

## FAQS ON FINANCES FOR RCCC BUILDING EXPANSION

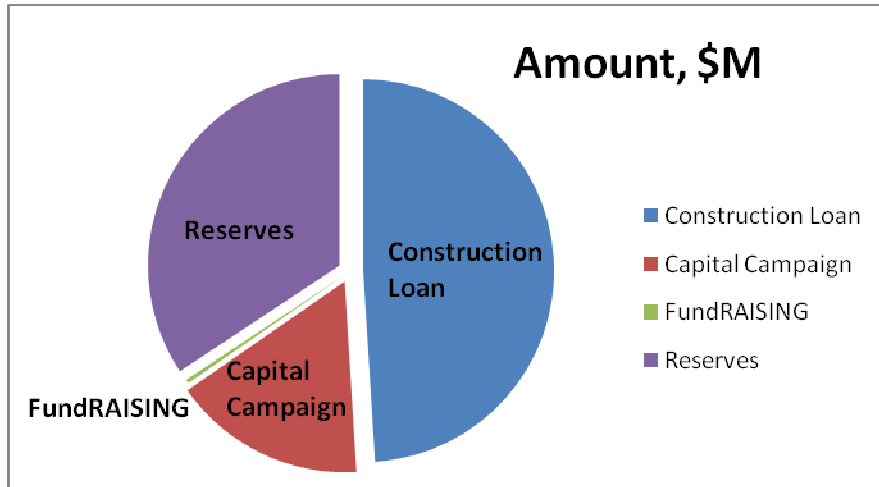
1. What is the plan for securing money to pay for the cost of building Phase 2?
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### 1.0 WHAT IS THE PLAN FOR SECURING MONEY TO PAY FOR THE COST OF BUILDING PHASE 2?

The major way to pay for the cost of building Phase 2 is through a construction loan from a bank. The loan is a commercial loan and thus governed under commercial loan conditions. From a preliminary discussion, we anticipate securing a loan from Wachovia, as we did for Phase 1. Wachovia has been our bank since day 1. Because RCCC has been a loyal customer of Wachovia for a long time, Wachovia provided the construction loan for Phase 1 construction at reasonable rates. Though Wachovia is our bank it does not preclude that we will not shop around for the best rate when the time comes for a loan. See FAQ #4.

### 2.0 RCCC PLANS TO SUPPORT THE EXPANSION COSTS IN FOUR WAYS: CONSTRUCTION LOAN, CAPITAL CAMPAIGN, FUND RAISING AND USE OF RESERVES. HOW DO THEY WORK?

- Construction loan: Refer FAQ #1
- Capital campaign: A capital campaign will be conducted by the CCFC [Capital Campaign FundGIVING Committee]. The CCFC is composed of Emory Chao, Al Chen (chairman), Huang Chen, Rueil-Ya Jou and Michael Poon. Fund giving is the contribution of equity or monies or a pledge to give towards a preset goal. Refer to FAQ #7.
- Fund raising: Raising of monies will be conducted by the BEFC [Building Expansion FundRAISING Committee]. The BEFC is composed of C.J. Chiang, Mo-Yuen Chow, George Ho (chairman), Gu Hong Qu and Feng Ye. Fund raising is the contribution of small sum cash to the Building Fund for building expansion use. Refer to FAQ #8.
- Reserves: RCCC has a sizeable reserve that can be used for building expansion. The reserves are in the Building Fund specifically to be used for building expansion and in the General Fund. The transfer of GF reserves for building expansion has to be approved by the Joint Board. Refer to FAQ #5.



**3.0 WHAT IS A CONSTRUCTION LOAN AND WHAT IS THE AMOUNT OF THE LOAN?**

A construction loan is a loan, generally from a bank, to be used for building expansion or construction. It is a commercial loan, governed by commercial rates and conditions. At this point in time, as the actual construction cost is not yet known, the amount of the loan is uncertain. Our ability to secure a construction loan depends on our financial history, the number of giving units (GU)<sup>1</sup> and their amount of tithing, our projected capital campaign realization and the amount of our reserves.

<sup>1</sup>See FAQ #7 for definition of GU.

**4.0 WHAT WOULD BE THE ADDITIONAL GIVING NEEDED PER WEEK TO COVER THE MONTHLY MORTGAGE COST OF THE CONSTRUCTION LOAN?**

This depends on the amount of the construction loan. A hypothetical example is shown in the table below:

| Conditions: 15 year fixed-rate at 6.0 percent               | Loan Amount           |                       |
|---|-----------------------|-----------------------|
|   | 2 Million Dollars     | 3 Million Dollars     |
| Monthly mortgage  | \$16,877.14           | \$25,315.70           |
| Additional contributions per week to cover monthly mortgage | 3,894.72 <sup>2</sup> | 5,842.08 <sup>2</sup> |

<sup>2</sup>This is the worst case scenario assuming full-throttle spending of the operating budget. Refer to the Contribution vs Expense Chart in FAQ #10.

**5.0 HOW MUCH RESERVES DOES RCCC HAVE THAT CAN SUPPORT THE BUILDING EXPANSION EFFORT?**

There are two reserve funds – Building Fund and General Fund – that can support the building expansion effort: As of March 31, 2010, the amounts in these reserve funds are:

| Building Fund | General Fund <sup>3</sup> | Total Reserves for Building Expansion |
|---------------|---------------------------|---------------------------------------|
| \$353,063     | \$1,801,109 <sup>3</sup>  | \$2,154,172                           |

<sup>3</sup>Their use for building construction has to be approved by the Joint Board. This amount excludes a 3-month operating reserve.

**6.0 CAN YOU BE MORE SPECIFIC ABOUT THE CAPITAL CAMPAIGN? HOW DOES IT WORK?**

A Capital Campaign is a program wherein members of the RCCC church body come together in financial sacrifice to provide funds for a capital project such as the building of Phase 2 of our church expansion. This financial sacrifice is the sacrificial giving beyond the giver’s (annual) giving and tithing. It is a time of spiritual growth and faith building that illuminates the heart and spirit in trusting God to provide the amount that He would want the giver to give or pledge. It is a process whereby a targeted amount is projected to result in a period of time of giving commitment.

Specifically the CCFC would work closely with the CBEC to set a goal amount to be raised and the conditions of the campaign to achieve its goal by a set time. How to achieve the goal is the campaign process. Details of the Capital Campaign will be worked out by the CCFC [see FAQ #2 & #7]. This Committee is responsible for rallying the Church body to give sacrificially in contributions of large sums of cash, stocks and other equities. We will not accept fixed assets such as jewelry, automobile, land, houses or similar assets unless it is first converted to a liquid asset to give to RCCC.

**7.0 WHAT IS THE CCFC [CAPITAL CAMPAIGN FUNDGIVING COMMITTEE] AND HOW DOES IT WORK?**

The CCFC is responsible for administering the Capital Campaign. It concerns with rallying the Church body to GIVE sacrificially beyond the giving unit’s (GU)<sup>4</sup> regular tithes and offering.

A Capital Campaign is biblical. The biblical basis and historical precedent for what we call today a capital campaign is found in:

- Moses building the tent of the tabernacle: Exodus chapters 25, 35 & 36
- David preparing to build the temple: 1 Chronicles 29:2-9
- The rebuilding of the temple and Jerusalem’s walls: Ezra, Nehemiah and Haggai

Details of the capital campaign will be worked out and administered by the CCFC.

<sup>4</sup>Giving Unit (GU), def.: An individual or husband and wife together that contributes monies to the support of RCCC. A husband or wife may give separately as well and each is considered a GU. The finance office keeps track of all giving irrespective of the amount when provided with identification even with cash if the donor’s name is provided.

**8.0 WHAT IS THE BEFC [BUILDING EXPANSION FUNDRAISING COMMITTEE] AND HOW DOES IT WORK?**

The BEFC is responsible for RAISING monies through the coordination of services and goods provided by individual members. The object of the church expansion is the participation of all members of the Church body – both big and small donors. That is, some members may be skilled in providing a service or product that other members can use. The BEFC coordinates the services and products of registered providers with persons interested in purchasing the services or goods provided. The purchaser buys the service or goods from the provider and the provider in turn contributes the collected monies to the church expansion fund.

Details of the fundRAISING will be worked out and administered by the BEFC.

**9.0 WOULD THE COMMITMENT COST OF A MORTGAGE EXPENSE HINDER STAFF GROWTH AND MINISTRY EXPANSION?**

We trust and hope that with the church building expansion there is a corresponding quantity growth of the Church body, and corresponding increase in the weekly offering to support the whole church operations of ministry, staff and resulting mortgage expense. Currently we have no mortgage expense. With the completion of Phase 2 there will be a substantial burden on RCCC from the monthly mortgage expense commitment perspective.

The 2010 Operations Budget is \$753,670 excluding FPO (Mission). Of that sum \$381,390 goes to full and part time pastoral and administrative staff and benefits, or 50.6 percent of the Budget. There has to be a corresponding increase in giving to cover the additional expenses associated with Phase 2. Now with a mortgage commitment we must seek God's wisdom and discernment to know clearly how to balance carefully the needs of ministry, staff increase and mortgage. A general rule of thumb is 1/3-1/3-1/3 in the distribution and administration of the Operations Budget. That is, 1/3 for ministry, 1/3 for staff and 1/3 for building mortgage. Of course with an increase in tithes and offering the distribution percentage can be altered.

Associated with the mortgage expense commitment is a corresponding increase in the operating costs of the new expansion. Refer to FAQ #10 for anticipated additional operating costs or expenses.

**10.0 WHAT ARE THE ANTICIPATED ADDITIONAL EXPENSES ASSOCIATED WITH THE NEW EXPANSION AFTER WE MOVE IN?**

The most obvious additional expenses would be building services costs associated with the upkeep of the new addition such as building maintenance [equipment], utilities, janitorial services, security, waste management, building supplies and possibly lawn & landscaping services. Others include insurance, pest control and BMP maintenance.

[New equipment to stock the new premise and offices are part of the total Phase 2 costs and would be reflected in the total construction and equipment costs, and thus not discussed here.]

## FAQ SET #2 – FINANCES

In 2009 the Building Services budget was \$90,800 and the expenditure was \$83,179.73. For 2010 it was raised to \$115,830 representing a 28% increase probably reflecting the aging and wear & tear of the building and equipment requiring more “fix-up” money to keep the building humming for people comfort. Given the square footage of the current building is 18,500 sf and Phase 2 is around 21,500 sf, it would be a good approximate to double the Building Services budget to \$200,000 conservatively.

A summary chart of contributions received verses the actual expenses for 2009 is provided for comparison.

Contribution vs Expense Chart

| Total offerings in 2009 <sup>5</sup> |              | Total Expenses in 2009    |
|--------------------------------------|--------------|---------------------------|
| Building Fund                        | \$33,942.00  | \$31,116.12               |
| General Fund                         | \$735,591.47 | \$518,126.00 <sup>6</sup> |
| Total                                | \$769,533.47 | \$549,242.12              |

<sup>5</sup>Excluding designated offerings (Mission, Benevolence, STM, etc.)

<sup>6</sup>Verses a budgeted expense of \$730,477 for 2009

### Fixed expenses expected to increase under Phase 2

| Building Services 2009             | Budget:<br>\$90,800 <sup>7</sup> | Actual Expenses:<br>\$83,179,73 |
|------------------------------------|----------------------------------|---------------------------------|
|                                    | Actual Expenses<br>in 2009       | Estimated<br>Increase To        |
| Building Services                  |                                  | \$190,000 <sup>7</sup>          |
| Building maintenance (BM)          | \$13,957                         |                                 |
| Janitorial services                | 17,479                           |                                 |
| Janitorial supplies                | 3,202                            |                                 |
| Utilities                          |                                  |                                 |
| • Electricity                      | 20,437                           |                                 |
| • Gas                              | 2,479                            |                                 |
| • Telephone                        | 5,841                            |                                 |
| • Water & sewer <sup>8</sup>       | 1,758                            |                                 |
| Lawn & landscaping                 | 13,527                           |                                 |
| Waste disposal                     | 1,975                            |                                 |
| Security & monitoring              | 345                              |                                 |
| Safety                             | Under BM                         |                                 |
| Equipment replacement              | 581                              |                                 |
| Building supplies                  | 1,708                            |                                 |
| Pest control                       | Under BM                         |                                 |
| BMP retention pond                 | Under BM                         |                                 |
| Other Fixed Expenses               |                                  |                                 |
| Insurance                          | 9,646                            | 20,000                          |
| Equipment replacement <sup>7</sup> |                                  | ??                              |

<sup>7</sup>This represents a disproportionate increase from the suggested doubling to \$190,000 due to anticipated increased use of the premise causing corresponding increase in overall expenses including wear & tear.

<sup>8</sup>TOC assigns RCCC to a tiered use cost, which after exceeding a base level, the amount triples.