Council on Finance & Administration

Phil Potter, President
Rev. Daryl Williams, Vice President

2020 Annual Conference
Agenda

- 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(##)

<table>
<thead>
<tr>
<th>March Actions (completed)</th>
<th>April Actions (payroll continuity)</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>(Focus on immediate relief)</em></td>
<td></td>
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<tr>
<td><strong>Immediate 3-Month Initiatives - #</strong></td>
<td><strong>Pursue Alternate Funding Streams - # and ##</strong></td>
</tr>
<tr>
<td>Benefit Waivers ($2.6M)</td>
<td>Government Grants (BWC PPP = $1.2M)</td>
</tr>
<tr>
<td>Small Church Grants ($0.3M)</td>
<td>Conference Loans (church brick &amp; mortar projects)</td>
</tr>
<tr>
<td>Trustee Loan Deferrals</td>
<td></td>
</tr>
<tr>
<td><strong>Supplemental Initiatives - #</strong></td>
<td><strong>May Actions</strong></td>
</tr>
<tr>
<td>Relief Grants - $615K</td>
<td><strong>15%/25% Contingency Decisions</strong> (not required)</td>
</tr>
<tr>
<td>On-line Giving Focus</td>
<td></td>
</tr>
<tr>
<td>Trustee Loans/Grants (Brick &amp; Mortar)</td>
<td></td>
</tr>
<tr>
<td><strong>Immediate Expense Reductions - ##</strong></td>
<td><strong>June Actions</strong></td>
</tr>
<tr>
<td>$1.1M or 8% reduction made 3/25</td>
<td><strong>Renewal of 3-month initiatives</strong></td>
</tr>
<tr>
<td></td>
<td>(July – Sept) (not required)</td>
</tr>
<tr>
<td></td>
<td><strong>Expense reductions increased to $1.64M</strong></td>
</tr>
<tr>
<td></td>
<td><strong>or 11.7% on 6/24 - ##</strong></td>
</tr>
<tr>
<td></td>
<td><strong>July Actions</strong> (Establish YE Goals) - ##</td>
</tr>
<tr>
<td></td>
<td><strong>Forecast Year-End Mission Shares</strong></td>
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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 1.3% Higher
  (w/ PPP funding)

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

![Bar Chart](image1)

![Bar Chart](image2)
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

<table>
<thead>
<tr>
<th>District</th>
<th>This Month (July)</th>
<th>Sometime later this summer</th>
<th>Early this Fall</th>
<th>Early 2021</th>
<th>Still Uncertain</th>
</tr>
</thead>
<tbody>
<tr>
<td>AN</td>
<td>25%</td>
<td>15%</td>
<td>13%</td>
<td>5%</td>
<td>42%</td>
</tr>
<tr>
<td>BM</td>
<td>21%</td>
<td>6%</td>
<td>18%</td>
<td>1%</td>
<td>54%</td>
</tr>
<tr>
<td>BS</td>
<td>16%</td>
<td>15%</td>
<td>20%</td>
<td>4%</td>
<td>45%</td>
</tr>
<tr>
<td>CH</td>
<td>60%</td>
<td>7%</td>
<td>11%</td>
<td>0%</td>
<td>22%</td>
</tr>
<tr>
<td>CM</td>
<td>17%</td>
<td>6%</td>
<td>9%</td>
<td>2%</td>
<td>66%</td>
</tr>
<tr>
<td>FR</td>
<td>49%</td>
<td>9%</td>
<td>9%</td>
<td>0%</td>
<td>33%</td>
</tr>
<tr>
<td>GW</td>
<td>4%</td>
<td>5%</td>
<td>18%</td>
<td>5%</td>
<td>67%</td>
</tr>
<tr>
<td>WE</td>
<td>9%</td>
<td>12%</td>
<td>19%</td>
<td>6%</td>
<td>55%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>26%</td>
<td>9%</td>
<td>15%</td>
<td>3%</td>
<td>47%</td>
</tr>
</tbody>
</table>
Monthly Mission Share Trends - 2020

Mission Share Monthly Trends are Improving:

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

Will the 2nd half of the year continue to show improvement?

- YTD variance is a $1.0M shortfall or 16% of budget
Church Reported Year End Forecasts

- 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 2nd half uncertainties and has the potential to enable refunding some of the expense reductions in the 4th Quarter

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%
2021 BUDGET PROCESS AND PROPOSAL
• 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.
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.
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
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

2012: $15.1M
2013: $14.2M (-6.4%)
2014: $14.1M (-0.3%)
2015: $14.2M (+0.2%)
2016: $14.3M (+1.1%)
2017: $14.2M (-0.8%)
2018: $14.3M (+0.3%)
2019: $14.3M (+0.2%)
2020: $14.0M (-1.7%)
2021: $13.5M (-4.0%)

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

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>Apportionment Base</th>
<th>X</th>
<th>Benevolence Factor</th>
<th>X</th>
<th>Collection Rate</th>
<th>=</th>
<th>Mission Share Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$87.7M</td>
<td>X</td>
<td>17.600%</td>
<td>X</td>
<td>91.0%</td>
<td>=</td>
<td>$14.0M</td>
</tr>
<tr>
<td>2021</td>
<td>$84.9M</td>
<td>X</td>
<td>17.550%</td>
<td>X</td>
<td>87.5%</td>
<td>=</td>
<td>$13.0M</td>
</tr>
</tbody>
</table>

% 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

<table>
<thead>
<tr>
<th>Income:</th>
<th>2020(B) % Budget</th>
<th>2021(B) % Budget</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Shares</td>
<td>$14,048K 75%</td>
<td>$13,035K 74%</td>
<td>(1,013K)</td>
</tr>
<tr>
<td>Other Income</td>
<td>4,593K 25%</td>
<td>4,665K 26%</td>
<td>+ 72K</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td><strong>$18,641K 100%</strong></td>
<td><strong>$17,700K 100%</strong></td>
<td><strong>(941K)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>2020(B) % Budget</th>
<th>2021(B) % Budget</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regions</td>
<td>2,257K 12%</td>
<td>2,243K 13%</td>
<td>(14K)</td>
</tr>
<tr>
<td>Ministry Teams</td>
<td>9,331K 50%</td>
<td>8,857K 50%</td>
<td>(474K)</td>
</tr>
<tr>
<td>Stewardship/Episcopal</td>
<td>7,053K 38%</td>
<td>6,600K 37%</td>
<td>(453K)</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSE</strong></td>
<td><strong>$18,641K 100%</strong></td>
<td><strong>$17,700K 100%</strong></td>
<td><strong>(941K)</strong></td>
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**NET INCOME**  
$0K  
$0K

- 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

#### 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