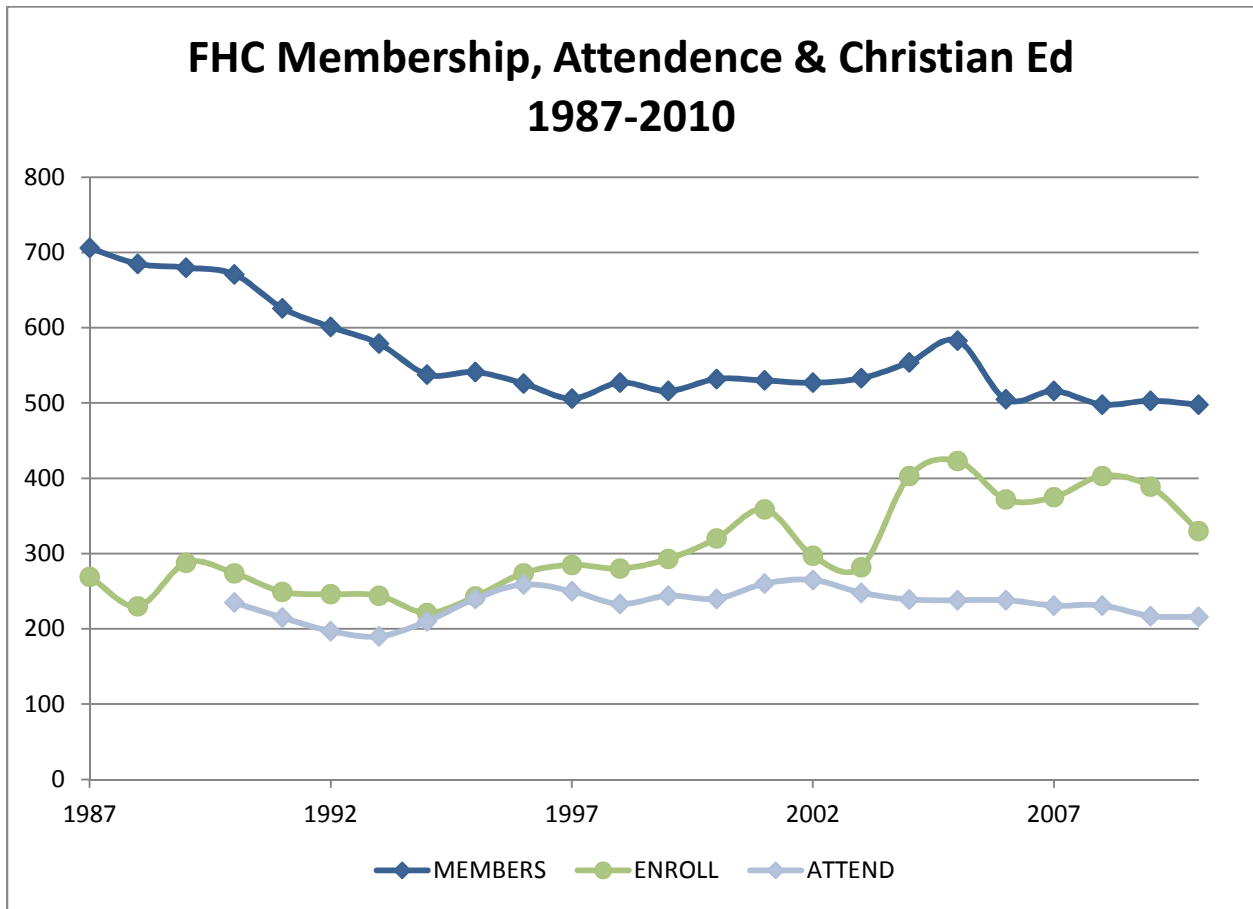


The following analysis was performed using data provided to the PC(USA) by Forest Hill over the past 23 years. These are the most accurate membership and financial figures available.

**Historical Membership Data:**

A widely-held belief is that Forest Hill Church has experienced and will continue to experience a significant decline in membership. This is based on the absolute number of members on our rolls for each of the years between 1987 and 2010.



However, total membership figures are often inaccurate due to the varied approaches to counting and recording changes in our membership rolls over the years. The chart above shows a steady significant decline in the Total Membership from 1987 to 1997 with relative stability from 1998 to 2010. However, the Average Worship Attendance and Christian Education Enrollment figures remain remarkably constant over the same period, suggesting the number of members on our church roll does not reflect actual church involvement.

## Appendix G – Financial Analysis

The details within the membership numbers provide yet even more insights:

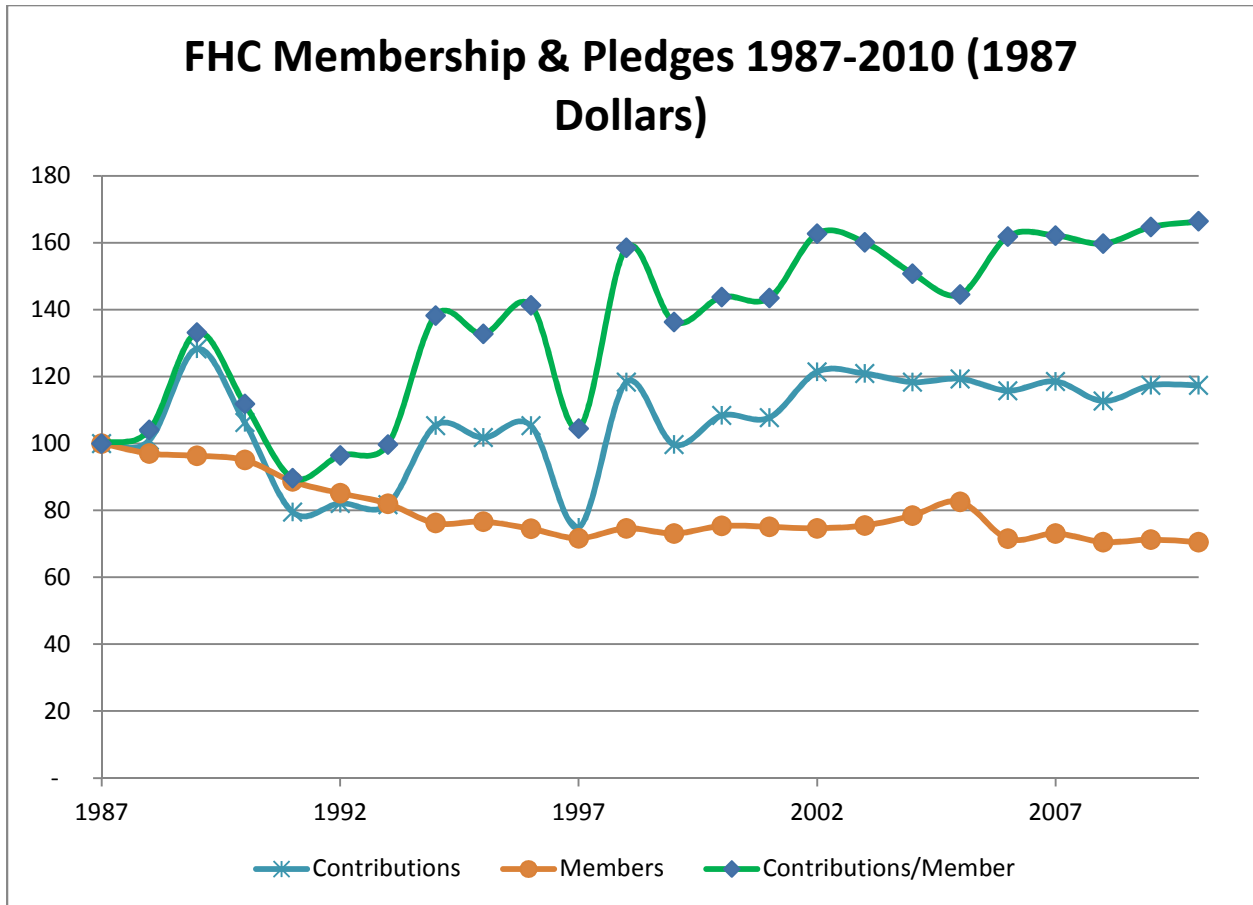
<b>YEAR</b>	<b>MEMBERS - Start</b>	<b>Total Gains</b>	<b>Total Loss</b>	<b>MEMBERS - End</b>
1987-1997	706	330	530	506
1998-2010	506	386	394	498
1987-2010	706	716	924	498
	<b>Prof of Faith</b>	<b>Transfer Gains</b>	<b>Transfer Losses</b>	<b>Deaths</b>
1987-1997	194	89	123	126
1998-2010	253	120	66	87
1987-2010	447	209	189	213
		<b>Other Gains</b>	<b>Other Losses</b>	<b>Baby Baptisms</b>
1987-1997		47	281	106
1998-2010		13	241	137
1987-2010		60	522	243

Membership gains reflect the number of members who join by Profession of Faith, Certificate of Transfer, and Other Gains. Membership losses reflect members who transfer to another church, Deaths and Other Losses. Infant baptisms are noted simply for reference.

Of these figures, Certificates of Transfer are the most reliable followed by Deaths and Baby Baptisms. Professions of Faith, Other Gains and Other Losses are much less reliable. As the figures show, there were losses by Transfer from 1987-1997 and even stronger gains since. Deaths were higher than Baby Baptisms from 1987-1997 with the situation strongly reversed since.

Another indicator of Forest Hill's health is the fact that the annual contributions received either have remained steady or increased since 1987. Furthermore, the Contributions per Member shows a clear upward trend—dramatically from 1987-1997; less so, but still strong from 1998-2010. This again provides a more stable picture of Forest Hill's health than simple membership figures.

The following charts and graphs use dollars that have been adjusted for inflation using the Consumer Price Index (CPI) as a proxy for inflation. 1987 is set as the base of 100. Any figure above 100 would indicate more spending adjusted for inflation and any figure below 100 would indicate less.



Giving figures include donations by active visitors who give generously of their time and money without becoming formal members. It’s clear that relying on Total Membership figures alone to indicate the health of our congregation is not appropriate. Figures less prone to distortion, such as Average Worship Attendance, Church School Enrollment and Contributions tell a more representative story.

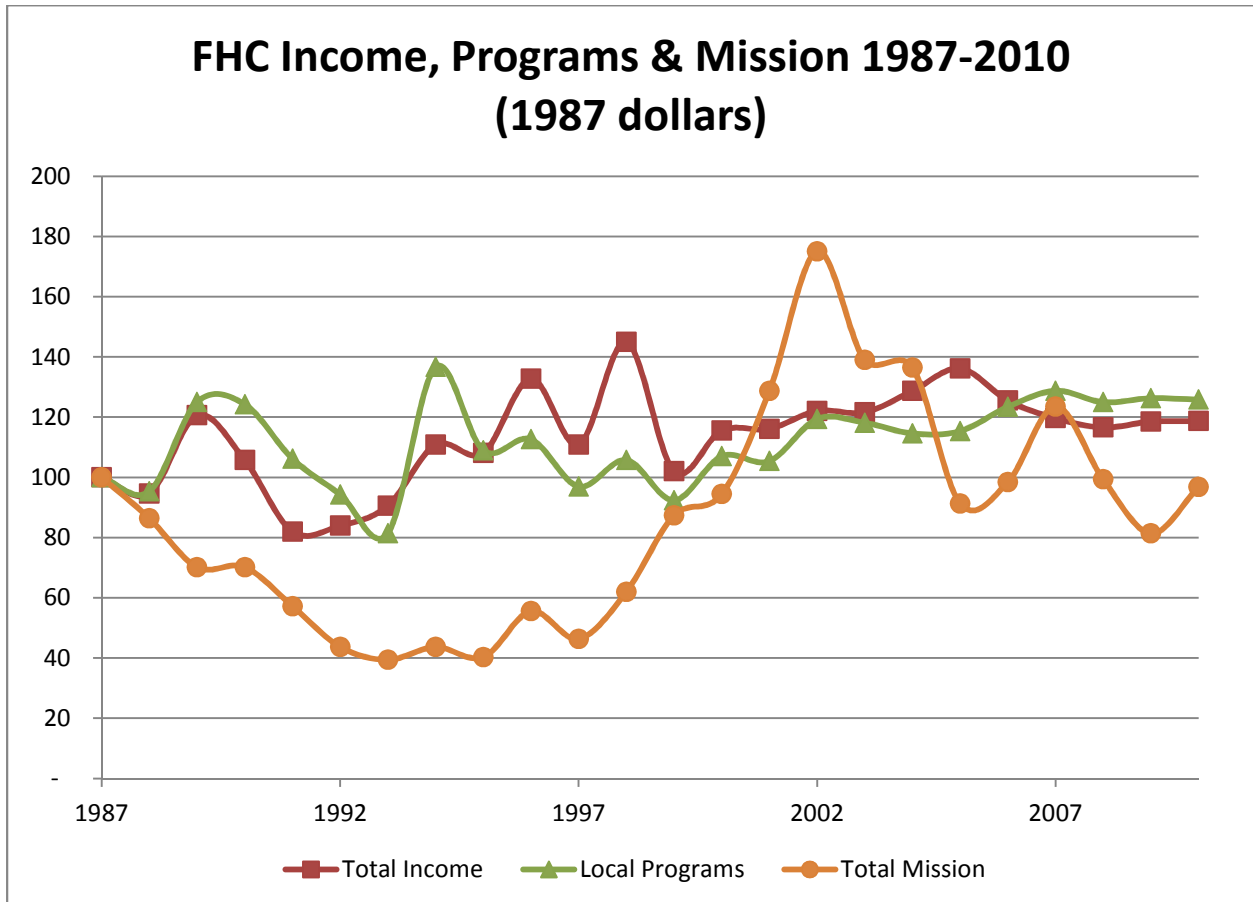
The stability and generosity of our membership is quite positive. We do need to be concerned that FHC is relying on a relatively static number of “giving units” to support our church’s activities. As long as the status quo continues in terms of number of donors and their very high giving level, it is not an issue. This does however place a very large burden on this base. Unless proactive steps are taken, any erosion of the status quo could have serious repercussions. These steps could include a different approach to budgeting, bolstering and limiting the endowment, expanding membership, deepening annual gifts, among others.

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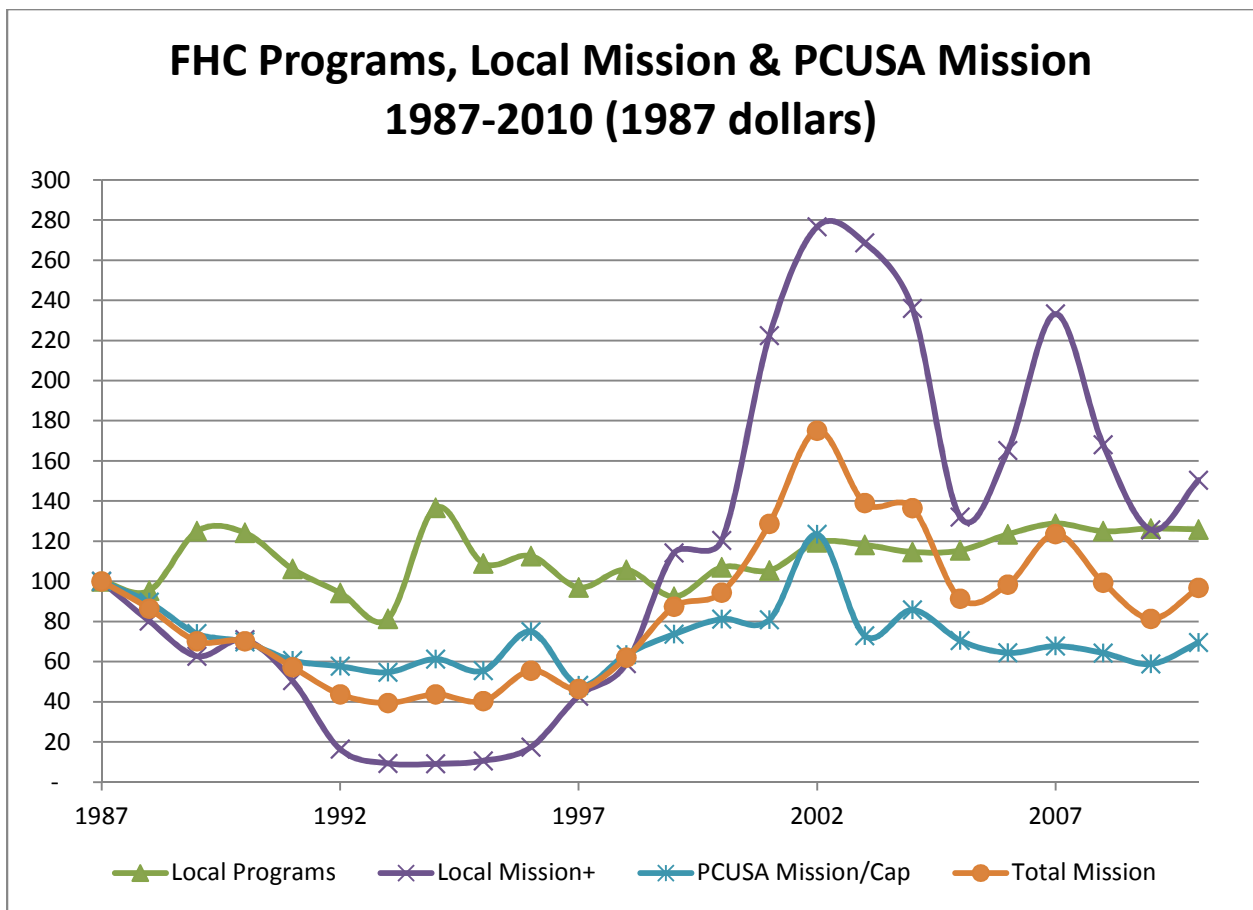
One of our biggest historical strengths, pastoral quality and stability, is also our biggest risk. The longevity of our highly respected senior pastoral leadership has driven institutional stability. As past changes in leadership have resulted in periods of instability, this needs to be managed carefully.

### Historical Financial Data:

The chart below outlines an early drop in Total Mission spending with quite a bit of variability in income and programs. It's clear from the data that mission spending was strongly curtailed in this period when income was tight. Over time, a more stable environment emerges with much stronger Total Mission spending. Total Income and Local Programs are relatively correlated as one might expect. Note, however, how the Local Programs line is well above Income in the early years.



Exploring expenditures in a bit more detail, we see again the relative consistency of spending on local mission over the past 10 years. The PC(USA) Mission, also called Validated Mission, is the total of all money given to our Presbytery, Synod, and General Assembly entities, including general mission budgets, special offerings such as One Great Hour of Sharing, Christmas Joy, Peacemaking, and Pentecost as well as other offerings such as Hunger, Disaster Relief, and Women’s Birthday. Per Capita Apportionment has been included in this figure which typically is about 20% of the total. Local Mission consists of all money paid for local mission programs, community projects approved by session, and to local ecumenical agencies plus what was called Other Mission.

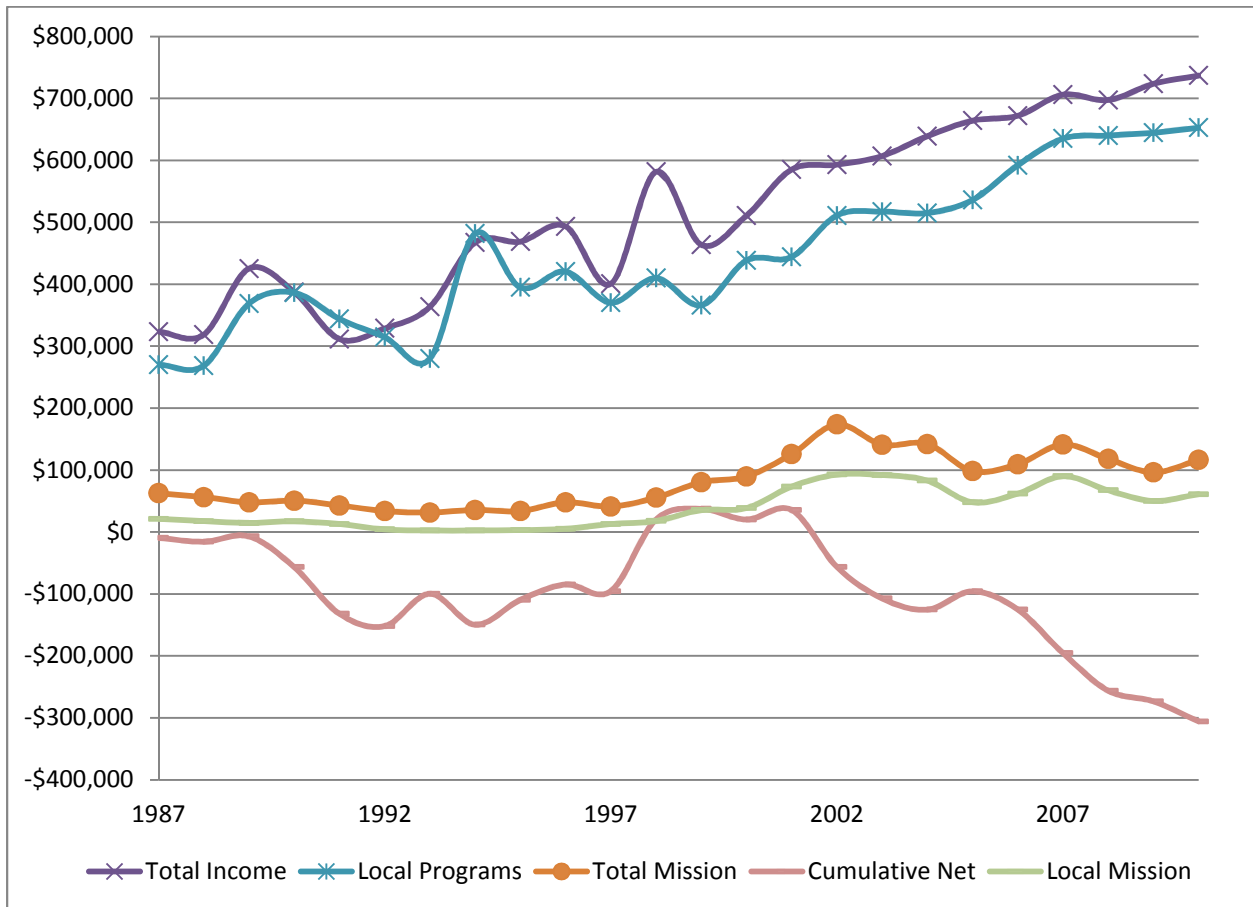


The precipitous drop in Local Mission spending from 1991-1998 appears to reflect a difficult financial situation. The chart below describes the situation. One could call this the “checkbook” view. It includes Total Income, Local Program spending, and Total Mission spending. Further, it includes the Cumulative Net or Total Income less Local Program spending and Total Mission spending. When the net falls below zero, it means the church spent more money that it took in.

## Appendix G – Financial Analysis

The chart shows the Cumulative Net line starting slightly negative, then going strongly negative in 1990. This line doesn't return to positive until 1998. Local Mission spending follows the same pattern, averaging less than

\$10,000 annually for a decade and is included for reference. The financial difficulties were referred to as “the deficit” in the annual report and local benevolences didn't rebound until this situation was eliminated. Yet, soon after, the situation returned and appears to continue to get worse!



Obviously, unless you start with a pile of extra cash, this spending pattern isn't sustainable, so there must have been another source of income—Endowment! At this point, we thank those Forest Hill members, such as **Clyde Loughridge, David Hunter and Z**, who had the foresight to create the Endowment Fund, along with those members who have made contributions and left bequests to the church.

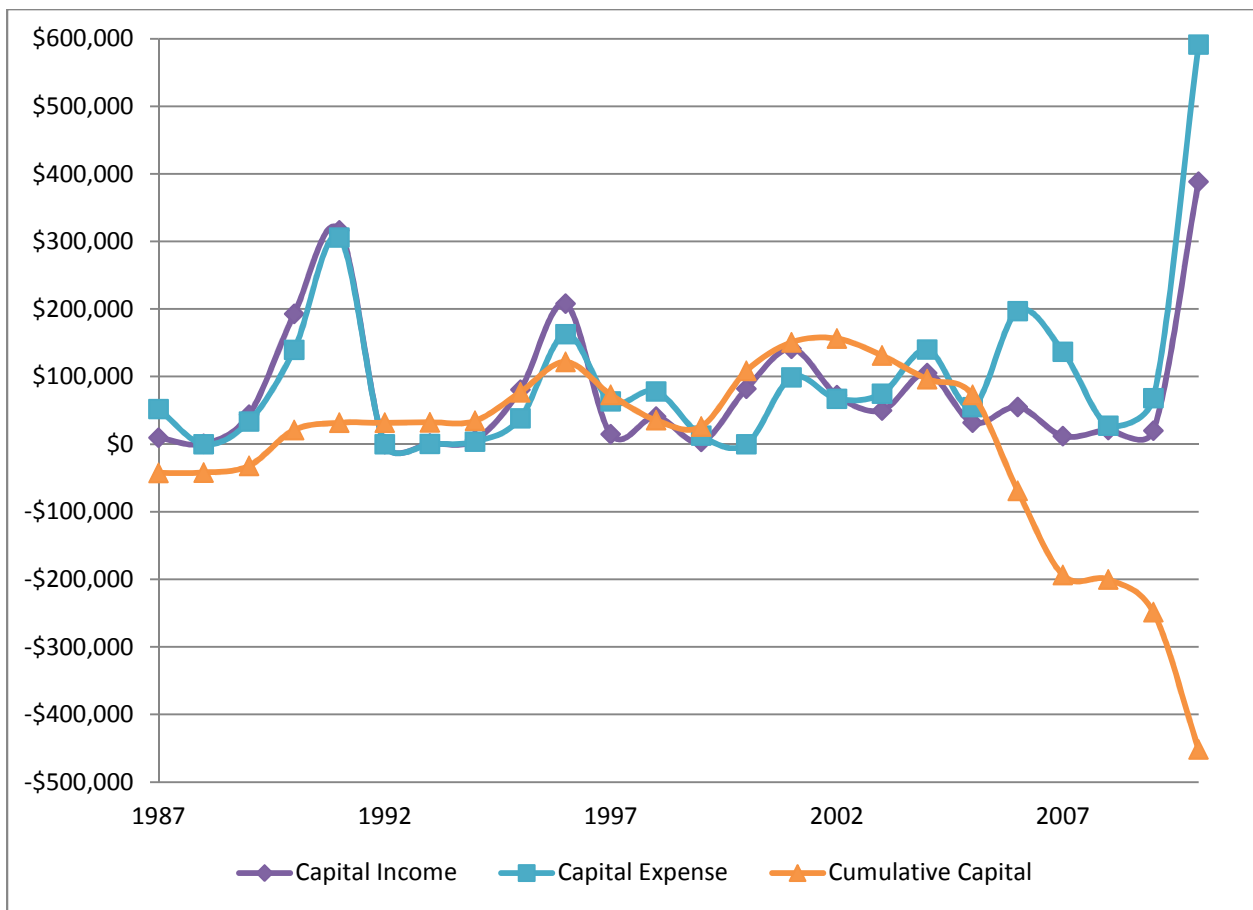
It is difficult to overstate the powerful extent to which the Endowment Fund has influenced FHC's financial health. The Endowment Fund has a structured approach to disbursements focused on new or

## Appendix G – Financial Analysis

innovative Programs, Mission and targeted Capital spending. But it is vitally important to recognize that, on average, Endowment Fund monies have been directly used to subsidize some type of Operating Fund expenses in two of every three years.

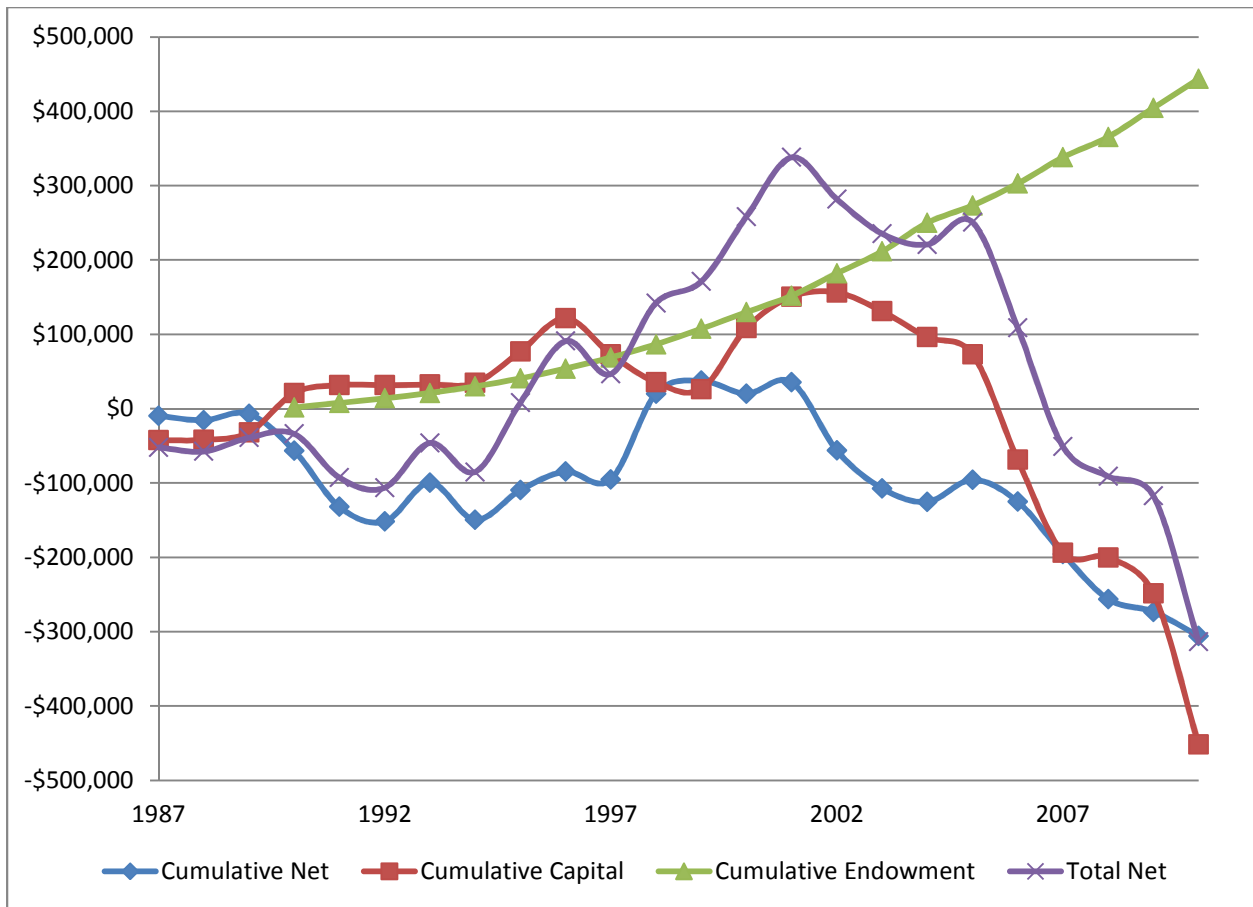
A similar negative cumulative figure exists for the Capital accounts—the checkbook for the building, if you will.

The chart below outlines project-driven spending on major projects balanced with smaller projects and ongoing capital. It's important to note that nearly \$200,000 remains to be paid on pledges for Restoring the Building – Reclaiming the Mission. Further, Endowment provided a loan for a boiler project a few years back with about \$100,000 still owed. This leaves \$100,000 negative to be accounted for.



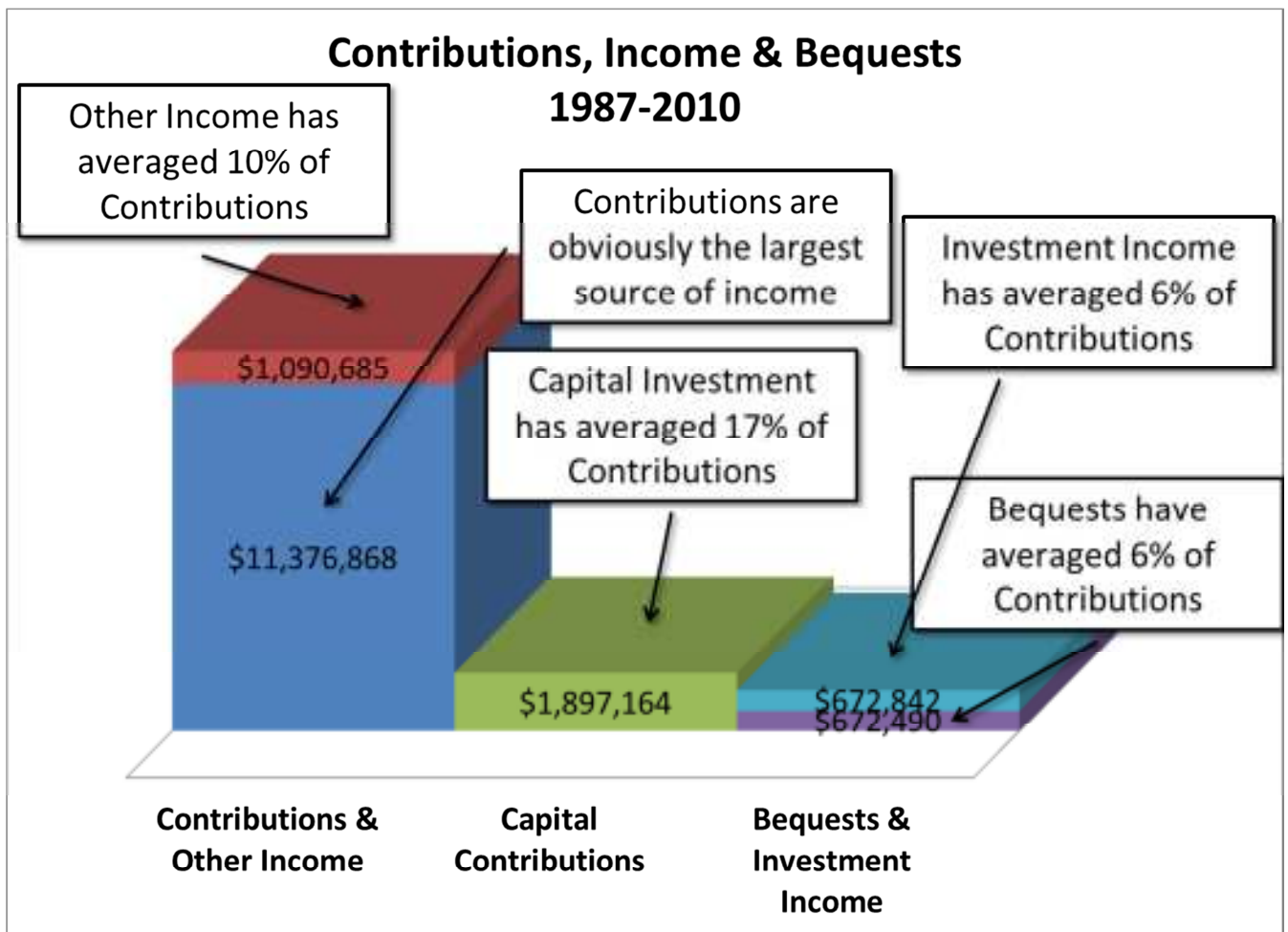
**Endowment Funds:**

So how much has the Endowment Fund been used to augment FHC’s Operating Fund over the years? The chart below outlines the Cumulative Net (checkbook), the Cumulative Capital (building checkbook), the Cumulative Endowment (how much the Endowment Fund has paid out) and the Total Net of these items (all three added together). While the reporting isn’t exact, fundamentally, the Total Net is \$300,000 negative, which reflects the \$200,000 still owed on the recent building project and the \$100,000 owed to the Endowment by the church for the past boiler project. In short, the Endowment has consistently provided ongoing support of programs, mission and capital when resources were not available from other sources, such as annual contributions.

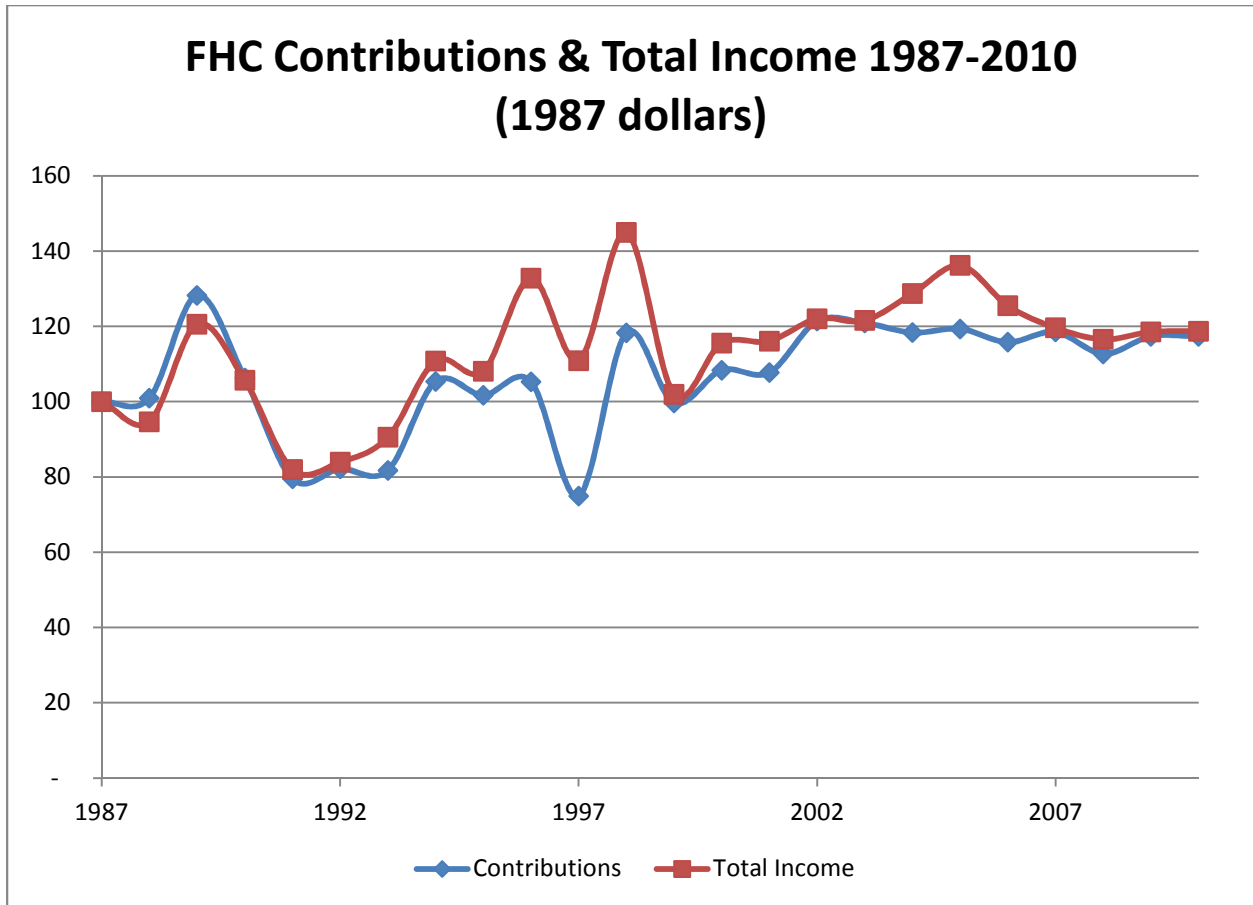


**Contributions, Income and Bequests:**

As the next chart demonstrates, Contributions make up the bulk of the church’s income. Other Income has been relatively steady over time averaging 10% of typical Pledge Income. Other Income has largely been driven by an on-site preschool program. Commitments for Capital Projects seem quite strong at nearly 17% annually. Investment Income is appropriately irregular, but has averaged 6% of contributions. Bequests are also irregular, yet average 6% of Contributions.



As previously noted, Contributions and Income increased and became more predictable over time. While there are periods of time where non-pledged income is significant, this has been more the exception than the rule.



### Analysis and Conclusions:

The number of core committed members has remained remarkably stable over time, as has the overall financial commitment to Forest Hill Church.

The strong support of the 2010 Restoring the Building campaign coupled with only a modest decline in pledges—during the worst economic downturn in 80 years—appears to demonstrate the financial commitment of Forest Hill’s membership.

It is important to note that Forest Hill, like most institutions, has a few donors that make up a significant percentage of the total giving. Thus, we’re always at risk for short-term disruptions. Increasing our

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membership and conservatively budgeted for the long term is a clear opportunity to ensure ongoing stability and mitigate risk.

Over the past 20-plus years, it's clear that programs were the highest priority. Mission spending has really increased in the past 10 years, with a shift towards giving to local mission organizations instead of only to the PC(USA). The success of our Endowment Fund has enabled us to continue to increase our overall spending, and avoid spending cuts in the past.

Based on the above analysis, we offer the following observations:

- Fluctuations in income are a fact of life for Forest Hill, requiring Session to have a plan of action as these fluctuations continue in the future. One suggestion might be to begin putting a portion of each year's annual earned income—not necessarily pledged income—toward a cash reserves fund to weather down periods.
- Stewardship needs to celebrate, cultivate and encourage giving on an ongoing basis rather than merely a year-end campaign.
- FHC members are getting older, on average. A phenomenal opportunity to obtain bequest commitments – which is very easy to do – is before us. A conscious decision must be made to recognize this and pursue it with every bit as much willful intention and energy as the annual pledge campaign. Bequests typically are 200 – 300 times a person's average annual gift. The time to begin is yesterday.
- Another suggestion would be to conduct a Capital Endowment Campaign with gifts going to an ongoing building maintenance fund. Session must address the issue of how we fund our mission giving, how we fund our operating budget, and whether the two should continue to come out of the same funds or should be separate.
- Although our membership is very generous compared to other churches in our Presbytery, the overall budget continues to rely on the contributions of a few key donors. Further financial analysis should be undertaken to determine just how small the number of givers providing a large percentage of our pledged income really is. Session may wish to adopt ways to improve our giving profile, especially as it relates to our Core Values.
- Further analysis should be undertaken to determine the membership numbers needed to support our existing programs and build reserves. If this number can be determined, then we can begin to drive for this membership level.
- If Session decides to continue preparing the annual budget BEFORE receiving pledges, it would be wise to include contingency plans based on anticipated pledge levels received.

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- Rather than a Capital Endowment Campaign (campaigns are over on a certain date), Session may want to consider an ongoing, discrete, considered effort as a part of the Stewardship Ministry to promote and encourage planned gifts to support the Endowment Fund. The charge to Stewardship should not be limited to the annual operating budget but should address the overall financial vitality of the church, short and long term. It is a fact that those who commit to a planned gift nearly always give more to operating support. They reinforce each other. Currently FHC is doing nothing of substance to encourage planned gifts (especially bequests).