

# Financial Report – February 2017

## Presented to Faith Lutheran Church Council

April 1, 2017

The Finance Ministry Team met on March 6, 2017, and covered the following items.

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

### Financial Summary:

Income/Expense (k\$)	February	Delta to Budget
<b>Income</b>	<b>68.7</b>	<b>-20.2</b>
<b>Expense</b>	<b><u>81.8</u></b>	<b><u>-9.9</u></b>
<b>Net</b>	<b>-13.1</b>	<b>-10.3</b>

Cash Position	February	Change from January
<b>Operating</b>	<b>13.6</b>	<b>-13.1</b>
<b>Conduit</b>	<b>.7</b>	<b>-.1</b>
<b>Unallocated</b>	<b>21.3</b>	<b>-3.0</b>
<b>Benevolence Reserve</b>	<b>18.9</b>	<b>+1.1</b>
<b>Branching Out</b>	<b><u>16.4</u></b>	<b><u>+11.4</u></b>
<b>Total</b>	<b>70.9</b>	<b>-3.7</b>

### Monthly Highlights:

- Income for February was \$68.7K.
  - Total income was down by \$33.9K vs. January and was \$20.2K below the ministry plan for February. We did receive in January the second half (\$21K) of the large gift (\$42K) we have discussed in the past. We received the first half of that gift in November of 2016. In addition, January was a 5-week month.
  - Total income averaged \$17.2K per week in February. This was a drop off from the January average of 20.5K.
  - No matter how you cut it, February was not a good income month and reverses a very positive trend in December and January.
- Expenses paid in February were \$81.8K. This was \$9.9K below the ministry plan. Spending was down by \$3.3K from what was spent in January.
  - Missional expenses were \$7.9K 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. We are also understaffed on one full time position AV, and several part time positions.

- Operational expenses were \$1.9K below the ministry plan. The actuals reflect a mortgage payment of \$15.0 K.
- Expenses will increase moving forward as we have filled the AV position on the staff.
- February was not a good month and reverses the good December and January. This will need to be monitored closely to see if this was just an anomaly or reversion back to 2016 giving levels. We consumed \$13.1K in operations cash in February, and almost completely reversed the January operations cash improvement.
- On a bit brighter note the overall cash position only declined by \$3.7K due to a strong month in branching out contributions. Overall cash flow is now at a minimum manageable level, but the operating fund level of cash remains an ongoing concern. The unallocated reserve reduction was the \$3.0K support the council approved at the January council meeting for Briarwood.
- 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 February 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 February.
  - 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 February 2017 Financial Statements**

### Income

For the month of February 2017, total operating income was \$67.9K. Regular offering was \$65.8K, and

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other income was \$2.1K. Most the other income was noisy offering \$.7K, and rental income of \$1.2K.

Activities Income, (the new category of income), recorded income of \$.7K. Most this income was for event fees for high school youth events. This will show up as expense later in the year.

The February 2017 financial report reflects \$16.5K average weekly offerings for the month. February was a 4-week month. This is a reduction from \$18.4K in January, however without the special gift, giving would have been \$14.8K per week in January.

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 February 2017, total operating expenses paid were \$81.8K. This amount reflects debt service of \$15.0K. It also includes 5% benevolence/mission support payment, equal to \$3.4.0K. Overall, total expenses were \$9.9K below the February budgeted expenses per the 2017 Ministry Plan of \$91.7K.

Spending continues to be tightly managed.

- Missional expenses were \$6.9K, this was \$1.0K above the budget for February. Of the spending in this category, \$4.1K is benevolence (ELCA and Noisy).
- The administration category was \$9.9K 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 also under budget due contemporary worship leader position and the AV position being open. The areas over budget are Copier, continuing education, and Payroll services. Kari is checking on the copier costs as the expected savings have not materialized.
- Operational expenses were below the ministry plan by \$1.9K. We were under budget in all major categories of expense in February. The 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 February cash balance was \$70.9K and decreased \$3.7K from the January balance. The operating fund had a positive balance of \$13.6K and decreased by 13.1K from January. The total of conduit funds was \$.7K, decreased by \$.1K from January. The unallocated fund decreased by \$3.0K to \$21.3K. The Benevolence fund (Tithe from branching out) increased by \$1.1K to \$18.9K. Branching out funds (less the tithe) has a positive balance of \$16.4K and increased by \$11.4K.

### Building Maintenance Reserve

The February 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

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financial situation, this is unlikely to happen for some time.

#### Unallocated Reserve

As of February 2017, this fund balance is \$23.3K. This decreased by \$3.0K, from the January balance. It is effectively being used to cover the operational shortfall. The reduction in the unallocated reserve in February was the council approved \$3.0K urgent support of Briarwood.

#### **Branching Out Campaign**

The total received as of the end of February was \$188.7K.

Campaign expenses have totaled \$5.4K. Campaign disbursements have totaled \$166.9K (this includes tithe of \$17.4K). We did receive a refund for the stand for the baptismal Font in the month of February of \$1.7K. Ending cash balance is \$16.4K. No significant expenditures remain to be paid. The finance team did discuss the plan to distribute the tithe to the FLDS, this has been deferred to see how cash comes in the next several months.

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

##### February Unpaid Bills Carried Over to February

As of the end of February, 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 February. 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