

Financial Report – January 2017

Presented to Faith Lutheran Church Council

February 12, 2017

The Finance Ministry Team met on February 7, 2017, and covered the following items.

- Opening prayer
- Review of January 2017 financial statements
- Discussion of current financial position
- Audit report for 2015
- Recommendation on cash situation
- Closing prayer

Financial Summary:

Income/Expense (k\$)	January	Delta to Budget
Income	102.6	+ 3.4
Expense	<u>85.1</u>	<u>-13.4</u>
Net	+17.4	+16.8

Cash Position	January	Change from December
Operating	26.7	+17.5
Conduit	.8	+.3
Unallocated	24.3	-.1
Benevolence Reserve	17.8	+.4
Branching Out	<u>5.0</u>	<u>+3.4</u>
Total	74.6	+21.5

Monthly Highlights:

- Reporting change. We have made a minor change in the detailed financial statements. We have included a new set of categories to track fees (income) for events. In prior years, we have netted the income received for fees in the matching expense line. This caused distortion in the expense lines (some months we would have negative expense). The finance team feels this is a better representation of the financials.
- Income for January was \$102.6K.
 - Total income was down by \$12.1K vs. December and was \$3.4K above the ministry plan for January. 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.
 - Total income averaged \$20.5K per week in January. This was a drop off from the significant December average of 28.3K.
- Expenses paid in January were \$85.1K. This was \$13.4K below the ministry plan. Spending was down by \$14.7K from what was spent in December.

- Missional expenses were \$11.6K 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 \$1.8K below the ministry plan. The actuals reflect a mortgage payment of \$15.0 K.
- January was a good month and continued the very good result in December. The key driver was the second portion of the large gift (Thank you God!). We improved operating cash by \$17.5K in January a big improvement.
- The overall cash position improved by \$21.5K and is at \$74.6K. Operating cash flow is now back to a minimum manageable level, but it 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 January 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 January.
 - 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 January 2017 Financial Statements

Income

For the month of January 2017, total operating income was \$101.1K. Regular offering was \$94.8K, and other income was \$6.39K. Most the other income was noisy offering \$.8K, and rental income of \$5.5K.

Activities Income, (the new category of income), recorded income of \$1.5K. Most this income (\$1.1K) was for event fees for high school youth events. This will show up as expense later in the year.

The January 2017 financial report reflects \$19K average weekly offerings for the month. January was a 5 week months.

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 January 2017, total operating expenses paid were \$85.1K. This amount reflects debt service of \$15.0K. It also includes 5% benevolence/mission support payment, equal to \$5.0K. Overall, total expenses were \$13.4K below the January budgeted expenses per the 2017 Ministry Plan of \$98.5K.

Spending continues to be tightly managed.

- Missional expenses were \$6.2K, this was \$1.1K above the budget for January. Of the spending in this category, \$5.9K is benevolence (ELCA and Noisy).
- The administration category was \$12.7K 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 telephone, Copier, 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 \$1.8K. We were over budget in Audio Visual (\$1.6K) and general maintenance (\$1.2K). Running slightly over on utilities for the month. 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 January cash balance was \$74.6K and increased by \$21.5K from the December balance. The operating fund had a positive balance of \$26.7K and improved by \$17.5K from December. The total of conduit funds was \$.8K, increasing by \$.3K from December. The unallocated fund decreased by \$.1K to \$24.3K. The Benevolence fund (Tithe from branching out) increased by \$.4K to \$17.8K. Branching out funds (less the tithe) has a positive balance of \$5.0K and increased by \$3.4K.

Building Maintenance Reserve

The January 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.

Unallocated Reserve

As of January 2017, this fund balance is \$24.3K. This decreased by \$.1K, from the December balance. It is effectively being used to cover the operational shortfall.

Branching Out Campaign

The total received as of the end of January was \$177.4K.

Campaign expenses have totaled \$5.4K. Campaign disbursements have totaled \$167.2K (this includes tithes of \$17.4K). Ending cash balance \$5.0K. No significant expenditures remain to be paid.

Other Matters for Council Information

January Unpaid Bills Carried Over to January

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