

Financial Report – July 2017

Faith Lutheran Church Council

Submitted August 15, 2017

The Finance Ministry Team met on July 9, 2017, and covered the following items.

- Opening prayer
- Review of July 2017 financial statements
- Discussion of current financial position
- Insurance Claim
- Fiscal Year alignment with Day School
- Closing prayer

Financial Summary:

Income/Expense (k\$)	July	Delta to Budget
Income	88.8	-10.4
Expense	<u>101.0</u>	<u>+2.2</u>
Net	-12.2	-12.6

Cash Position	July	Change from June
Operating	-34.1	-12.2
Conduit	-1.7	-1.2
Building Fund	234.9	+3.0
Unallocated	32.0	+9.6
Benevolence Reserve	21.0	+5
Branching Out	<u>40.6</u>	<u>+4.6</u>
Total	292.7	+4.2

Monthly Highlights:

- Income for July was \$88.8K.
 - Total income was up by \$12.4K vs. June but was \$10.4K below the ministry plan for July. July was a 5-week month.
 - Total income averaged \$17.8K per week in July. This was a decrease from the June average of 19.1K.
 - July was a lower month with income averaging \$17.8K per week. We continue to run below the ministry plan for income. We are running behind by \$61.5K for the first seven months of the ministry plan.
- Expenses paid in July were \$101.0K. This was \$2.2K above the ministry plan for July. Spending is heaviest in the first month of the quarter due to insurance payments that come due at that time. Spending increased by \$9.3K from what was spent in June.
 - Missional expenses were \$6.5K above the mission plan for the month. The staffing

July 2017 Report

increases have brought the total spending very close to the overall ministry spending plan.

- Operational expenses were \$4.3K below the ministry plan. The actuals reflect a mortgage payment of \$15.0 K.
- July was a weak month on the income side. This will need to be monitored closely. We consumed \$12.3K in operations cash in July, and reduced the operating cash balance by \$43.3K from the December 2016 ending balance.
- On a slightly more positive note, we were in a similar position last year. At this point in 2016 the operating fund cash balance was -\$35.7K versus this year -\$43.3K.
- The overall cash position increased by \$4.2K in the month. This was due to 1) receipt of an additional check for the day school canopy damage due to the hail storm earlier this year, 2) a gift deposited into the unallocated reserve 3) continued growth in the branching out and benevolence reserve balance 4) offsetting the operating fund deficit. Overall cash flow looks good, however we need to continue to monitor the operating funds carefully.
- 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 July.
 - 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 July 2017 Financial Statements

Income

For the month of July 2017, total operating income was \$87.0K. Regular offering was \$85.7K, and other income was \$1.3K. Most the other income was noisy offering \$.6K, and rental income of \$.2K.

Activities Income, (the new category of income), recorded income of \$1.8K. This income was for VBS and the golf outing. The expense for these items will show up in the expenses section, in some cases (youth events) in future months.

The July 2017 financial report reflects \$17.1K average weekly offerings for the month. This is a slight decrease from the \$18.1K average YTD July.

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 July 2017, total operating expenses paid were \$101.0K. This amount reflects debt service of \$15.0K. It also includes 5% benevolence/mission support payment, equal to \$4.8K. Overall, total expenses were \$2.2K above the July budgeted expenses per the 2017 Ministry Plan of \$98.8K.

Spending continues to be tightly managed.

- Missional expenses were \$11.5K, this was over budget for the month as VBS expenses were recorded in July. Of the spending in this category, \$5.4K is benevolence (ELCA and Noisy).
- The administration category was \$.7K above the mission plan. We are under budget due to the pastor position not being filled, however the other staff area are running over now that the AV position and the outreach position being filled. Administration salaries are now over by \$5.0K per month.
- Operational expenses were below the ministry plan by \$4.3K. We were under budget in Audio Visual \$1.7K, general maintenance was under plan by \$2.7K. 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 July cash balance was \$292.7K and increased by 4.2K from the June balance. The operating fund now has a negative balance of -\$34.2K and increased (got worse) by \$12.2K from June. The total of conduit funds is negative by \$1.7K, this increased (got worse) by \$1.2K from June. The conduit fund can go negative due to fund transfers from the day school for payroll. The unallocated funds (\$32.0K) increased by \$9.6K due to an unallocated gift received in the month of July. The Benevolence fund

(Tithe from branching out) increased by \$.5K to \$21.0K. Branching out funds (less the tithe) has a positive balance of \$40.6K and increased by \$4.6K.

Building Maintenance Reserve

The July maintenance reserve balance now has a balance of \$234.9K.

The maintenance reserve balance is due to receipt of insurance proceeds to cover the cost of repairing the church roof. The roof was damaged in the spring hail storm. 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 July 2017, this fund balance is \$32.0K. This did not change in the month of July. It is effectively being used to cover the operational shortfall.

Branching Out Campaign

The total received as of the end of July was \$220.3K.

Campaign expenses have totaled \$6.0K. Campaign disbursements have totaled \$173.7K (this includes tithe of \$21.5K). Ending cash balance is \$40.6K. No other 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

July Unpaid Bills Carried Over to July

As of the end of July, 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 July. At this level, we are still paying approximately \$8K in principal to go with the \$7K 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. Jerry Gray is working with the day school team to improve timing for inclusion in the main FMC finance report.