

Financial Report – June 2017

Faith Lutheran Church Council

Submitted July 23, 2017

The Finance Ministry Team met on July 10, 2017, and covered the following items.

- Opening prayer
- Review of June 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\$)	June	Delta to Budget
Income	76.4	-12.5
Expense	<u>91.7</u>	<u>-.4</u>
Net	-6.6	-12.9

Cash Position	June	Change from May
Operating	-21.8	-15.2
Conduit	-.5	-1.6
Building Fund	231.9	+231.9
Unallocated	22.4	0
Benevolence Reserve	20.5	+.7
Branching Out	<u>36.0</u>	<u>+6.2</u>
Total	288.6	222.1

Monthly Highlights:

- Income for June was \$76.4K.
 - Total income was down by \$10.0K vs. May and was \$1.5K below the ministry plan for June. May was a 4-week month.
 - Total income averaged \$19.1K per week in June. This was a decrease from the May average of 21.6K.
 - June was a lower month with income averaging \$19.1K per week, but we continue to run below the ministry plan for income. We are running behind by \$51.1K for the first six months of the ministry plan.
- Expenses paid in June were \$91.7K. This was \$.4K below the ministry plan. Spending was down by \$1.3K from what was spent in May.
 - Missional expenses were \$2.1K above the mission plan for the month. The staffing

June 2017 Report

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

- Operational expenses were \$2.5K below the ministry plan. The actuals reflect a mortgage payment of \$15.0 K.
- June was a weak month on the income side. This will need to be monitored closely. We consumed \$15.2K in operations cash in June, and reduced the operating cash balance by \$31.1K from the December 2016 ending balance.
- The overall cash position increased by \$222.1K in the month. This was almost entirely due to receipt of the insurance check for the roof damage due to the hail storm earlier this year. Overall cash flow looks very 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 June.
 - 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 June 2017 Financial Statements

Income

For the month of June 2017, total operating income was \$76.4K. Regular offering was \$71.2K, and other income was \$2.3K. Most the other income was noisy offering \$.9K, and rental income of \$.8K.

Activities Income, (the new category of income), recorded income of \$2.9K. 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 June 2017 financial report reflects \$17.8K average weekly offerings for the month. This is a slight decrease increase from the \$18.2K average YTD June.

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 June 2017, total operating expenses paid were \$91.7K. This amount reflects debt service of \$15.0K. It also includes 5% benevolence/mission support payment, equal to \$3.6K. Overall, total expenses were \$.4K below the June budgeted expenses per the 2017 Ministry Plan of \$92.1K.

Spending continues to be tightly managed.

- Missional expenses were \$8.7K, this was over budget for the month as two noisy items were paid in the month, a VBS costs were recorded in the month. Of the spending in this category, \$5.3K is benevolence (ELCA and Noisy).
- The administration category was \$1.2K 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 \$5.0K per month.
- Operational expenses were below the ministry plan by \$.4K. We were over budget in Audio Visual (\$1.1K), general maintenance was under plan by \$3.5K. 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 June cash balance was \$288.6K and increased by 222.1K from the May balance. The operating fund now has a negative balance and decreased by \$15.2K from May. The total of conduit funds is negative by \$.5K, this decreased by \$1.6K from May. The conduit fund can go negative due to fund transfers from the day school for payroll. The unallocated funds had no change and has a \$22.4K balance. The Benevolence fund (Tithe from branching out) decreased by \$.7K to \$20.5K. Branching out funds (less the tithe) has a positive balance of \$36.0K and increased by \$6.2K.

Building Maintenance Reserve

The June maintenance reserve balance now has a balance of \$231.9K.

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 June 2017, this fund balance is \$22.4K. This did not change in the month of June. It is effectively being used to cover the operational shortfall.

Branching Out Campaign

The total received as of the end of June was \$215.2K.

Campaign expenses have totaled \$5.5K. Campaign disbursements have totaled \$173.7K (this includes tithes of \$21.5K). Ending cash balance is \$36.0K. 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

June Unpaid Bills Carried Over to June

As of the end of June, 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 June. At this level, we are still paying approximately \$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.