



**Baltimore-Washington Conference**  
The United Methodist Church

# Council on Finance & Administration

Phil Potter, President

Connectional Table  
August 5, 2020

# Agenda

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- Review COVID-19 Activities and Survey Results
- Update on the 2020 Mid-Year Performance
- Review the 2021 Budget Process and Proposal
- CFA Recommendations to Annual Conference

# COVID-19 Financial Relief Efforts

To Assist Local Churches(#) and Manage the BWC Budget(##)

## March Actions (completed)

*(Focus on immediate relief)*

### **Immediate 3-Month Initiatives - #**

Benefit Waivers (\$2.6M)

Small Church Grants (\$0.3M)

Trustee Loan Deferrals

### **Supplemental Initiatives - #**

Relief Grants - \$615K

On-line Giving Focus

Trustee Loans/Grants  
(Brick & Mortar)

### **Immediate Expense Reductions - ##**

\$1.1M or 8% reduction made 3/25

## April Actions (payroll continuity)

### **Pursue Alternate Funding Streams - # and ##**

Government Grants (BWC PPP = \$1.2M)

Conference Loans (church brick & mortar projects)

## May Actions

**15%/25% Contingency Decisions** (not required)

## June Actions

### **Renewal of 3-month initiatives**

(July – Sept) (not required)

**Expense reductions increased to \$1.64M  
or 11.7% on 6/24 - ##**

## July Actions (Establish YE Goals) - ##

**Forecast Year-End Mission Shares**

# COVID-19 Survey Highlights

Based on data thru June 2020

## Church Finance Comparisons to 2019:

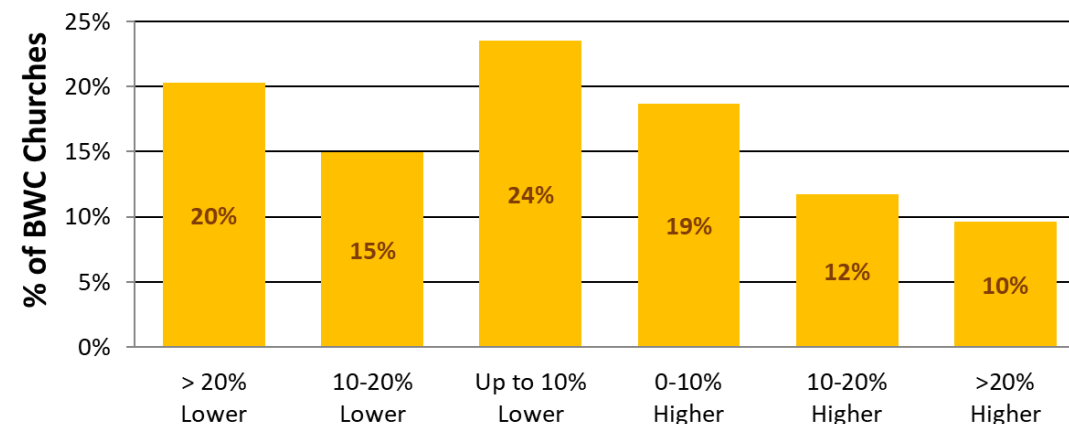
- Tithes and Offerings **4.5% Lower**
- Total Expenses **5.4% Lower**
- Total Income (w/ PPP funding) **1.3% Higher**

## PPP Funding:

- **58%** of churches applied for PPP funds
- **89%** of churches that applied have been successful

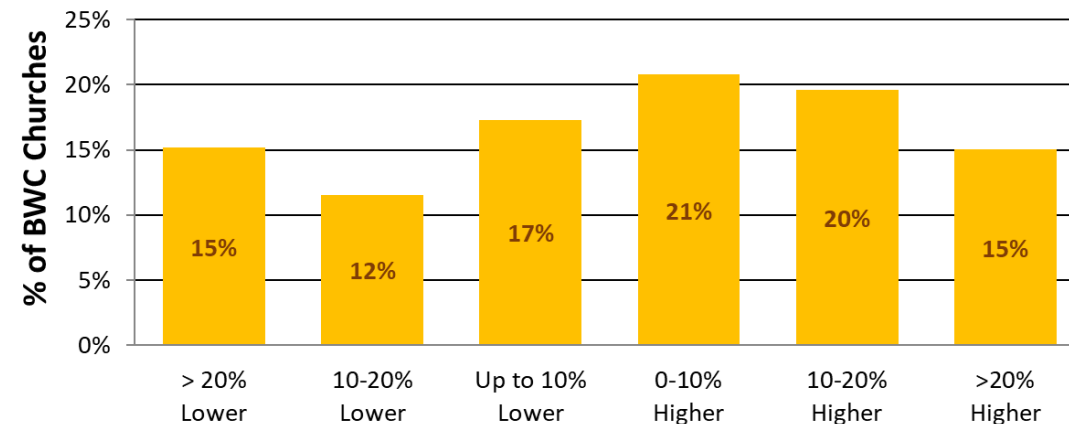
### 2020 Local Church Tithes/Offerings vs. 2019

(as of June 2020 with 93% of churches responding)



### 2020 Local Church Total Income vs. 2019

(as of June 2020 with PPP Funding)



# COVID-19 Survey Highlights

Based on data thru June 2020

## Ministry Changes:

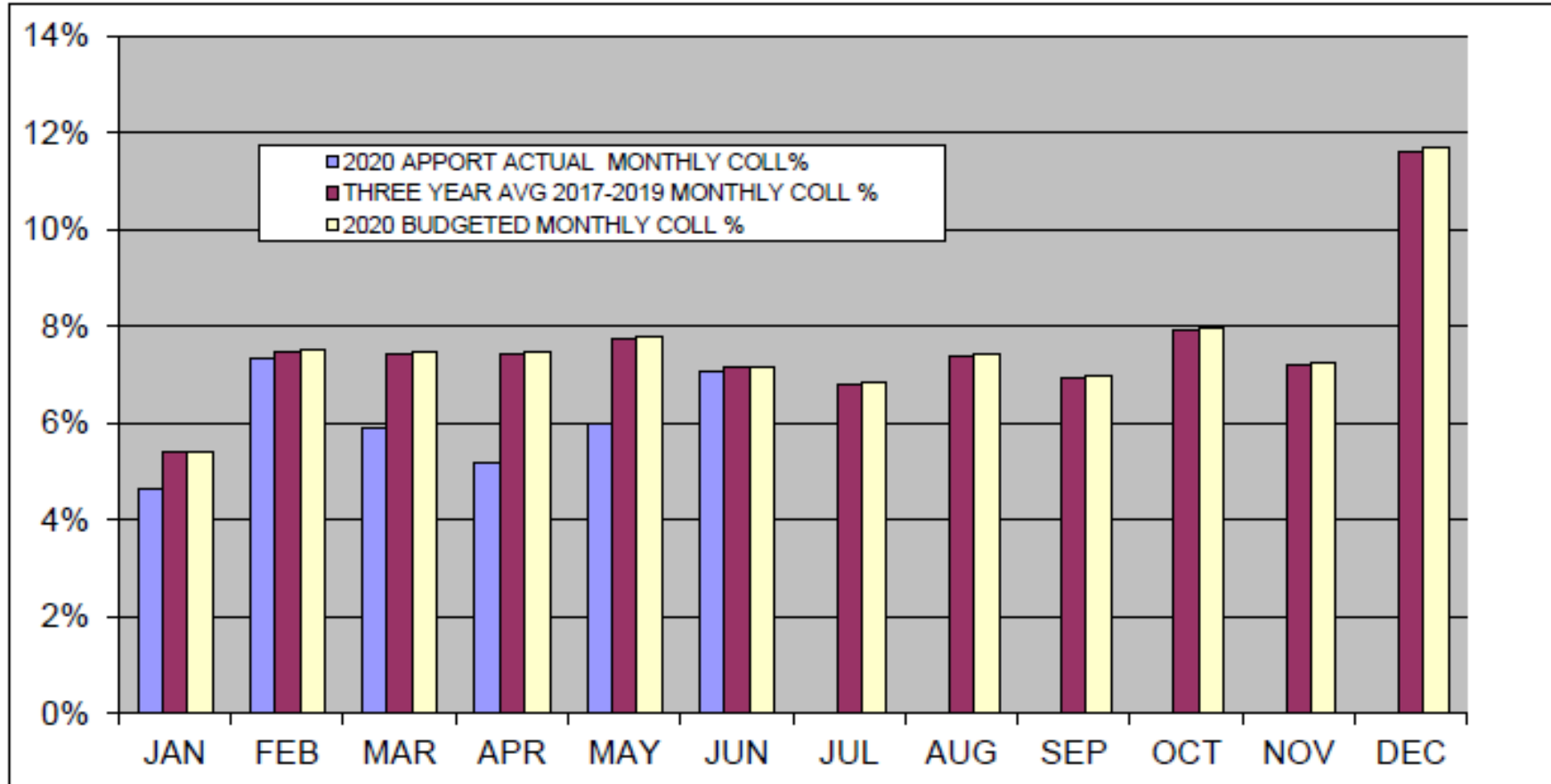
- 30% of churches added online giving; 72% of churches now have online giving
- 40% of churches reduced paid hours or # of staff during COVID
- 81% of churches added online services during COVID
- 47% of churches increased their community relief efforts during COVID

When does  
your church  
plan to Return  
to In-Person  
Worship?

District	This Month (July)	Sometime later this summer	Early this Fall	Early 2021	Still Uncertain
AN	25%	15%	13%	5%	42%
BM	21%	6%	18%	1%	54%
BS	16%	15%	20%	4%	45%
CH	60%	7%	11%	0%	22%
CM	17%	6%	9%	2%	66%
FR	49%	9%	9%	0%	33%
GW	4%	5%	18%	5%	67%
WE	9%	12%	19%	6%	55%
<b>Grand Total</b>	<b>26%</b>	<b>9%</b>	<b>15%</b>	<b>3%</b>	<b>47%</b>

# Monthly Mission Share Trends - 2020

**Actual Monthly Mission Shares (Blue) vs. 2020 Budget**



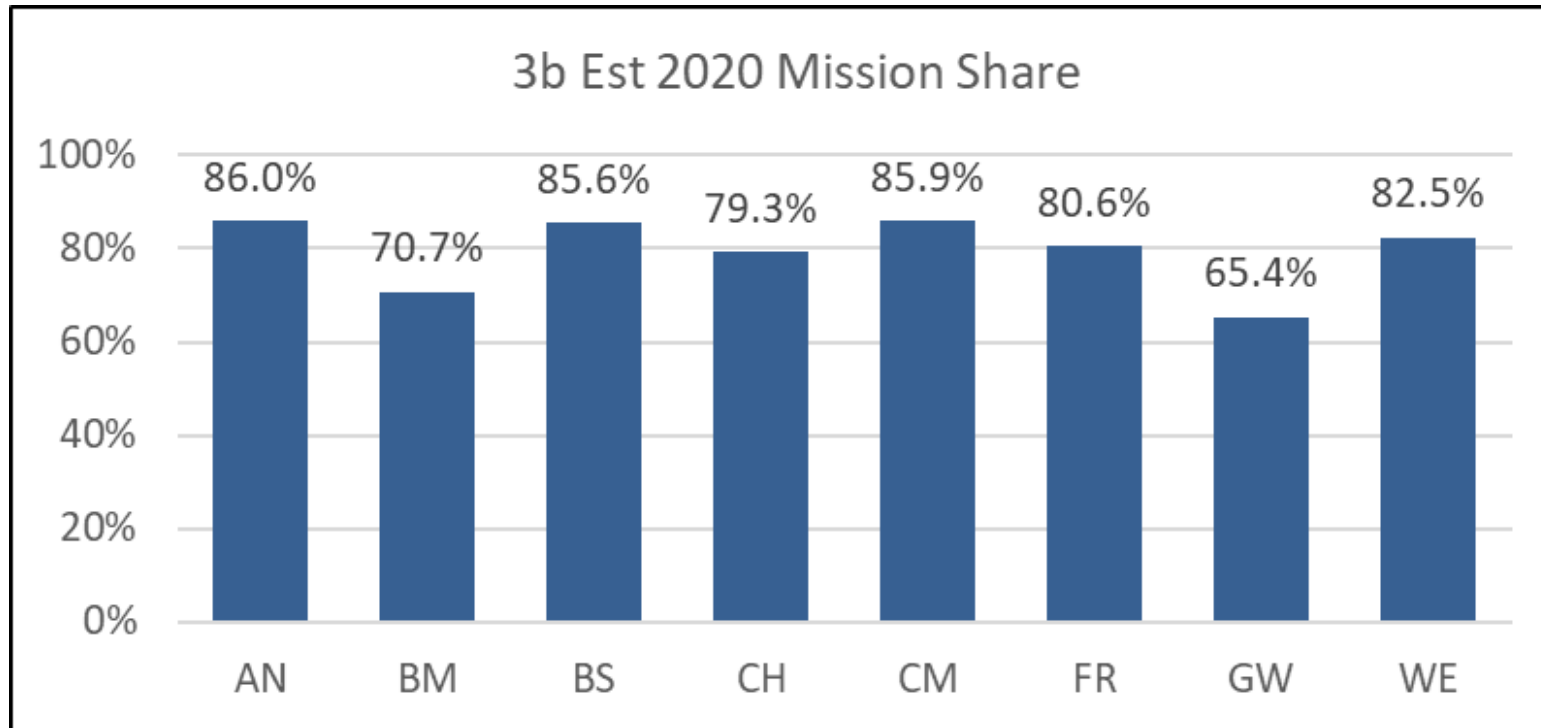
**Mission Share Monthly Trends are Improving:**

Feb	On Budget
March	21% shortfall
April	31% shortfall
May	23% shortfall
June	On Budget

Will the 2<sup>nd</sup> half of the year continue to show improvement?

- YTD variance is a \$1.0M shortfall or 16% of budget

# Church Reported Year End Forecasts



## COVID-19 SURVEY

Churches responded with an estimated yearend collection rate of 80%

The 80% CR forecast is a \$1.6M shortfall vs. the 91% CR budget

65% of churches are forecasting giving at 100%

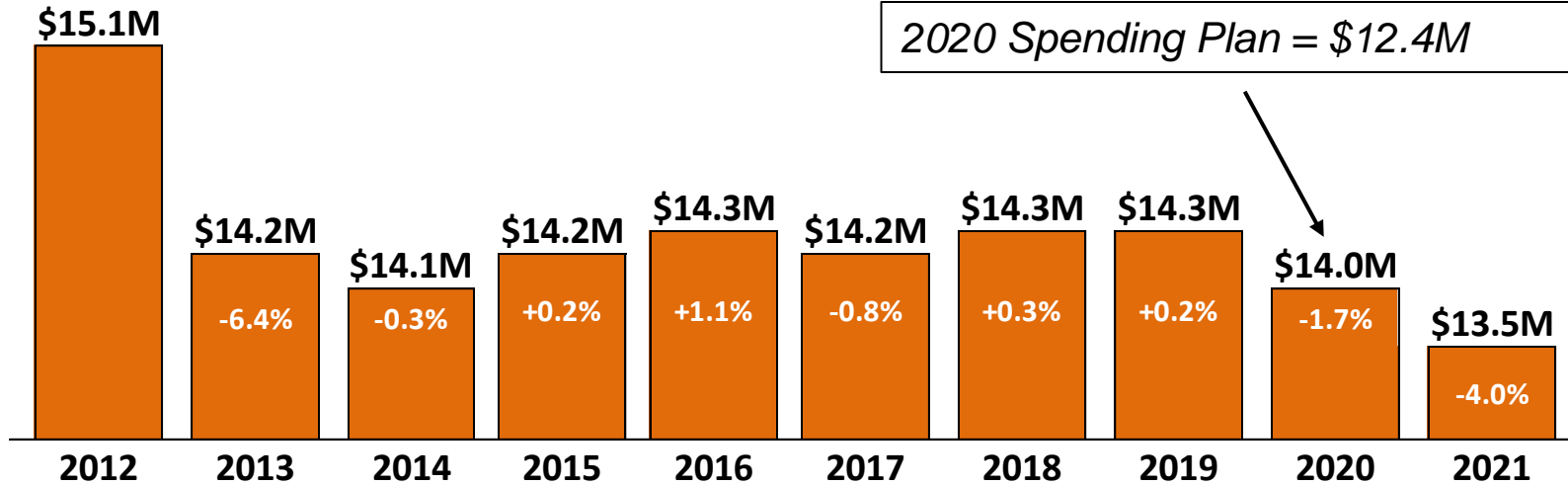
- Considering the high level of uncertainty, the forecast is strong
- The current spending plan reduces expenses by \$1.64M which covers this forecast
- The PPP funding of \$1.2M will mitigate 2<sup>nd</sup> half uncertainties and has the potential to enable refunding some of the expense reductions in the 4<sup>th</sup> Quarter

# **2021 BUDGET PROCESS AND PROPOSAL**

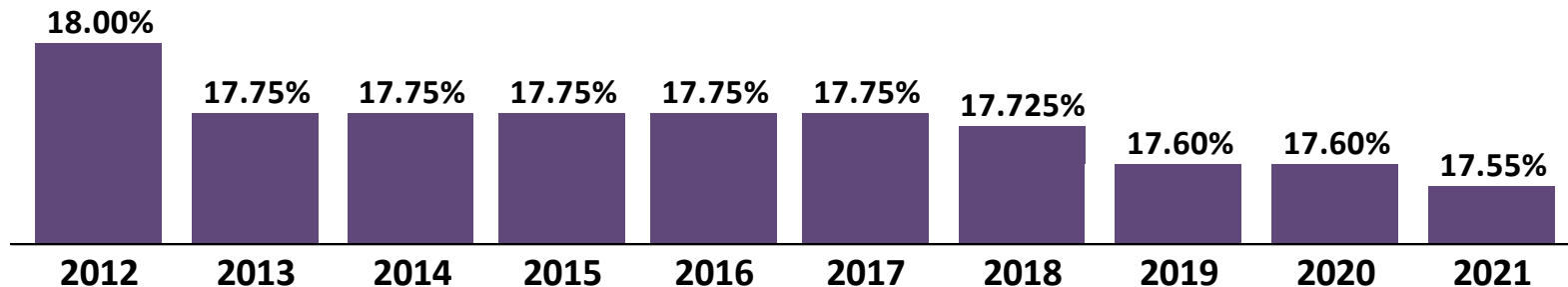


# Mission Share Budget Trends

**Mission Share Income**

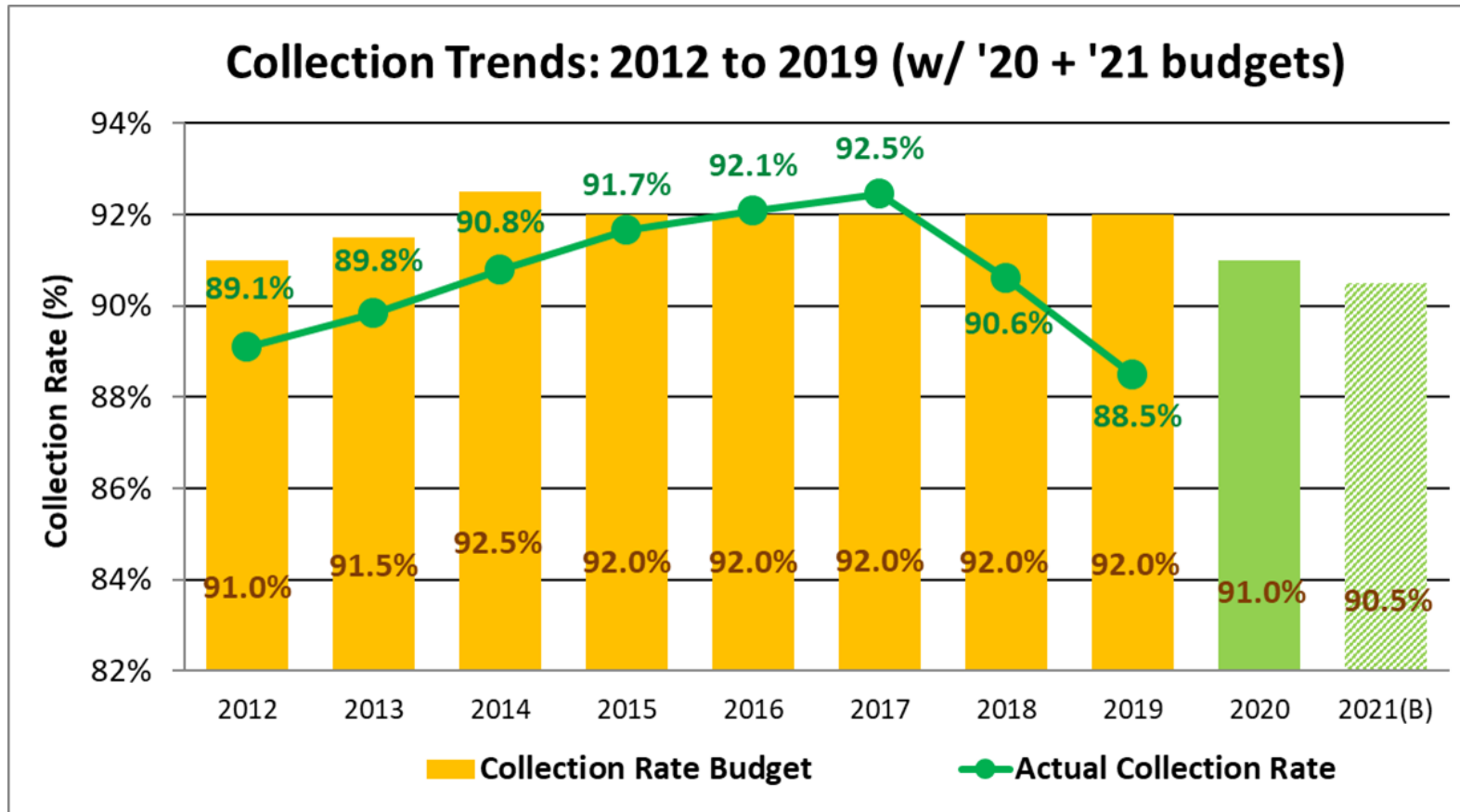


**Benevolence Factor**



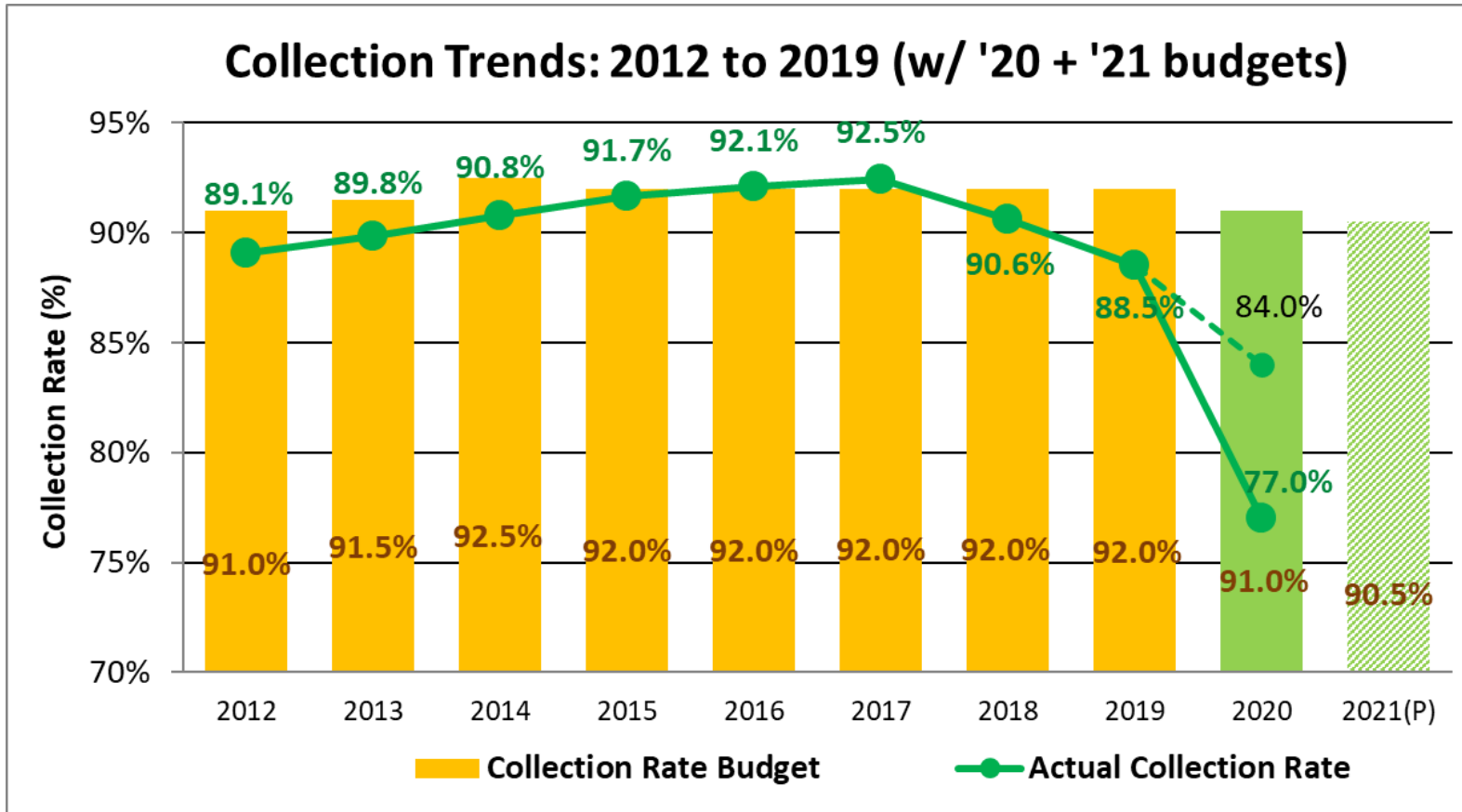
- The original 2021 budget proposal set the mission shares at \$13.5M.
- This level compared well to the 2019 actual income of \$13.7M.
- The 2020 YTD performance and yearend forecasts provide additional considerations for a RECAST budget.

# BWC Collection Rate Trends



- The 2019 collection rate of 88.5% was impacted by a higher number of church mergers and closures.
- The collection rate was actually 90.0% for the active churches at the end of 2019.
- The original 2021 budget proposal assumed a 90.5% collection rate.

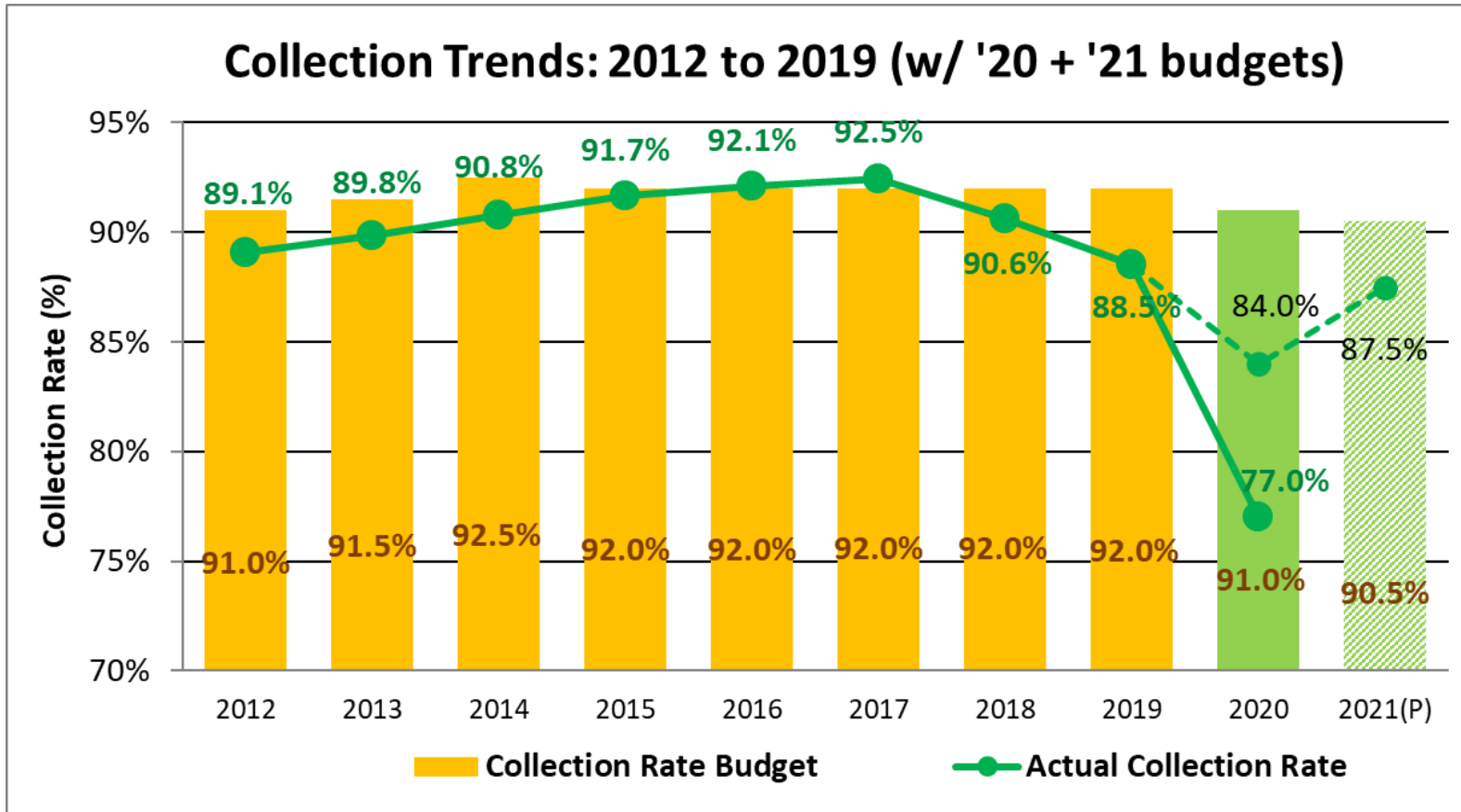
# Collection Rate Recast Considerations



In light of the financial impacts involved with the pandemic, the mid-year analysis of the 2020 trends provides a year-end collection rate range from 77% to 84% for planning purposes.

- 77% is based on the mid-year CR trends
- 80% is from the survey
- 84% is a good stretch goal

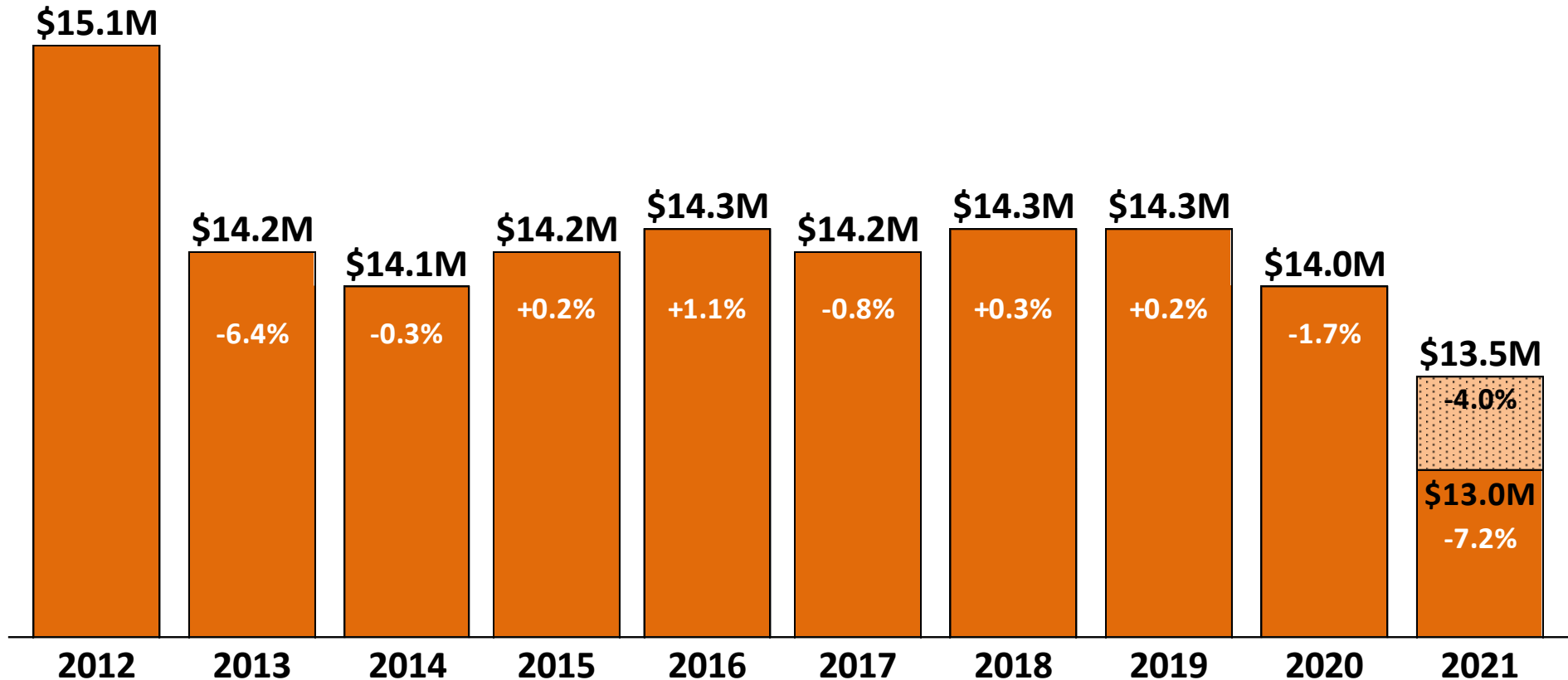
# Recast 2021 Collection Rate



On 7/22/20, the CFA approved a recast to the 2021 budget proposal based on an 87.5% Collection Rate.

# View of Proposed 2021 Budget

## Mission Share Income



- The 87.5% Collection Rate reduces the 2021 Mission Share Income from \$13.5M to \$13.0M for a year-over-year reduction of \$1.0M or 7.2%.

# 2021 Budget Highlights

## **Expense Reductions from the recast collection rate = \$447,000**

- Staff Salary Freeze - \$77,000 reduction vs. the original 1.5% increase
- Accelerated Debt Payments – reduced to \$86,000 from \$400,000  
(PPP funding provides a path that still enables last debt payment in 2022)
- Building Reserve Payments – reduced to \$54,250 from \$108,500

# 2021 Budget Highlights

## **Overall Expense Reduction will be \$1.0M vs. the 2020 Budget**

- General Church Apportionments reduced \$557K or 15.7% to \$3.0M
- Maintains current staffing level at 63.5 Full-time Equivalents (FTE)  
Historic View: 2016 - 67.0 FTE  
2012 - 72.8 FTE
- BOOM funding is increased \$19K to support the 5-year clergy care intensive for 80 clergy in 2021. Total cost per year is \$112K.
- Launches a new Clergy Care Initiative. Initial funding is \$6K.
- New Faith Expressions increases funding from closed church sales reserves from \$200K to \$250K.

# 2021 Budget Assumptions

Budget Year	Apportionment Base	X	Benevolence Factor	X	Collection Rate	=	Mission Share Income
2020	\$87.7M	X	17.600%	X	91.0%	=	\$14.0M
<b>2021</b>	<b>\$84.9M</b>	<b>X</b>	<b>17.550%</b>	<b>X</b>	<b>87.5%</b>	<b>=</b>	<b>\$13.0M</b>
% Change	-3.2%		-0.3%		-3.8%		-7.2%

- The 2019 statistical data showed a decrease of 3.2% in the apportionment base to \$84.9M
- Benevolence Factor is reduced to 17.55%
- Collection Rate is reduced from 91.0% to 87.5%
- Results in a mission share decrease of \$1,013,000 (7.2% decrease)



# 2021 Recast Budget Proposal

	<u>2020(B)</u>	<u>% Budget</u>	<u>2021(B)</u>	<u>% Budget</u>	<u>Change</u>
<u>Income:</u>					
Mission Shares	\$ 14,048K	75%	\$ 13,035K	74%	(1,013K)
Other Income	4,593K	25%	4,665K	26%	+ 72K
<b>TOTAL INCOME</b>	<b>\$ 18,641K</b>	<b>100%</b>	<b>\$ 17,700K</b>	<b>100%</b>	<b>(941K)</b>
<u>Expenses:</u>					
Regions	2,257K	12%	2,243K	13%	(14K)
Ministry Teams	9,331K	50%	8,857K	50%	(474K)
Stewardship/Episcopal	7,053K	38%	6,600K	37%	(453K)
<b>TOTAL EXPENSE</b>	<b>\$ 18,641K</b>	<b>100%</b>	<b>\$ 17,700K</b>	<b>100%</b>	<b>(941K)</b>
<b>NET INCOME</b>	<b>\$ 0K</b>		<b>\$ 0K</b>		

- Income from non-mission share sources fund 26% of the budget
- Reduction in the Ministry program budget reflects the reduced General Church Apportionments

# Contingency Planning

<b>Mission Share Spending Plan - 2020 Budget</b>									
Reduction Planning Tool									
	Mission Share	11.7% Reduction		10% Reduction Plan		15% Reduction Plan		25% Reduction Plan	
	Funded Expenses	Pct Red.	Amt. Red.	Pct Red.	Amt. Red.	Pct Red.	Amt. Red.	Pct Red.	Amt. Red.
Staffing and Program Salaries	4,994,478	-3%	(150,000)	0%	-	-5%	(229,206)	-16%	(792,757)
Staffing and Program Benefits	1,483,593	-3%	(45,000)	-7%	(98,173)	-15%	(222,539)	-30%	(445,078)
Staffing Support (Travel, Supplies)	224,539	-33%	(75,000)	-10%	(22,454)	-15%	(33,681)	-30%	(67,362)
GC/Juris Mission Shares	3,401,899	0%	-	-10%	(340,190)	-15%	(510,285)	-25%	(850,475)
BWC Ministries/Programs	1,255,202	-35%	(435,000)	-10%	(125,520)	-15%	(188,280)	-25%	(313,800)
Ops/HR/Finance/Comm/EO	1,954,954	-10%	(201,500)	-10%	(195,495)	-15%	(293,243)	-15%	(293,243)
Accel. Debt & Reserve Pmts	733,500	-100%	(733,500)	-85%	(625,000)	-85%	(625,000)	-100%	(733,500)
<b>TOTAL</b>	<b>\$ 14,048,165</b>		<b>\$ (1,640,000)</b>		<b>\$ (1,406,832)</b>		<b>\$ (2,102,234)</b>		<b>\$ (3,496,215)</b>

- **Yearend Forecasts based on YTD Performance**
  - The 3-year forecast of 76.2% represents a \$2.2M shortfall.
  - The 1-year forecast of 77.9% represents a \$1.9M shortfall.
- **Funding Sources Available to Cover Shortfalls**
  - Approved Spending Plan = \$1,640,000
  - PPP Funding = \$1,186,000 received

# CFA Recommendations

1. Proposed 2021 budget = \$17,700,253 with Mission Shares = \$13,034,887
2. Proposed 2021 Benevolence Factor = 17.55%
3. Combined Apportionment Budget Ratio Statement:
  - 33% World Service
  - 67% Conference and General Church Benevolences
4. Independent Auditors for 2020 - Ellin & Tucker
5. Close 2020 books on January 12, 2021
6. Grant authority to CFA, in consultation with the Bishop and the Cabinet, to act on financial matters between sessions of the Annual Conference

**THANK YOU**