

Financial Report – March 2017

Presented to Faith Lutheran Church Council

April 20, 2017

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

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

Financial Summary:

Income/Expense (k\$)	March	Delta to Budget
Income	75.3	-14.8
Expense	<u>86.2</u>	<u>-9.3</u>
Net	-10.9	-5.5

Cash Position	March	Change from February
Operating	2.7	-10.9
Conduit	.9	+1
Unallocated	22.2	+9
Benevolence Reserve	19.8	+9
Branching Out	<u>24.6</u>	<u>+8.1</u>
Total	70.2	-.7

Monthly Highlights:

- Income for March was \$75.3K.
 - Total income was up by \$6.6K vs. February and was \$14.8K below the ministry plan for March. February was a 4-week month.
 - Total income averaged \$18.8K per week in March. This was an increase from the February average of 17.2K.
 - March showed some improvement from February, but we continue to run below the ministry plan for income. We are running behind by \$31.6K for the first quarter.
- Expenses paid in March were \$86.2K. This was \$9.3K below the ministry plan. Spending was up by \$4.4K from what was spent in February.
 - Missional expenses were \$8.0K 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 \$1.3K 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 and the outreach position on the staff.
- March was not a great month but income did increase slightly from February. This will need to be monitored closely. We consumed \$10.9K in operations cash in March, and reduced the operating cash balance by \$6.5K from the December 2016 ending balance.
- On a bit brighter note, the overall cash position only declined by \$.7K 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 March 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 March.
 - 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 March 2017 Financial Statements

Income

For the month of March 2017, total operating income was \$74.1K. Regular offering was \$71.4K, and other income was \$2.7K. Most the other income was noisy offering \$1.7K, and rental income of \$1.0K.

Activities Income, (the new category of income), recorded income of \$1.1K. Most this income was for

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event fees for high school youth events. This will show up as expense later in the year.

The March 2017 financial report reflects \$17.9K average weekly offerings for the month. March was a 4-week month. This is an increase from the \$16.5K received in February, an increase of \$1.4K per week.

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 March 2017, total operating expenses paid were \$86.2K. This amount reflects debt service of \$15.0K. It also includes 5% benevolence/mission support payment, equal to \$3.6K. Overall, total expenses were \$9.3K below the March budgeted expenses per the 2017 Ministry Plan of \$95.4K.

Spending continues to be tightly managed.

- Missional expenses were \$9.1K, this was \$2.7K above the budget for March. Of the spending in this category, \$5.3K is benevolence (ELCA and Noisy).
- The administration category was \$10.7K 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 (partially for the month of March) positions being open. The areas over budget are publicity, and rotary club dues (misc. expense). Kari is checking on the copier costs as the expected savings have not materialized.
- Operational expenses were below the ministry plan by \$1.3K. We were over budget in Audio Visual (\$1.9K), due to two invoices (February and March) from techno gizmo. All other expense categories were under budget in March. 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 March cash balance was \$70.2K and decreased \$.7K from the February balance. The operating fund had a positive balance of \$2.7K and decreased by \$10.9K from February. The total of conduit funds was \$.9K, increased by \$.1K from February. The unallocated fund increased by \$.9K to \$22.2K. The Benevolence fund (Tithe from branching out) increased by \$.9K to \$19.8K. Branching out funds (less the tithe) has a positive balance of \$24.6K and increased by \$8.1K.

Building Maintenance Reserve

The March 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 March 2017, this fund balance is \$22.2K. This increased \$.9K, from the February balance. It is effectively being used to cover the operational shortfall.

Branching Out Campaign

The total received as of the end of March was \$197.8K.

Campaign expenses have totaled \$5.4K. Campaign disbursements have totaled \$167.8K (this includes tithes of \$19.8K). Ending cash balance is \$24.6K. No 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

March Unpaid Bills Carried Over to March

As of the end of March, 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 March. 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