



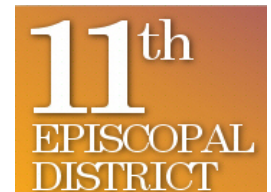
Bishop  
McKinley Young  
Eleventh  
Episcopal  
District  
  
African  
Methodist  
Episcopal  
Church

# FINANCIAL EMPOWERMENT LEVERAGING YOUR CHURCH'S STRENGTHS

**PRESENTED BY:**  
**James W. Means, IV, Principal**

**Rev. Willie J. Nelson, Senior Advisor Retired  
Presiding Elder, Columbia District, Seventh  
Episcopal District, AME Church**

**Tony Grant, CEO  
GRANT BUSINESS STRATEGIES, INC.**



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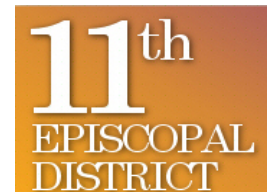
[www.grantbsi.com](http://www.grantbsi.com)

*November 2006*

# GBSI Team Objective



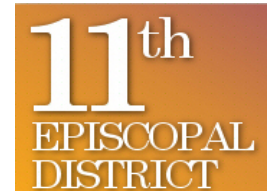
- Our objective is to utilize the 25 plus years of approving church financing transactions that ranges from \$250,000 to \$20,000,000 in a way that benefits our clients. We bring an understanding of church organizations, and we combine that skill set with professional banking skills to deliver flexible, creative, competitively-priced optimal financial solutions.
- Minimize financing expenses in order to maximize funds available for operations and outreach programs.



## Key Questions to Determine Strengths & Weaknesses



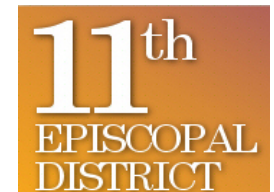
- ◆ What is the membership trend? Is it growing?
- ◆ Is the giving units increasing or decreasing?
- ◆ What is worship attendance trend?
- ◆ How does attendance compare to the number of giving units?
- ◆ What are the tithing procedures?
- ◆ What is the financial strength including revenue growth, cost control, profitability, cash flow, liquidity and leverage? What is the financial trend?
- ◆ What is the nature of fund-raising process? What is the status of building fund or capital improvements campaign? Has campaign been designed, implemented and collection of pledges proceeding as expected? What is the history of collecting its pledges and ability to fund significant capital improvement projects? What is the size of pledge campaign and amount of receipts to date? This is used as a measure of enthusiasm for the project.
- ◆ Does the project (new construction or expansion) seem necessary and realistic based on projected revenue and expenses?
- ◆ Is the support for project broad based or is it dependant on few large donors?



## Key Questions to Determine Strengths & Weaknesses



- ◆ What is the quality of financial statement?
- ◆ Is there lack of reasonable accounting controls and systems in place?
- ◆ Are budgets available to compare with actual performance?
- ◆ Are the key ratios within the recommended ranges?
- ◆ What is the loan-to-value based on cost or appraised value?
- ◆ What is the debt or borrowing capacity?
- ◆ Repayment source analysis?
- ◆ What is the long-term plan for debt retirement?
- ◆ Comparative analysis of the church's financial performance with the industry benchmark and trends?
- ◆ Does it have a strong management?
- ◆ Has there been any succession management planning?

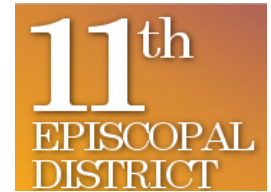


## Debt or Borrowing Capacity



### ◆ *Total Debt compared to Undesignated Annual Income:*

Large debt may cause a church to curtail programs to support the debt service. This can negatively impact congregation needs, levels of memberships & givings.



### ◆ *Annual Debt Service compared to Undesignated Annual Income:*

Reasonable amount of debt service a church can be expected to pay from its operating budget.



### ◆ *Proposed Debt compared to Giving Units:*

It is important to measure the reasonableness of debt burden per member.

### ◆ *Monthly Loan Amount compared to Giving Units:*

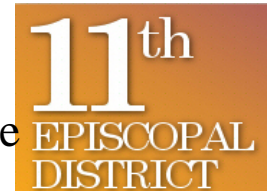
In addition to measuring reasonable debt burden per member, it also determines the reasonableness of new financing and necessary contributions to operate the church.

## Debt or Borrowing Capacity



- ***Debt for project compared to appraised value or cost:***

Measures if the church has adequate equity in the project to reflect a strong commitment to the project. Generally, financial institutions prefer equity to be contributed upfront and not be in the form of pledges to be collected unless it is a well established church.



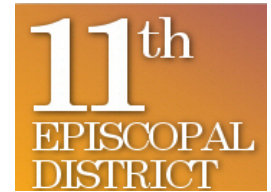
- ***Cash flow availability to service debt:***

Measure the reasonableness of debt size based on historical & projected cash flow available for repayment. It is critical to ensure that there is adequate cash flow available to service debt from recurring operating income. The church should be able to identify discretionary expenses that could be reduced or eliminated to provide adequate cash flow to service debt.



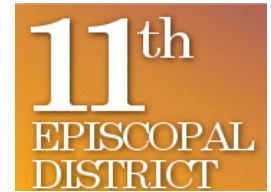
# Why Partner with Grant Business Strategies, Inc.?

- ◆ We become your personal commercial banker, a virtual extension of your existing management team.
- ◆ We work for you and not the financial institution and our goal is to obtain and recommend to you the best deal with tangible economic benefits.
- ◆ We give you an honest impartial assessment of your financial status.
- ◆ We can help you set up your church financial records and train your staff to maintain those records (QuickBooks).
- ◆ We help you understand the details of your loan structure to help avoid the pitfalls of a poorly structured deal and to take advantage of the benefits of the deal that may have been otherwise left on the table.
- ◆ Having been in the position to approve loans of up to \$60 million, we know what to ask for from the financial institutions.
- ◆ We can help structure the best deal for you (i.e. interest rates; swaps, caps, collars) because we speak the bank's language.
- ◆ We have a track record of being able to take deals that have been turned down, review the financial information, identify mistakes, package the loan request and have the newly modified deal approved.
- ◆ We can help you answer the questions about whether to secure a church bond or conventional bank financing.
- ◆ Sometimes deals go bad and when that happens, we can help with workout loans.
- ◆ We can help you understand the Church Information Sheet to include accurate definitions of giving units vs. household or family units. This is an area where significant mistakes are made.



## Examples of How GBSI's Proposed Financial Structure Has Resulted in Significant Cost Savings For Our Clients

- ◆ We have been able to secure significant interest rate savings. (Introduction of LIBOR Rate Index vs Prime Rate)
- ◆ We create a competitive environment that can drive down pricing.
- ◆ We advise the church not to encumber all of the churches properties. (abundance of collateral)
- ◆ We advise on the levels and assignment of life insurance policies.
- ◆ We advise on forward fixed rates, SWAPS, and Interest Rate Protection.
- ◆ The Following Two Deals are church loans that show a more definitive picture of securing the most beneficial pricing structure for the church.

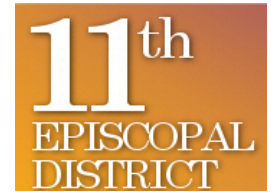


# Understanding Interest Rates

## LIBOR versus Prime

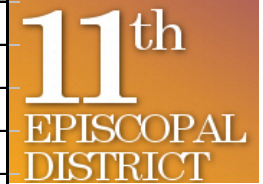


- ◆ **FIXED RATE:** A fixed rate of interest that stays the same over the life of the loan.
- ◆ **PRIME RATE:** The Prime Rate is the interest rate charged by banks to their most creditworthy customers (usually the most prominent and stable business customers). The rate is almost always the same amongst major banks. Adjustments to the prime rate are made by banks at the same time; although, the prime rate does not adjust on any regular basis. The rates reported below are based upon the prime rates on the first day of each respective month.
- ◆ **LIBOR:** The acronym LIBOR stands for London Interbank Offered Rate. It is a money market index with an international flavor. It is one of the indices used in lending. Typically, lenders will charge you a rate that is equal to the index (in this case LIBOR) plus a margin (the spread the lender wants to make).

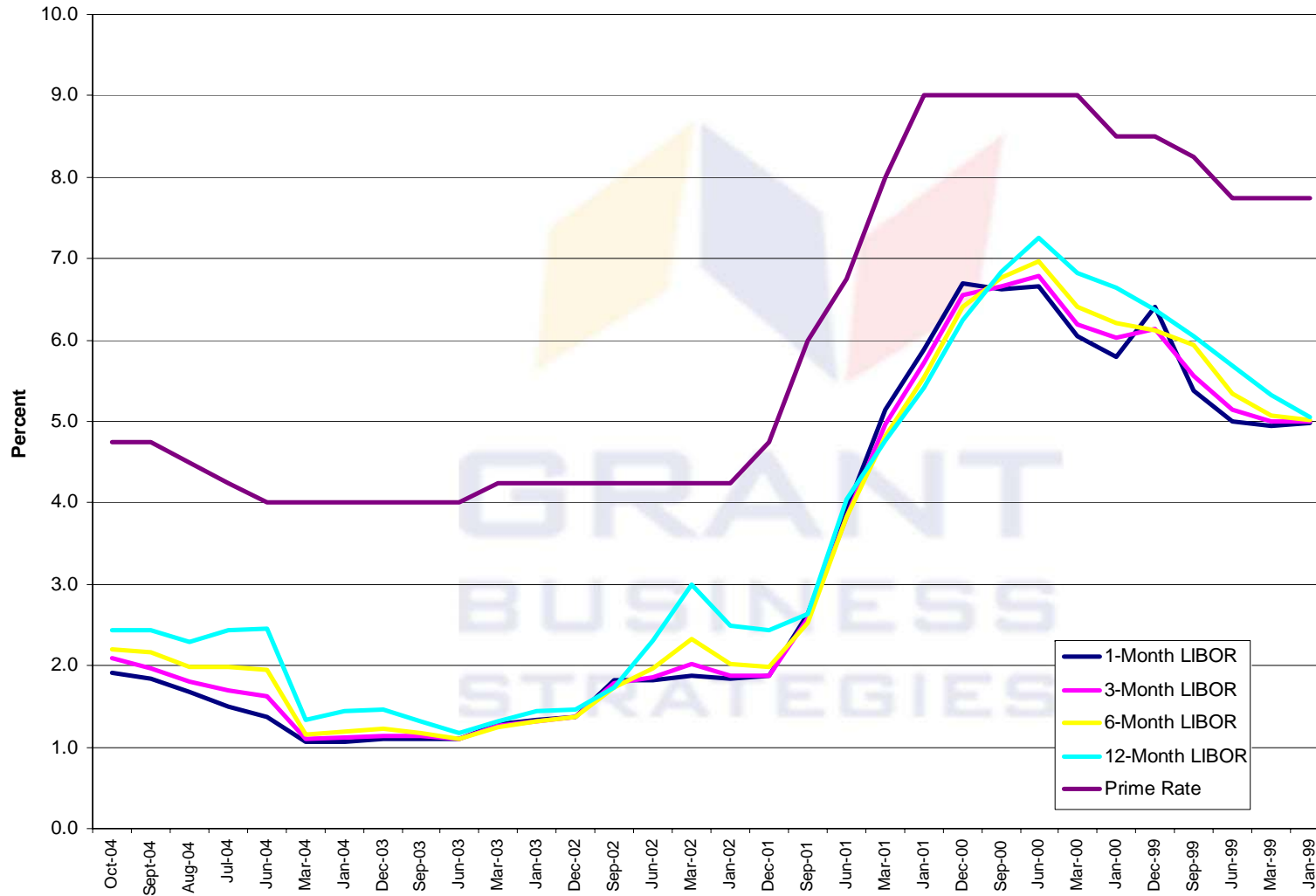
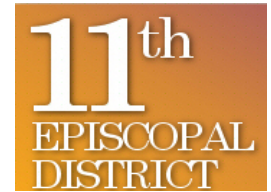


# LIBOR Versus Prime Rate History

	1-Month LIBOR	3-Month LIBOR	6-Month LIBOR	12-Month LIBOR	Prime Rate
	1-Month London Interbank Offer Rate: Based on US\$ (%)	3-Month London Interbank Offer Rate: Based on US\$ (%)	6-Month London Interbank Offer Rate: Based on US\$ (%)	1-Year London Interbank Offer Rate: Based on US\$ (%)	Prime Rate
Feb-06	4.5700	4.7500	4.9300	5.0600	7.50
Jan-06	4.4800	4.6000	4.7200	4.8200	7.25
Oct-04	1.9100	2.0900	2.2100	2.4300	4.75
Sept-04	1.8400	1.9750	2.1700	2.4400	4.75
Aug-04	1.6700	1.8000	1.9900	2.3000	4.50
Jul-04	1.5000	1.7000	1.9800	2.4338	4.25
Jun-04	1.3700	1.6200	1.9500	2.4600	4.00
Mar-04	1.0700	1.1000	1.1500	1.3300	4.00
Jan-04	1.0700	1.1200	1.1900	1.4400	4.00
Dec-03	1.1100	1.1400	1.2200	1.4600	4.00
Sep-03	1.1100	1.1300	1.1700	1.3200	4.00
Jun-03	1.1100	1.1100	1.1100	1.1800	4.00
Mar-03	1.2900	1.2700	1.2500	1.3200	4.25
Jan-03	1.3300	1.3200	1.3200	1.4500	4.25
Dec-02	1.3700	1.3700	1.3700	1.4600	4.25
Sep-02	1.8200	1.7800	1.7300	1.7300	4.25
Jun-02	1.8300	1.8600	1.9600	2.3100	4.25
Mar-02	1.8700	2.0200	2.3300	3.0000	4.25
Jan-02	1.8500	1.8800	2.0300	2.4900	4.25
Dec-01	1.8700	1.8800	1.9800	2.4400	4.75
Sep-01	2.6300	2.5900	2.5200	2.6400	6.00
Jun-01	3.9081	3.8347	3.8304	4.0521	6.75
Mar-01	5.1392	4.9659	4.8125	4.7742	8.00
Jan-01	5.8793	5.7188	5.5327	5.4162	9.00
Dec-00	6.6953	6.5516	6.4031	6.2407	9.00
Sep-00	6.6250	6.6652	6.7679	6.8378	9.00
Jun-00	6.6563	6.7898	6.9645	7.2529	9.00
Mar-00	6.0421	6.1970	6.4104	6.8288	9.00
Jan-00	5.7947	6.0313	6.2099	6.6369	8.50
Dec-99	6.4148	6.1225	6.1108	6.3750	8.50



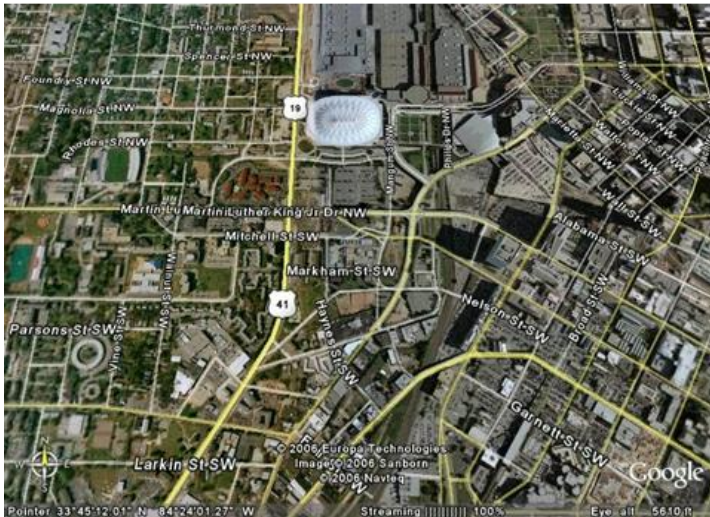
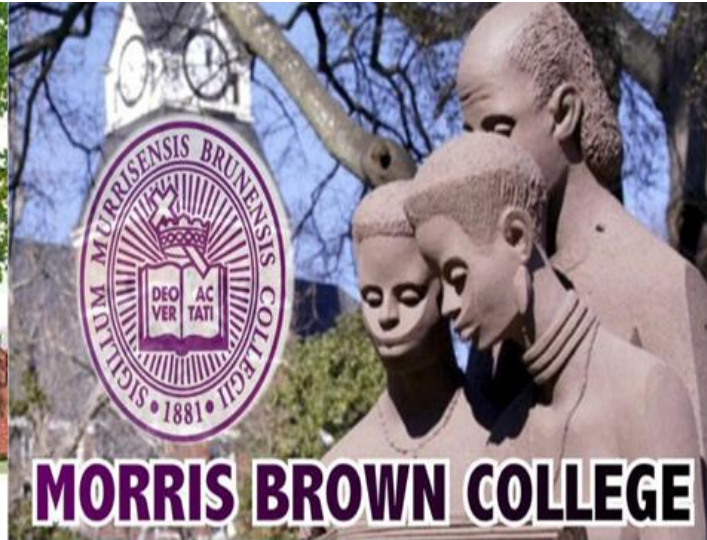
# LIBOR Versus PRIME RATE



# AME Connectional Church/Morris Brown Workout Strategies



Morris Brown College, Atlanta, Ga

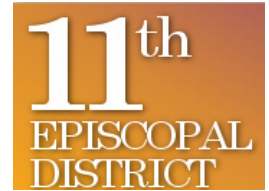


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# Allen University-Workout Strategies

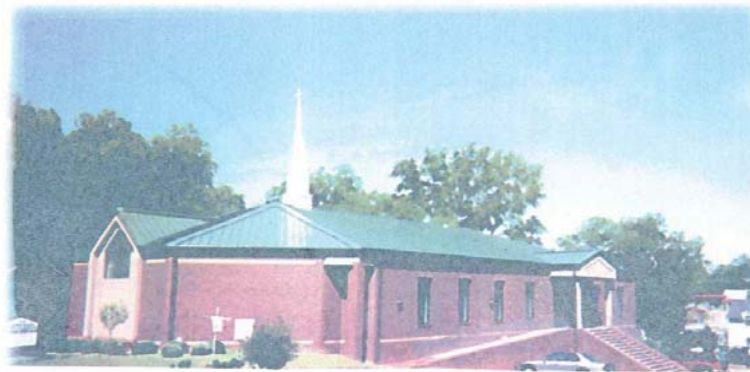


# AME Church Financings

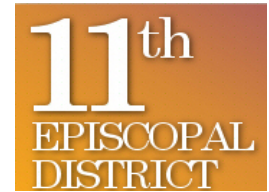
Bethel AME,  
Columbia, SC



Mt. Olive AME, Myrtle Beach, SC



Emmanuel AME,  
Columbia, SC



# First Nazareth Baptist Church

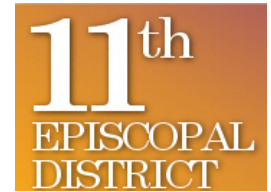


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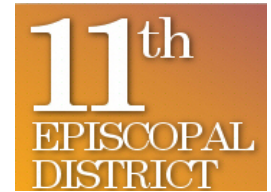
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# Church of The Harvest



# Greek Letter Organizations



Sigma Gamma Rho Sorority, Inc.  
Raleigh, NC



Omega International Headquarters  
Decatur, GA



Zeta Phi Beta Sorority, Inc. Washington, D.C.



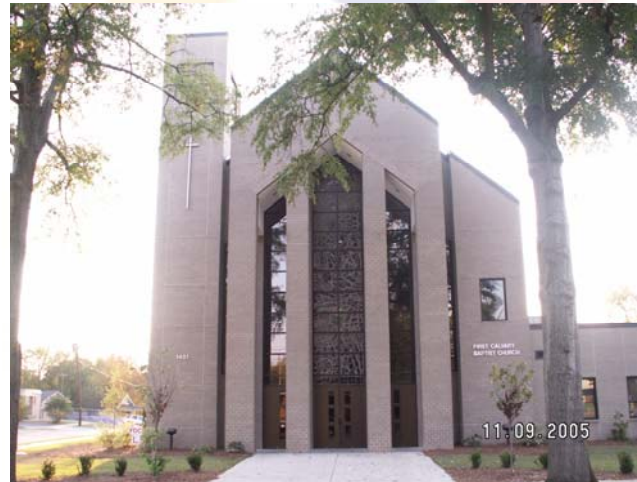
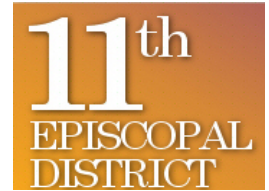
Omega Corporate Residence Stone  
Mountain, GA

Take heed now, for the Lord hath  
chosen thee to build an house for the  
sanctuary: be strong and do it.

1 Chronicles 28:10

And David said to Solomon his  
son, Be strong and of good  
courage, and do it: fear not, nor  
be dismayed, for the Lord God,  
even my God, will be with thee; he  
will not fail thee, nor forsake  
thee, until thou hast finished all  
the work for the service of the  
house of the Lord.

1 Chronicles 28:20



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<http://www.grantbsi.com>--[jwmiv@grantbsi.com](mailto:jwmiv@grantbsi.com)--[atg@grantbsi.com](mailto:atg@grantbsi.com)