

Financial Report – April 2017

Presented to Faith Lutheran Church Council

May 7, 2017

The Finance Ministry Team met on April 4, 2017, and covered the following items.

- Opening prayer
- Review of April 2017 financial statements
- Discussion of current financial position
- Recommendation on cash situation
- Closing prayer

Financial Summary:

Income/Expense (k\$)	April	Delta to Budget
Income	94.7	-4.5
Expense	<u>97.3</u>	<u>-7.6</u>
Net	-2.6	-3.1

Cash Position	April	Change from March
Operating	--	-2.6
Conduit	-.7	-1.7
Unallocated	23.2	+1.0
Benevolence Reserve	20.3	+.5
Branching Out	<u>29.4</u>	<u>+4.8</u>
Total	72.2	+2.0

Monthly Highlights:

- Income for April was \$94.7K.
 - Total income was up by \$19.4K vs. March and was \$4.5K below the ministry plan for April. April was a 5-week month with Easter.
 - Total income averaged \$18.9K per week in April. This was a very slight increase from the March average of 18.8K.
 - April showed a good improvement from March, but we continue to run below the ministry plan for income. We are running behind by \$36.0K for the first four months.
- Expenses paid in April were \$97.386.2K. This was \$7.6K below the ministry plan. Spending was up by \$11.1K from what was spent in March.
 - Missional expenses were \$6.3K below the mission plan for the month. As with last year we have budgeted the second pastor and contemporary music position for the entire year. This budget underrun has started to become smaller as we have hired the video position and the outreach position.

- Operational expenses were \$1.3K below the ministry plan. The actuals reflect a mortgage payment of \$15.0 K.
- April was a good month on the income side. This will need to be monitored closely. We consumed \$2.6K in operations cash in April, and reduced the operating cash balance by \$9.1K from the December 2016 ending balance.
- On a brighter note, the overall cash position increased by \$2.0K due to continued strong contributions to the Branching Out campaign. Overall cash flow is now at a minimum manageable level, but the operating fund level of cash remains an ongoing concern.
- 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 April 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 April.
 - 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.
- **GOD IS GOOD ALL THE TIME!**

Detailed Summary of April 2017 Financial Statements

Income

For the month of April 2017, total operating income was \$93.3K. Regular offering was \$91.0K, and other income was \$2.3K. Most the other income was noisy offering \$.9K, and rental income of \$1.2K.

Activities Income, (the new category of income), recorded income of \$1.4K. Most this income was for event fees for high school youth events (\$.6K) and in April donations for Easter lilies (\$.8K). The expense for these items will show up in the expenses section, in some cases (youth events) in future months.

The April 2017 financial report reflects \$18.2K average weekly offerings for the month. April was a 5-week month. This is an increase from the \$17.9K received in March, and \$16.5K received in February.

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 April 2017, total operating expenses paid were \$97.4K. This amount reflects debt service of \$15.0K. It also includes 5% benevolence/mission support payment, equal to \$4.7K. Overall, total expenses were \$7.6K below the April budgeted expenses per the 2017 Ministry Plan of \$105.0K.

Spending continues to be tightly managed.

- Missional expenses were \$10.2K, this was \$3.2K above the budget for April. Of the spending in this category, \$5.6K is benevolence (ELCA and Noisy). The one notable item is the cost of the Easter Lilies was \$2.2K (included in the total of \$10.2K). The donations (recorded as income), covered \$.8K of the total cost.
- The administration category was \$9.5K below the mission plan mainly due to the two positions not being filled. Pastor salary, housing, benefits and administration salary represent \$8.0K of the under run. Administrative salaries are now slightly over budget due the AV position being filled and the outreach position being filled. The areas of the budget are close to budget.
- Operational expenses were below the ministry plan by \$1.3K. We were over budget in Audio Visual (\$1.1K), due purchasing a computer for the AV position. The first month of the quarter is when we pay building and liability insurance, this causes the expense for the month to increase substantially. The positive is it was budgeted that way so we have minimal budget variance. 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 April cash balance was \$72.2K and increased 2.0K from the March balance. The operating fund now has a zero balance and decreased by \$2.7K from March. The total of conduit funds was a -\$0.7K, this decreased by \$1.7K from March. The conduit fund can go negative due to fund transfers from the day school for payroll. The unallocated fund increased by \$1.0K to \$23.2K. The Benevolence fund (Tithe from branching out) increased by \$.5K to \$20.3K. Branching out funds (less the tithe) has a positive balance of \$29.4K and increased by \$4.8K.

Building Maintenance Reserve

The April maintenance reserve balance is now zero.

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.

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Unallocated Reserve

As of April 2017, this fund balance is \$23.2K. This increased \$1.0K, from the March balance. It is effectively being used to cover the operational shortfall.

Branching Out Campaign

The total received as of the end of April was \$203.3K.

Campaign expenses have totaled \$5.5K. Campaign disbursements have totaled \$168.4K (this includes tithes of \$20.3K). Ending cash balance is \$29.4K. We will use \$2.4K of branching out to cover the cost of the window film to go on the windows between the sanctuary and narthex. No other significant expenditures remain to be paid. The finance team did discuss the plan to distribute the tithes to the FLDS, this has been deferred to see how cash comes in the next several months.

Other Matters for Council Information

April Unpaid Bills Carried Over to April

As of the end of April, 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 April. At this level, we are still paying \$8 K in principal to go with the \$7 K 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

None at this time