

First Presbyterian Church
Watertown, NY



Corporation Meeting
March 3, 2024
following worship in Fellowship Hall

Agenda

1. Call to Order *and* Opening Prayer
Rev. Dr. Andrew Philip Long
2. Appointment of Jeff Barnard as meeting Moderator
3. Comments from Finance Committee
Peter Schmitt
4. Stewardship History
Betsy Klug
5. Endowment Opportunities and Challenges
John B. Johnson, Jr.
6. 2024 Budget
Merle Tousant
7. Steeple Project Update
Jonathan White
8. Steeple Project Fundraising Update
Phil Sprague
9. Time For Questions and Comments
10. Adjournment With Prayer

Dear friends in Christ,

On Feb. 1, the Session approved moving forward with a contract with Lupini Construction to refurbish our steeple.

As I noted to the Finance Committee the next day:

The Session last night spent two hours discussing our steeple situation, the first hour with Mari at BCA (Bernier Carr) and the second discussing and concluding that this project shouldn't be delayed a year.

The reasoning included the fact that if we delay, we are going to have to spend money in the coming year continuing to do patch work, and that we have no assurances that we can get a contractor a year from now. Two of the firms BCA contacted said they have jobs well into 2025, and we can have no guarantee that the cost of labor and materials will not go up in the next year.

Lupini said it can start the project after Easter and finish in October. The sidewalk in front of the church would have to be closed during that time, and the lanes nearest the church on Washington and Academy streets will have to be closed during the erection and removal of scaffolding. BCA includes the service of getting city permits for street closings.

We will receive a payment schedule this month, and I would like us to meet again after we have all had some time on our own to consider a possible path forward.

Our church is now caught between a rock and a hard place. While delaying the project a year would help us on one hand, we would also have to pay additional money to restart the bid process again, with no guarantee of better bid results. With the continued deterioration of the steeple, we also have no guarantees that more slate and other objects won't come a tumblin' down.

We do NOT have a financial solution as of yet as we have not seen the payment schedule. We requested that the Session approve a separate congregational meeting for today so that we can answer questions and also solicit your ideas.

As I noted in my report at the Feb. 4 congregational meeting, our recent roof, boilers and windows projects have exhausted the funds our endowment generates for building maintenance. And as you will note in our packet of information, our Stewardship campaign was not well supported this year.

We look forward to everyone's support as we work together to resolve this issue so we can focus more of our attention on being the hands of Christ in our community.

Bob Gorman

2024 WFPC Pledge Report					
		2023 Pledge	2024 Pledge	Difference vs 2023	
Contributors:		\$225,652	\$168,261	-\$57,626	-25.5%
Pledge Units		64 in 2023	57 in 2024		
Breakdown of data					
Both Years No Pledge	48				\$0
Same as 2023	22			\$57,440	\$57,440
Decreased pledge	6			-\$842	\$17,885
Increased pledge	19			up \$11,046	\$81,196
New/Return Pledge	10			up \$10,740	\$10,740
Deceased/ Moved/Stopped	14			-\$75,899	\$0
Weekly Average Pledge Income	\$3,231.27				

--Don Klug

Apportionment:

Every year, First Watertown Presbyterian Church pays the Presbytery of Northern New York \$32.50 per member, which is known as apportionment. This "head tax" funds programs at the Presbytery, Synod and General Assembly court levels.

This year we will be billed approximately \$7,300 based on our membership roll. Each year we ask church members to pay their apportionment in addition to their yearly pledge.

So far 57 members pledged to pay their 2024 apportionment, which totals \$1,945. That means this year First Pres will pay some \$5,500 for apportionment out of its general budget, money that could be used to pay for operations of our church.

If you have paid your apportionment, thank you. If you have pledged to pay it, please do so before May 31. If you have not made an apportionment pledge, please consider making apportionment a part of your annual giving to our church.

--Bob Gorman

February 6, 2024

The Endowment Fund

The endowment of the First Presbyterian Church is \$6,186,016. The fund's value gained \$256,023 – a 4.3% gain in 2023. At the same time the endowment provided the church an income of \$320,052. The endowment does not include the steeple account which is held separately and is invested in short-term treasury securities to preserve capital and provide liquidity. The steeple account is solely for the costs involved with the steeple preservation project.

In August of 2023 the Session transferred \$305,000 from the endowment accounts to the Steeple account. At year end the Steeple Account has \$1,279,418 and earned 4.51%.

Despite last year's strength in the capital markets the endowment value remains at essentially the same value as 2019.

As reported in 2023 the church faces fiscal challenges. In 2023 the endowment through the Graves Building account funded completion of the window repair project. The Steeple Account paid for engineering fees of BCA.

The challenge for 2024 is to finance the steeple project, while maintaining operating income for the Church. At this point the finance committee expects the cost to be at least \$2.5 million, leaving a shortfall of about \$1.3 million.

The church has a line of credit with Watertown Savings Bank using the endowment at RBC as collateral. The church drew \$50,000 from the credit line in December to cover current operational expenses. The church has an advantageous interest rate on this line of credit.

Using the endowment to pay for the steeple would reduce the annual income to the church by \$65,000 or 20%.

The choices available are:

- A capital campaign to pay for the steeple restoration thus leaving the endowment intact. A multiyear campaign would provide some cash to reduce the borrowing on the line of credit without withdrawals from the endowment. .
- Taking a long term mortgage to fund the shortfall.

The committee regularly reviews the allocation of assets between bonds and equities to reduce the impact of sharp market declines. Such transfers however may

restrain growth during period of sharp increases in equity values and conversely protect to an extent the church in periods of negative market returns.

At year end the endowment consisted of 60% equities and 40% fixed income. The investment policy of the church calls for a range of 55% to 65% in equities and the balance in bonds.

The endowment committee will monitor the investment allocation as the year develops.

The return on the RBC fixed income account was 4.25% net of fees lagging slightly its benchmark -- the Bloomberg US Gov/Credit 1-5 years index which grew 4.89%. The return on the equity account at Morgan Stanley 35.79% exceeded the benchmark of the S & P Total Return Index of 26.29%. Anchor Capital's return of 8.42% trailed its benchmark the Russell Mid Cap Value Average which grew 12.71%. Estabrook's return of 14.97% did not match the S&P 500 average's gain of 26.64% or the Dow which rose 16.25%.

The income paid to the church represented 5.0% of the average value of the endowment for the previous three years. The Session's investment guidelines set a goal for the spending rate at 4% to 5%

Here is a statistical recap of the endowment for 2023.

Additions to the Endowment in 2023:

None

Endowment Value:

Manager Name	12/31/23 Value	Total Net Return
RBC Wealth Management:		
Bonds	\$1,758,730	4.25%
Estabrook	\$2,041,454	4.97%
Anchor	\$453,890	8.42%
Morgan Stanley:		
Equities	\$1,931,942	35.79%

(Net return is after all management fees and commissions. The account managers have adjusted beginning and ending values to recognize the infusion and withdrawal of capital during the year and to make comparisons possible.)

Annual Values of Endowment Managed on behalf of the Church:

1988	784,084
1989	842,935
1990	828,684
1991	922,887

1992	1,707,814
1993	2,481,966
1994	2,474,405
1995	3,044,284
1996	3,363,756
1997	3,739,066
1998	4,146,791
1999	4,563,128
2000	4,697,893
2001	4,522,722
2002	4,344,783
2003	4,655,440
2004	4,317,606
2005	4,340,861
2006	4,321,863
2007	4,677,421
2008	3,494,918
2009	4,422,092
2010	4,523,656
2011	4,250,279
2012	4,391,620
2013	5,098,482
2014	5,383,932
2015	5,189,350
2016	5,252,838
2017	5,634,090
2018	5,298,660
2019	6,157,789
2020	6,527,810
2021	7,293,152
2022	5,929,993
2023	6,186,016

Application of Income:

By action of the Session the church allocated 5.0% of the average value of the endowment over the prior three years as 2022 income.

Income distributed from Endowment\$ 267,655

Income Allocation:

Principal Restricted Income Unrestricted	17,345
Paul F. Brown Fund	52,924
Elizabeth Brown Fund	31,860
Carolyn Whitney Fund	39,561
Unrestricted	37,553

Graves Mission Account.....	47,158
Faith Fund	1,748
Deacons Fund	1,895
Hyde Flower Fund	799
Hyde Building Fund	1,599
Harlow Farmer Fund.....	4,410
Matson Fund	237
Seeber Fund	296
Simpson Fund	799
Walker Fund.....	1,184
Boudia Fund	21,566
Bagg Mission	948
Sterling Mission.....	237
Sterling Building.....	1,218
Van Allen Mission.....	1,066
Van Allen Building.....	1,090
Budgeted Benevolence	2,162
Graves Building fund accrued in 2023	52,397
Total Income Allocation.....	320,052
Less Graves Building Fund not expended	52,397
Income Distributed from Endowment	267,655

Graves Building Fund:

Beginning Balance 12/31/22.....	\$46,352
Additions: 2023 Accrual	\$52,397
Total	\$98,749
Less: Expenditures	98,749
Ending Balance 12/31/23	\$0

Respectfully,
The Endowment Committee
John B. Johnson, Jr. Chair
Phil Sprague
Merle Tousant
Betsy Klug
Peter Schmitt

**STATEMENT OF OPERATIONS &
OTHER ACTIVITIES**

	2022	2023	2023	2024
	Actual	Actual	Budget	Budget
OPERATING INCOME				
Church Collection	5732	7145	3500	2945
Deacons	272	200	1000	1000
Facilities	2430	4755	2150	2150
Mission Collections	1175	9742	11000	0
Pledge & Plate	270227	258946	269252	260000
Worship	52255	15994	20525	
Other	31	105	500	10175
	332122	296887	307927	276270
OPERATING EXPENSES				
Administration	22524	19988	27975	22074
Church Collection	11233	10732	10225	8887
Deacons	505	459	1700	1000
Discipleship & Community	4483	4879	5575	5500
Facilities	82646	86213	95760	89660
Mission	21956	9742	11000	0
Payroll	282043	333815	325614	295597
Treasurer	7456	10318	23199	7786
Worship	55273	57568	59115	22804
Miscellaneous	3950	4758	4000	4000
Total Operating Expenses	492069	538472	564163	457308
Operating (Loss)	(159947)	(241585)	(256236)	(181038)
Endowment Support for Operations	170717	158057	159002	148566
Net Operating Income (Loss)	10770	(83528)	(97234)	(32472)
Building Improvements	(14789)	(225225)	(212250)	(22635)
Endowment & Gifts for Building	109144	101053	246952	58424
Net Building Costs	94355	(124172)	34702	35789
Outreach Expenditures	(100525)	(93170)	(120868)	(114819)
Endowment & Gifts for Outreach	121573	111443	113299	110319
Net Endowment	21048	18273	-7569	-4500
Excess Revenue Over (Under) Expenditures	126173	-189427	-70101	-1183
Total Revenue	733556	667440	827180	593579
Total Expenses	607383	856867	897281	594762
	126173	-189427	-70101	-1183
Certain amounts have been reclassified to conform to current chart of accounts,				

Narrative and Statement of Operations and Activities

This narrative and Statement of Operations and Activities excludes any contributions or expenses related to the repair of the steeple.

As indicated in the attached Statement of Operations and Activities, the Church's revenues are from four main sources, pledge & plate, endowment support for operations, endowment & gifts for building improvements and endowment restricted to outreach activities. Expenditures are made for three main areas, operating expenses, building improvements and outreach. Our annual budget for past few years runs about \$600,000 to \$800,000 depending on the amount of capital improvements required. Our budget for 2023 was \$897,281 and \$856,867 was spent as administration expense was reduced by \$10,000 and \$30,000 less was spent by outreach. Our budget for 2024 is \$594,762 which is \$300,000 less than 2023 budget due to \$200,000 less in building improvements, \$30,000 reduction in payroll, \$35,000 less in music and \$11,000 less in mission expense. Reduction in budgeted building expense is due to completion of roof, boilers and window repair in 2023. The \$22,635 budgeted for 2024 is for final payment on windows. The reduction in budget for payroll is due to elimination of one staff position. Payroll expense had increased over 2022 due to addition of Administrator in September 2022 and additional compensation awarded to pastor Andrew. The reduction in music is due to completion of repair of piano. The reduction of mission is due to elimination of Shallow Wells expenditures and revenues from the Church budget as this is a separate project from the Church.

During 2023, our total revenue was \$666,440 consisting of \$296,887 of operating income, \$101,057 Endowment support for operations, \$101,053 of endowment and gifts for building improvements and \$111,443 restricted to outreach activities. Total expenditures amounted to \$856,867 consisted of operating expenditures of \$538,472, building improvements of \$225,225 and outreach activities of \$93,170. Building improvements in 2023 consisted of \$28,239 for the completion of the roof, \$2,111 for completion of boiler project and \$194,875 for window repair.

As previously mentioned, contributions for and expenditures related to the steeple are not included in the attached Statement of Operations. As described in The Endowment Fund report, a separate investment account is maintained for the steeple project and amounted to \$1,279,418 at December 31, 2023. It is expected that the cost to repair the steeple will exceed \$2.5 million and therefore this presents a significant challenge for 2024. The Endowment Fund report also describes efforts to finance the project and that funds from Endowment will be utilized only if sufficient funds cannot be raised. The Church is reluctant to utilize Endowment for the capital projects as 5% of any funds utilized will reduce amounts available for operations.

Pledge and plate collections of \$259,000 were \$10,000 less than 2022. As we enter 2024, we still need to address our church's long-term tendency to run annual operating deficits. The operating deficit for 2024 is budgeted to be excess of \$180,000. The calculated endowment support for operations in 2024 is approximately \$149,000. The Church has sufficient unrestricted funds in the Endowment to finance the shortfall. The Church's endowment is not only critical to its annual operating budget but to its long-term sustainability as well. As described in the Endowment Fund report the Endowment amounted to \$6,186,000 at December

31, 2023. Total annual calculated draw from endowment for 2023 was \$267,655 and is calculated to be \$258,000 for 2024. During 2023, \$98,749 of Graves Building calculated for 2022 and 2023 was transferred to the Church to pay for costs of window project. In January 2024, \$22,000 of the \$58,000 of Graves Building calculated for 2024 was transferred to Church to complete payment for window project. The remaining \$36,000 of Graves Building will be drawn as needed to fund capital projects. The total draw represents approximately 5% of the average endowment for the past three years and is in accordance with Church' investment guidelines.

Respectfully submitted,
Merle Tousant, Treasurer