

# Financial Report – September 2017

## Faith Lutheran Church Council

Submitted October 15, 2017

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

- Opening prayer
- Review of September 2017 financial statements
- Discussion of current financial position
- Insurance Claim
- Fiscal Year alignment with day school
- Closing prayer

### Financial Summary:

Income/Expense (k\$)	September	Delta to Budget
Income	83.3	-5.6
Expense	<u>94.4</u>	<u>-.4</u>
Net	-11.1	-5.2

Cash Position	September	Change from August
Operating	-74.1	-11.1
Conduit	-.8	-.1
Building Fund	234.9	0
Unallocated	32.7	+7
Benevolence Reserve	25.3	+4.0
Branching Out	<u>31.5</u>	<u>-12.1</u>
Total	249.3	-18.6

### Monthly Highlights:

- Income for September was \$83.3K.
  - Total income was up by \$11.6K vs. August and was \$5.6K below the ministry plan for September. Overall income for the month improved from August, but continues to be below the ministry plan. September was basically complete prior to the congregation meeting, October will be a test to see the response from the congregation.
  - Total income averaged \$20.8K per week in September. This was up \$2.9K from the August average of 17.9K. The ministry plan calls for \$22.2K per week in September.
  - We continue to run well below the ministry plan for income. We are running behind by \$84.3K (total income) for the first nine months of the ministry plan.
- Expenses paid in September were \$94.8K. This was \$.4K below the ministry plan for September. Spending was \$5.8K below what was spent in August.
  - Missional expenses were \$1.9K above the mission plan for the month. The staffing

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increases have brought the total spending very close to the overall ministry spending plan.

- Operational expenses were \$2.3K below the ministry plan. The actuals reflect a mortgage payment of \$15.0 K.
- September was better than August, but still running behind on the income side. The congregational meeting was held on the last Sunday of the month, so any impact to the message will be seen in October. We consumed \$11.1K in operations cash in September, and reduced the operating cash balance by \$83.3K from the December 2016 ending balance.
- The overall cash position decreased by \$18.6K in the month. The cash results include paying for the \$16.6K down payment for the camera system. Overall cash flow looks good, however with out the insurance money in the balance, our net cash balance would be \$14.4K. Cash management will now be a critical item.
- 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 September 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 September.
  - 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 September 2017 Financial Statements**

### Income

For the month of September 2017, total operating income was \$73.8K. Regular offering was \$73.2K, and other income was \$.6K. Most the other income was noisy offering \$583.

Activities Income, (the new category of income), recorded income of \$9.5K. This income was for youth activities and the golf outing. The expense for these items will show up in the expenses section, in some cases (youth events) in future months.

The September 2017 financial report reflects \$18.3K average weekly offerings for the month. This is an improvement of the \$16.3K average in August and is slightly above the \$17.9K average YTD September.

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 September 2017, total operating expenses paid were \$94.4K. This amount reflects debt service of \$15.0K. It also includes 5% benevolence/mission support payment, equal to \$3.6K. Overall, total expenses were \$.4K below the September budgeted expenses per the 2017 Ministry Plan of \$94.8K.

Spending continues to be tightly managed.

- Missional expenses were \$9.4K, this was over budget for the month as the cost of the golf tournament was paid in September (income for the golf was recorded in income above). Of the spending in this category, \$3.7K is benevolence.
- The administration category was \$1.1K 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 below the ministry plan by \$2.3K. The underrun was driven by the general maintenance category being under by \$2.1K. 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 September cash balance was \$249.3K and decreased by \$18.6K from the August balance. The operating fund now has a negative balance of \$74.1K and increased (got worse) by \$11.1K from August. The total of conduit funds is negative by \$.8K, this increased (got worse) by \$.1K from August. The conduit fund can go negative due to fund transfers from the day school for payroll. The unallocated

funds are at \$32.7K, and increased by \$.7K in September. The Benevolence fund (Tithe from branching out) increased by \$4.0K to \$25.3K. Branching out funds (less the tithe) has a positive balance of \$31.3K and decreased by \$12.1K (We had contributions into branching out cash of \$4.5 and we made the deposit of \$16.6K on the camera system for a net of -12.1K).

#### Building Maintenance Reserve

The September maintenance reserve balance now has a balance of \$234.9K. This had no change from last month.

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 September 2017, this fund balance is \$32.7K. This increased by \$.7K in the month of September. It is effectively being used to cover the operational shortfall.

#### **Branching Out Campaign**

The total received as of the end of September was \$228.4K.

Campaign expenses have totaled \$6.4K. Campaign disbursements have totaled \$190.7K (this includes tithe of \$22.8K), also in the month of September we paid the down payment for the camera system of \$16.6K. Ending cash balance is \$31.3K. The council has approved the video system at a cost of \$33.3K. This will be funded out of the branching out campaign.

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

##### September Unpaid Bills Carried Over to September

As of the end of September, all outstanding invoices have been paid. As identified earlier, MIF considers us one month in arrears due to the missed September 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 September. 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.