

# Financial Report – October 2017

## Faith Lutheran Church Council

Submitted November 18, 2017

The Finance Ministry Team met on November 9, 2017, and covered the following items.

- Opening prayer
- Review of October 2017 financial statements
- Discussion of current financial position
- Insurance Claim
- Improving check security with the Bank
- Closing prayer

### Financial Summary:

Income/Expense (k\$)	October	Delta to Budget
Income	92.0	-7.2
Expense	<u>109.3</u>	<u>8.1</u>
Net	-17.4	-15.3

Cash Position	October	Change from September
Operating	-91.5	-17.4
Conduit	-.6	+.2
Building Fund	229.9	-5.0
Unallocated	33.0	+.3
Benevolence Reserve	15.8	-9.5
Branching Out	<u>35.0</u>	<u>+3.7</u>
Total	221.5	-27.8

### Monthly Highlights:

- Income for October was \$92.0K.
  - Total income was up by \$8.7K vs. September and was \$7.2K below the ministry plan for October. Overall income for the month improved from September, but continues to be below the ministry plan. October was a five week month, and showed limited improvement in giving after the congregation meeting in late September.
  - Total income averaged \$18.4K per week in October. This was down \$2.4K from the September average of 20.8K. The ministry plan calls for \$19.8K per week in October.
  - We continue to run well below the ministry plan for income. We are running behind by \$91.5K (total income) for the first ten months of the ministry plan.
- Expenses paid in October were \$109.3K. This was \$8.1K above the ministry plan for October. Spending was up \$14.9K than was spent in September. The first month of the quarter spending is always higher than average, as property insurance, and workers compensation insurance are due.

- Missional expenses were \$6.5K above the mission plan for the month. The staffing increases have brought us over the ministry plan for the month of October.
- Operational expenses were \$1.6K above the ministry plan. The actuals reflect a mortgage payment of \$15.0 K.
- October was better than September, but still running behind on the income side. We need to see how the congregation responds to the appeal at the annual meeting held on November 12. We consumed \$17.4K in operations cash in October.
- The overall cash position decreased by \$27.8K in the month. The cash results include paying for two benevolence items approved by the council, Briarwood Golf (\$5.0K) and ELCA YAGM (\$5.0K). Overall cash looks good, however without the insurance money in the balance, our net cash balance would be a negative \$8.4K. Response from the congregation to close the gap is critical!
- As discussed in previous Council meetings, we continue to employ the following strategies to maintain sufficient operating funds to sustain our ministry:
  - As noted earlier, we are making the lower \$15K (\$8 K in principal and \$7 K in interest) monthly mortgage payment. We will maintain this level of mortgage payments until the land is sold, at which time we will pay down the mortgage with the full amount of the proceeds and renegotiate a new and much lower payment schedule. This lowered payment has now been accepted and documented by the Mission Investment Fund for the next three years. As reviewed with council in the last council meeting, MIF considers us one month in arrears due to the missed payment in October of 2015 of last year, we have no ability to make up that payment now.
  - Reduce benevolence payments by 50% until our cash position allows us to resume those payments in full. The 5% going directly to the ELCA will continue to be paid as was done in October.
  - Considering our cash situation, we have made a prioritized list of which bills to pay in the following order: (1) Payroll, (2) Utilities, (3) ELCA Benevolence, (4) Credit Card Bills, (5) Mortgage Payment, (6) Required Maintenance Expenses, (7) Other Mandatory Bills, (8) Discretionary Program Expenses.
- While we are extremely challenged, we are also Blessed by our Savior, daily. Through continued Gratitude, Faith, Prayer, and Diligence we will see our way through the challenges. Please pray for a positive result from the congregation to the budget update.
- **GOD IS GOOD ALL THE TIME!**

## **Detailed Summary of October 2017 Financial Statements**

### Income

For the month of October 2017, total operating income was \$92.0K. Regular offering was \$84.6K, and other income was \$5.7K. Most the other income was a transfer from the benevolence reserve to cover the Briarwood golf tournament \$5.0k, and noisy offering of \$.7M.

Activities Income, (the new category of income), recorded income of \$1.7K. This income was for youth activities and disciple connections. The expense for these items will show up in the expenses section, in some cases (youth events) in future months.

The October 2017 financial report reflects \$16.9K average weekly offerings for the month. This is slightly below the \$17.8K average YTD October.

Kari (Operations Director) and Scott (Accountant) will continue to coordinate closely to make sure bank balances remain positive, paying bills in a prioritized manner. The Finance Ministry Team will communicate with them and respond appropriately as circumstances dictate.

### Expenses

For the month of October 2017, total operating expenses paid were \$109.3K. This amount reflects debt service of \$15.0K. It also includes 5% benevolence/mission support payment, equal to \$4.2K. Overall, total expenses were \$8.1K above the October budgeted expenses per the 2017 Ministry Plan of \$101.3K. Of this \$8.1K delta, \$5.0K was the Briarwood gold sponsorship

Spending continues to be tightly managed.

- Missional expenses were \$12.8K, this was over budget for the month as Briarwood sponsorship was paid in October. Of the spending in this category, \$9.9K is benevolence (ELCA, Briarwood, Noisy).
- The administration category was \$.3K below the mission plan for the month. We are under budget due to the pastor position not being filled, however the other staff areas are running over now that the AV position and the outreach position are filled. Administration salaries are now over by \$5.0K per month.
- Operational expenses were above the ministry plan by \$1.6K. The overrun was driven by the general maintenance category, We had a number of repairs that needed to be made (Doors at LTTM and Plumbing repairs). The operational expenses actuals also reflect a mortgage payment of \$15.0 K.

### Financial Trends - Trailing Thirteen Months

The attached report includes a chart/graph depicting financial trends for three key financial categories (offerings, expenses and net income/loss) during the trailing thirteen months (to include same month last year). In most cases, the peaks and dips reflect expected seasonal ebb and flow.

### Cash Balances

The overall October cash balance was \$221.5K and decreased by \$27.8K from the September balance. The operating fund now has a negative balance of \$91.5K and increased (got worse) by \$17.4K from September. The total of conduit funds is negative by \$.6K, this decreased (got better) by \$.2K from September. The conduit fund can go negative due to fund transfers from the day school for payroll. The unallocated funds are at \$33.0K, and increased by \$.3K in October. The Benevolence fund (Tithe from branching out) decreased by \$9.5K to \$15.8K, this was to cover Briarwood golf tournament, and the ELCA YAGM support approved by the council. Branching out funds (less the tithe) has a positive balance of \$35.0K and increased by \$3.7K. The final payment for the camera system will come out of that fund in November.

### Building Maintenance Reserve

The October maintenance reserve balance now has a balance of \$229.9K.

The maintenance reserve balance is due to receipt of insurance proceeds to cover the cost of repairing the church roof. The roof was damaged in the spring hail storm.

To the extent practicable, additions to this reserve are planned to be resumed in the future and continue until it is restored to an appropriate level (to be recommended by the Finance Team). Due to our current financial situation, this is unlikely to happen for some time.

### Unallocated Reserve

As of October 2017, this fund balance is \$33.0K. This increased by \$.3K in the month of October. It is effectively being used to cover the operational shortfall.

### **Branching Out Campaign**

The total received as of the end of October was \$232.5K.

Campaign expenses have totaled \$6.4K. Campaign disbursements have totaled \$191.1K (this includes tithe of \$23.3K). Ending cash balance is \$35.0K. The council has approved the video system at a cost of \$33.3K. This will be funded out of the branching out campaign. Half of the video system was paid in September, the second half payment for the video system will be made in November.

### **Other Matters for Council Information**

#### October Unpaid Bills Carried Over to October

As of the end of October, all outstanding invoices have been paid. As identified earlier, MIF considers us one month in arrears due to the missed October 2015 payment. I have instructed the accountant to continue to make one payment per month, unless instructed by the council.

#### Debt Service Program

We did make a payment of the revised monthly mortgage obligation in the amount of \$15 K to MIF in October. At this level, we are still paying approximately \$8K in principal to go with the \$7K in interest. We will continue to make this payment monthly as we are able, until the 3.5-acre parcel of excess land is sold. At that time, we will pay down the mortgage with the full amount of the proceeds and renegotiate a new payment schedule.

#### Finance Ministry Team Action Items

Review the feasibility of moving the church fiscal year to align with the day school. The team feels that we could incorporate the day school financials without changing the church fiscal year. The finance team will continue to study the issue in collaboration with the day school finance team.

Matt will reach out to the Audit committee to discuss progress on the 2016 audit.