

Financial Report – May 2017

Presented to Faith Lutheran Church Council

June 11, 2017

The Finance Ministry Team met on June 8, 2017, and covered the following items.

- Opening prayer
- Review of May 2017 financial statements
- Discussion of current financial position
- Recommendation on cash situation
- Insurance Claim
- Fiscal Year alignment with Day School
- Closing prayer

Financial Summary:

Income/Expense (k\$)	May	Delta to Budget
Income	86.4	-2.5
Expense	<u>93.0</u>	<u>-1.6</u>
Net	-6.6	-.9

Cash Position	May	Change from April
Operating	-6.6	-6.6
Conduit	1.1	+1.8
Unallocated	22.4	-.8
Benevolence Reserve	19.8	-.5
Branching Out	<u>29.8</u>	<u>+.4</u>
Total	66.5	-5.7

Monthly Highlights:

- Income for May was \$86.4K.
 - Total income was down by \$8.3K vs. April and was \$2.5K below the ministry plan for May. April was a 5-week month with Easter.
 - Total income averaged \$21.6K per week in May. This was an increase from the April average of 18.9K.
 - May was a pretty good month with income averaging \$21.6K per week, but we continue to run below the ministry plan for income. We are running behind by \$36.0K for the first five months.
- Expenses paid in May were \$93.0K. This was \$1.6K below the ministry plan. Spending was down by \$4.4K from what was spent in April.
 - Missional expenses were \$2.1K 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 \$.4K above the ministry plan. The actuals reflect a mortgage payment of \$15.0 K.
- May was a pretty good month on the income side. This will need to be monitored closely. We consumed \$6.6K in operations cash in May, and reduced the operating cash balance by \$15.8K from the December 2016 ending balance.
- The overall cash position decreased by \$5.7K in the month due to the operating fund usage of \$6.6K of cash. The branching out growth slowed as we paid for the window film, and the new lectern in the month. 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 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 May.
 - 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 May 2017 Financial Statements

Income

For the month of May 2017, total operating income was \$84.4K. Regular offering was \$81.3K, and other income was \$3.1K. Most the other income was noisy offering \$1.1K, and rental income of \$1.4K.

Activities Income, (the new category of income), recorded income of \$2.0K. All this income was for VBS. The expense for these items will show up in the expenses section, in some cases (youth events) in future months.

The May 2017 financial report reflects \$20.3K average weekly offerings for the month. This is an increase from the \$18.0K average YTD April.

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 May 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 May budgeted expenses per the 2017 Ministry Plan of \$105.0K.

Spending continues to be tightly managed.

- Missional expenses were \$6.2K, this was very close to budget for the month. Of the spending in this category, \$5.3K is benevolence (ELCA and Noisy).
- The administration category was \$1.9K 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 now over budget due the AV position being filled and the outreach position being filled. Administration salaries are now over by \$6.0K per month.
- Operational expenses were above the ministry plan by \$.4K. We were over budget in Audio Visual (\$.7K), due purchasing a computer for the outreach position. 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 May cash balance was \$66.5K and decreased 5.7K from the April balance. The operating fund was now has a negative balance and decreased by \$6.6K from April. The total of conduit funds was \$1.1K, this increased by \$1.8K from April. The conduit fund can go negative due to fund transfers from the day school for payroll. The unallocated funds decreased \$.8K to \$22.4K. The Benevolence fund (Tithe from branching out) decreased by \$.5K to \$19.8K. As a reminder, the board approved providing the day school with \$1,000 of funds to make an endowment deposit. Branching out funds (less the tithe) has a positive balance of \$29.8K and increased by \$.4K.

Building Maintenance Reserve

The May 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 May 2017, this fund balance is \$22.4K. This decreased by \$.8K, from the April balance. It is effectively being used to cover the operational shortfall.

Branching Out Campaign

The total received as of the end of May was \$208.2K.

Campaign expenses have totaled \$5.5K. Campaign disbursements have totaled \$172.9K (this includes tithes of \$20.8K). Ending cash balance is \$29.8K. 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

May Unpaid Bills Carried Over to May

As of the end of May, 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 May. 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

Review the feasibility of moving the church fiscal year to align with the day school. The finance team needs some time to study this issue in collaboration with the day school finance team. Several items have been raised on timing, and the detail of the day school financial reporting. Matt Engelmann has the action to assemble a team to work the issue.