

Capital Project: Quick Financial Estimate Worksheet

If a church wants to get a quick idea of how much it can afford to spend on its project, it can do the following simple calculation:

Step 1 _____ Add up the total amount of funds presently on hand for the project. Place in blank.

Step 2 _____ Take the total annual financial support for the church's operating budget for the past three years and divide it by 3 to get a yearly average. Place in blank.

Step 3 _____ Multiply Step 2 figure times 1.5 – 3.0 (Choose a number between 1.5 and 3.0 depending on how successful you believe your fund-raising campaign will be.) Place in blank.

Step 4 _____ Multiply Step 2 figure times .2 and subtract existing debt service found in the church's annual budget. Place answer, which is the maximum additional annual debt service your church can afford, in blank. (Some sources would raise the .2 figure to .25 or even .33; however, the higher figures may end up compromising your church's ministries.)

Step 5 _____ Using the loan calculator at www.hsh.com/calc-amort.html, determine the amount and terms for a loan (if desired); annual debt retirement payments not to exceed Step 4's figure. Place the total amount to be financed in blank.

Step 6 _____ Place the amount expected from sale of property (if applicable) in blank. Do not base this figure on the property's insured replacement value, but rather on appraisals or the purchase prices of similar church buildings which have been recently sold.

Step 7 _____ Place the amount anticipated from other sources of income (e.g. grants, facility rental fees, etc.) in blank.

Step 8 _____ Total the figures in Steps 1, 3, 5, 6, and 7 and place in blank.

Step 9 _____ Multiply Step 8 figure times .15, which will determine the total funds set aside for the project's contingencies, and place in blank.

Step 10 _____ Subtract Step 8 figure minus Step 9 figure and place in blank. This is the total amount your project can cost or the Guaranteed Maximum Price.

The Guaranteed Maximum Price is the figure that your architect/builder's must not go above when pricing the project. The amount set aside for project contingencies will cover unanticipated expenses (e.g. change orders, increased cost of materials, etc.).