Financing Options

Some of the funds designated for Ministry Expansion are in fixed income securities Hope has owned for a number of years. The cost basis of these six securities is $425,830. Because they pay in the 2-3% interest range, their market value on the June bank statement was $314,810. The question is whether to sell them now, at market value, or hold them until maturity and receive the cost basis value in 2040. The Idaho Trust account that holds these securities has funds designated for Ministry Expansion, School Savings, and the church's general fund. The School Savings cost basis is $72K and its market value was $54K.

As part of the Educational Broadband Service, Hope Lutheran School held a license from the Federal Communications Commission. T-Mobile has leased our spectrum for several years and is now purchasing it. The money may arrive in August.

Options

1. Sell expansion securities at a loss (market value vs. cost basis).

2. Do not sell and have a higher mortgage loan.

3. Sell all securities, close Idaho Trust account, use $90K from T-Mobile for construction.

Each option has a different impact on our total mortgage, monthly mortgage payment, and balloon payment due in 5 years.

Factors to consider

All Options:

- Prior to construction, our mortgage payments were about $1,600/month.
- Potentially there are three loans:
  - The construction period loan has an interest rate of 7.65%. Hope only pays interest on the construction period loan and cannot pay down the principal.
  - The final mortgage can be no more than $700K. It has a rate of 6.25%. Hope can pay extra principal. Hope can request adjustment of amortization schedule once a year. This is beneficial if Hope pays down the principal or if the interest rates go down. A balloon payoff is due in 5 years.
  - A bridge loan of up to $200K is available only after using all of the $700K loan. Its interest rate is 6.50%. Hope only pays interest on the bridge loan and pays off the balance in 3 years.

Option 1, sell Ministry Expansion securities at a loss:

- Loss on the early sale of the securities is $89K as of July 20, 2026 ($362,448 cost basis value - $273,315 market value).
- Note: If the Ministry Expansion securities are sold, only one security, with a market value of ~$35K, and cash would remain in the Idaho Trust account.

Option 2, do not sell:

- Not selling now means a larger construction period loan. The interest rate is 7.65%. We pay interest on the construction period loan from unrestricted funds. Hope pays interest only and cannot pay down the principal.
- Not selling means having to use the full $900K available loan ($700K mortgage and $200K bridge loan). **<u>An additional $44K will need to be received before the final mortgage to remain under the $900K total limit.</u>**

Option 3, sell all securities, close Idaho Trust account, use $90K from T-Mobile for construction:

- This option also has a loss on the early sale of the securities.
- The market value of the school's portion of the Idaho Trust account would be transferred to a school account.

- $90K from T-Mobile would be used to pay for construction, thereby reducing the amount of the construction loan and final mortgage. ($90K was chosen because the church budget includes $90K to pay for benefits for school staff.)

Options Comparison

This information is based on the market value of the expansion securities when the calculations were made. Market values fluctuate.

	Option 1 Sell at Loss	Option 2, Do Not Sell (Requires $44K additional donations to be within $900K loan limit)			Option 3 Sell & T-Mobile $90K
		Mortgage	Bridge**	Total	
Estimated Loan	$671,000	$700,000	$200,000	$900,000	$581,000
Annual Payments (prin+ int)*					
2027	$52,800	$55,200	$13,200	$68,400	$45,600
2028	$40,800	$43,200	$13,200	$56,400	$34,800
2029	$36,000	$37,200	$13,200	$50,400	$28,800
2030	$36,000	$37,200	$13,200	$50,400	$28,800
2031	$36,000	$37,200	$13,200	$50,400	$28,800
Balloon (Bridge due 2029; Option 1 and 3 due 2031) *	$402,300	$428,600	$200,000	$628,600	$329,000
Loss of Idaho Trust net income per year, 2027-2031	$6,560	$-	$-	$-	$6,560

* Assumes that Ministry Expansion commitments are received equally each month through 6/28.

** Pay interest only. Interest rate is 6.5%. Bridge balloon payoff due in 3 years, i.e. 2029.

	Option 1 Sell at Loss	Option 2, Do Not Sell (Requires $44K additional donations to be within $900K loan limit)			Option 3 Sell & T-Mobile $90K
Monthly Payment		**Mortgage**	**Bridge****	**Total**	
2027	$4,400	$4,600	$1,100	$5,700	$3,800
2028	$3,400	$3,600	$1,100	$4,700	$2,900
2029	$3,000	$3,100	$1,100	$4,200	$2,400
2030	$3,000	$3,100	$1,100	$4,200	$2,400
2031	$3,000	$3,100	$1,100	$4,200	$2,400
Balloon	$402,300	$428,600	$200,000	$628,600	$321,200

Proposal

At the last meeting we tabled the motion to sell the securities—all six of them. The committee that did the above analysis proposes to let that motion die on the table and offers the following motions:

1. Sell the fixed income securities in the Idaho Trust account and close the account.
2. Use $90K of the money from T-Mobile for construction costs.