

Financial Report - January 2015

Faith Lutheran Church Council

February 15, 2015

The Finance Ministry Team met on February 9, 2015 and covered the following agenda items.

- Opening prayer
- Review of January 2015 financial statements
- January unpaid bills carried over to February
- Review of reserve funds
- Review of capital campaign activity
- Work done to reformat financial statements to conform with 2015 Budget
- Procedures for funding maintenance reserve fund
- Early results from February/revenues going forward needed to meet budget
- Closing prayer

Highlights

- Total income for January was \$75 K
 - This was equal to the official January budgeted amount, but about \$20 K below that necessary to meet 2015 overall budget (April statements will begin to show true budget requirements).
 - This was generally in line with the results from the last two years for January (although a bit lower).
 - Approximately \$95 K monthly (\$23 to \$25 K weekly will be needed to fully meet budget requirements).
- Early results from February show improvement - \$20 K per week – but still somewhat below requirements.
- Expenses for January were about \$2.5 K below budget (\$95.1 K vs. \$97.6 K).
 - This includes the monthly \$23.6 K debt service payment
 - No significance deviances on a line item basis
 - January benevolence of about \$2.9 K is included and ready to be given to Mission Partners decided on by Council.
- The Operating Fund bank balance as of January 31, 2015, is \$68.5 K. This is a decline of about \$20 K from a Year End (December 31) 2014 level of \$88.3 K.

- Two significant milestones were achieved in/as a result of the soon to be completed Capital Campaign.
 - The \$1 million threshold in total receipts for the Campaign was surpassed
 - This allowed the Mortgage Debt to fall below \$2 million
- **GOD IS GOOD ALL THE TIME!**

Detailed Summary of January 2015 Financial Statements

Income

For the month of January 2015, total operating income was \$75,372. Regular envelope offerings for January 2015 were \$56,919, compared to \$66,408 for January 2014. Both months had equal numbers of Sunday services.

The January 2015 financial report reflects \$14,230 average weekly offerings during the four Sundays in the month. **This is about \$10 K less than will be necessary to meet budget requirements.** Weekly giving during the first two weeks of February is up to about \$20 K per week.

The Finance Ministry Team will continue to review weekly giving reports and will report results and respond appropriately as circumstances dictate.

Expenses

For the month of January 2015, total operating expenses were \$95,115. This includes the full debt service payment of \$23,637. It also includes benevolence of \$8,185, of which \$2,869 still needs to be allocated to Mission Partners selected by the Council. January operating expenses were \$2,520 **less** than January planned expenses per the 2015 Ministry Plan. There were no significant line item variances during the month.

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 ebbs and flows. The momentum from the impressive response from the congregation over the last two months of 2014 was slowed in January, as offerings were down, although in line with year ago and typical January giving levels. As noted earlier, early results from February show noticeable improvement, but further increases will be necessary to meet Ministry Plan requirements. Based on recent experience and with **God's Infinite and Ever Present Power**, we can be confident that those needs will be met, but will require **continued diligence and inspired effort from all of us.**

Cash Balances

Cash balances were down by about \$19.7 K during the month because of the reduced giving, but still in positive territory. As of January 31, 2015, the bank accounts of FLC show a total balance in the amount of \$113,076, compared to \$133,222 at December 31, 2014. The Operating Fund balance is **positive** \$68,510, compared to **positive** \$88,253 at December 31. Designated funds show a balance of \$40,259 (vs. \$40,016 in the prior month), conduit funds have a balance of \$4,307 (vs. \$4,953 in the prior month) and total restricted funds are **zero** at January 31, as they were at December 31. **Within the Unallocated Reserve, an amount of \$2,869 in January benevolence is awaiting disbursement to Mission Partners selected by the Council.**

Building Maintenance Reserve

At January 31, 2015, this fund balance is \$100, unchanged from December 31, 2014.

To the extent practicable, additions to this reserve are planned to be resumed in the coming months and continue until it is restored to an appropriate level (to be recommended by the Finance Team).

Unallocated Reserve

At January 31, 2015, this fund balance is \$3,593, compared to \$5,133 at December 31. During January, this fund experienced a net **decrease** of \$1,540 as a result of the following:

January Benevolence Offering to be Deployed in February	\$	2,869
Thrivent Financial Matching Funds, net of tithe		208
Airline Tickets for Elizabeth and Christian – reimbursed from Op. Fund		682
Deployment of Additional Benevolence to NT/NL Mission Area		(5,000)
Deployment of December 2014 Offering (Faith Piecemakers - \$100; CCA January Noisy Offering - \$100; Operating Fund - \$100)		<u>(300)</u>
Net decrease	\$	<u>(1,540)</u>

As shown above, the Unallocated Reserve contains an amount of \$2,869 in January benevolence which is awaiting disbursement to Mission Partners selected by the Council.

Capital Campaign Fund

At January 31, 2015, this fund balance is **positive** \$36,566, represented solely by the \$36,566 amount set aside for benevolence. In January the Campaign passed the \$1 million mark and through January 31, offerings (and auction proceeds) in the total amount of \$1,003,547 have been received. Through January 31, payments have been made as follows:

Mission Investment Fund - mortgage payment	\$ 825,419
INJOY Stewardship Solutions (ISS) - our campaign partner	36,000
BRW Architects - sanctuary expansion	15,000
Benevolence - Habitat for Humanity "build"	41,309
Benevolence - Faith Lutheran Day School Endowment Fund	15,000
"Blessed to Be a Blessing"	7,480
"Epic" and other recurring event expenses	7,314
"Celebration" event expenses	5,179
Kennedy's ENG - video camera, including related equipment	3,510
The Addison Group - our media consultant	3,272
Brochures, DVDs and other print media	3,188
Stephanie Burke - performance artist	1,730
Other	<u>2,580</u>
 Total Payments	 \$ <u>966,981</u>

Finance Ministry Team Recommendation(s) for Council Action

None at this time, other than the previously identified need to decide on Mission Partners for receipt of \$2,869 in January benevolence (currently sitting in the Unallocated Reserve Fund).

Other Matters for Council Information

January Unpaid Bills Carried Over to February

At January 31, 2015, all outstanding invoices have been paid.

Debt Service Program

As of January 31, there are no available Capital Campaign funds remaining in the account. The full amount of the required payment of \$23,637 was sent to Mission Investment Fund (MIF) to cover accrued interest as of January 31 plus the scheduled principal payment. Contributions in the amount of \$17,834 were received during the month, and after deducting \$1,783 for the tithe, were combined with \$7,586 from operating funds to make the payment.

A notable milestone was passed in January, as FLC now owes less than \$2 million to the MIF.

Current plans are to continue to make payments in the full amount of \$23,637 from combined Capital Campaign (though the end of the program) and regular revenue funds as practical. Recommendations for changes to this plan will be made if circumstances warrant.

Finance Ministry Team Action Items

During its December 15, 2013 Council meeting, Council delegated to the Finance Ministry Team various action items stemming from recommendations by the Audit Ministry Team. The Finance Ministry Team has reviewed and preliminarily discussed the various action items. As the new Treasurer, I was not involved in these discussions so will be meeting privately with Ken Fogg (previous Treasurer) and Kari Voight (Operations Director) to get educated and updated on the status of these items. They will then be further addressed and resolved in upcoming Finance Team Meetings and a comprehensive status report will be submitted to Council in a future meeting in the first half of 2015.

Financial Report - February 2015

Faith Lutheran Church Council

March 15, 2015

The Finance Ministry Team met on March 9, 2015 and covered the following agenda items.

- Opening prayer
- Review of February 2015 financial statements
- February unpaid bills carried over to March
- Review of reserve funds
- Review of capital campaign activity including benevolence giving
- Procedures for funding maintenance reserve fund
- Discussion of “Giving” App possibilities being reviewed by Staff
- Pastor updated FMT on visit to KC area congregations
- Closing prayer

Highlights

- Total income for February was \$83 K
 - This was a noticeable improvement over January’s total income of \$75 K
 - The recovery of back rent owed for use of the Love to the Max Center (about \$6 K) helped boost the monthly total, but weekly regular giving (ex. capital campaign) was still up about \$2 K compared to January
 - Regular giving was up as well compared to the last two years for February – though a bit lower than in 2013 if capital campaign impacts are considered
 - Further improvement will be needed; approximately \$95 K monthly (\$23 to \$25 K weekly to fully meet budget requirements
- Expenses for February were about \$2 K below budget (\$91.3 K vs. \$93.3 K).
 - This includes the monthly \$23.6 K debt service payment
 - No significance deviances on a line item basis
- The Operating Fund bank balance as of February 28, 2015 is \$60 K. While this is still a decline of about \$8.5 K compared to month-end January, the burn rate is significantly lower than the \$20 K experienced last month.
- The benevolence offering on Ash Wednesday was noticeably generous at almost \$2 K
- **GOD IS GOOD ALL THE TIME!**

Detailed Summary of February 2015 Financial Statements

Income

For the month of February 2015, total operating income was \$82,747. Regular envelope offerings (including capital campaign giving) for February 2015 were \$73,987, compared to \$68,991 for February 2014. Both months had equal numbers of Sunday services. Total operating income was impacted positively by the collection of about \$6 K of back rent for the Love to the Max Center.

The February 2015 financial report reflects \$18.5 K average weekly offerings during the four Sundays in the month. **This is about \$4 K less than will be necessary to meet budget requirements.**

The Finance Ministry Team will continue to review weekly giving reports and will report results and respond appropriately as circumstances dictate.

Expenses

For the month of February 2015, total operating expenses were \$91,263. This includes the full debt service payment of \$23,637. It also includes benevolence of \$9,490. February operating expenses were \$2,020 **less** than February budgeted expenses per the 2015 Ministry Plan. There were no significant line item variances during the month.

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 ebbs and flows. The momentum from the impressive response from the congregation over the last two months of 2014 has certainly slowed thus far in 2015, but February does show improvement over January. It also compares favorably with giving in February over the past two years; however, further increases will be necessary to meet Ministry Plan requirements. Based on recent experience and with **God's Infinite and Ever Present Power**, we can be confident that those needs will be met, but will require **continued diligence and inspired effort from all of us.**

Cash Balances

Total cash balances were down only slightly (by about \$1 K during the month), while the operating fund was down by about \$8.5 K. This "burn rate" was down significantly from that experienced in January (almost \$20 K). As of February 28, 2015, the bank accounts of FLC show a total balance in the amount of \$112,114, compared to \$113,076 at January 31, 2015. The Operating Fund balance is **positive** \$59,993, compared to **positive** \$68,510 at January 31. Designated funds show a balance of \$47,032 (vs. \$40,259 in the prior month), conduit funds have a balance of \$5,089 (vs. \$4,307 in the prior month) and total restricted funds are **zero** at February 28, as they were at January 31.

Building Maintenance Reserve

At February 31, 2015, this fund balance is \$100, unchanged from December 31, 2014.

To the extent practicable, additions to this reserve are planned to be resumed in the coming months and continue until it is restored to an appropriate level (to be recommended by the Finance Team).

Unallocated Reserve

At February 28, 2015, this fund balance is \$9,426, compared to \$3,593 at January 31. During February, this fund experienced a net **increase** of \$5,833 as a result of the following:

February Benevolence Offering to be Deployed in March	\$	3,613
Ash Wednesday Benevolence Offering to be Deployed in March		1,977
Thrivent Financial Matching Funds, net of tithe		<u>243</u>
Net increase	\$	<u>5,833</u>

As shown above, the Unallocated Reserve contains an amount of \$5,590 in February benevolence (including Ash Wednesday offering) which is awaiting disbursement to Mission Partners.

Capital Campaign Fund

At February 28, 2015, this fund balance is **positive** \$37,506, represented solely by the amount set aside for benevolence. As noted last month, the Campaign has passed the \$1 million mark and through February 28, offerings (and auction proceeds) in the total amount of \$1,012,943 have been received. Through February 28, payments have been made as follows:

Mission Investment Fund - mortgage payment	\$	833,875
INJOY Stewardship Solutions (ISS) - our campaign partner		36,000
BRW Architects - sanctuary expansion		15,000
Benevolence - Habitat for Humanity "build"		41,309
Benevolence - Faith Lutheran Day School Endowment Fund		20,000
"Blessed to Be a Blessing"		7,480
"Epic" and other recurring event expenses		7,314
"Celebration" event expenses		5,179
Kennedy's ENG - video camera, including related equipment		3,510
The Addison Group - our media consultant		3,272
Brochures, DVDs and other print media		3,188
Stephanie Burke - performance artist		1,730
Other		<u>2,580</u>
Total Payments	\$	<u>975,437</u>

Finance Ministry Team Recommendation(s) for Council Action

None at this time.

Other Matters for Council Information

February Unpaid Bills Carried Over to March

At February 28, 2015, all outstanding invoices have been paid.

Debt Service Program

As of February 28, there are no available Capital Campaign funds remaining in the account. The full amount of the required payment of \$23,637 was sent to Mission Investment Fund (MIF) to cover accrued interest as of February 28 plus the scheduled principal payment. Contributions in the amount of \$9,396 were received during the month, and after deducting \$940 for the tithe, were combined with \$15,181 from operating funds to make the payment.

Current plans are to continue to make payments in the full amount of \$23,637 from combined Capital Campaign (through the end of the program) and regular revenue funds as practical. Recommendations for changes to this plan will be made if circumstances warrant.

Finance Ministry Team Action Items

During its December 15, 2013 Council meeting, Council delegated to the Finance Ministry Team various action items stemming from recommendations by the Audit Ministry Team. The Finance Ministry Team has reviewed and preliminarily discussed the various action items. As the new Treasurer, I was not involved in these discussions so will be meeting privately with Ken Fogg (previous Treasurer) and Kari Voight (Operations Director) to get educated and updated on the status of these items. They will then be further addressed and resolved in upcoming Finance Team Meetings and a comprehensive status report will be submitted to Council in a future meeting in the first half of 2015.

Financial Report - March 2015

Presented to Faith Lutheran Church Council

April 12, 2015

The Finance Ministry Team met on April 6, 2015, and covered the following agenda items.

- Opening prayer
- Review of March 2015 financial statements
- March unpaid bills carried over to April
- Review of reserve funds
- Final review of capital campaign results, including close out of accounts
- Discussion of new electronic giving options being reviewed by Staff
- Closing prayer

Highlights

- Total income for March was \$93 K
 - This was an improvement over both the January total of \$75 K and the March total of \$83 K, although
 - Weekly regular giving (ex. capital campaign) averaged \$14.9 K. Because there were five Sundays in March vs. only four in both January and February, this weekly average was actually about \$1.2 K below February (though almost equal if capital campaign donations are included). It was about \$0.7 K above January levels.
 - Although revenue was down compared to the last two years for March, it should be noted that Easter fell in March in 2013.
 - Further improvement will be needed; to the tune of an additional \$4 K per week, to fully meet budget requirements. Early results from Easter week were encouraging.
- The Capital Campaign officially closed on March 31 and ended with a bang as almost \$17 K in contributions were received. The final tally for the Campaign was **\$1,029,600**.
- Expenses for March were about \$1 K above budget (\$97 K vs. \$96 K).
 - This includes the monthly \$23.6 K debt service payment.
 - Most of the deviance, all relatively minor, were one-off events (upfront cost of Easter lilies, catch up on IT support obligation, etc.)
- The Operating Fund bank balance as of March 31, 2015, is \$56 K. While this is still a decline of about \$4.4 K compared to month-end February, the burn rate is lower than the \$8.5 K experienced last month and significantly lower than the \$20 K rate in January.
- **GOD IS GOOD ALL THE TIME!**

March 2015

Detailed Summary of March 2015 Financial Statements

Income

For the month of March 2015, total operating income was \$92,613. Regular envelope offerings (including capital campaign giving) for March 2015 were \$91,321, compared to \$108,191 for March 2014. Both months had equal numbers of Sunday services.

The March 2015 financial report reflects \$18.5 K average weekly offerings during the five Sundays in the month. **This is about \$4 K less than will be necessary to meet budget requirements.**

The Finance Ministry Team will continue to review weekly giving reports and will report results and respond appropriately as circumstances dictate.

Expenses

For the month of March 2015, total operating expenses were \$96,975. This includes the full debt service payment of \$23,637. It also includes benevolence of \$9,805. March operating expenses were \$1,268 above the March budgeted expenses per the 2015 Ministry Plan. Most of the deviances, which were relatively minor, were one-off items, including an upfront payment for Easter lilies (which will be substantially reimbursed by those that ordered them) and a catch-up in a payment to our IT provider.

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 ebbs and flows. The momentum from the impressive response from the congregation over the last two months of 2014 has certainly slowed thus far in 2015, but both February and March have shown improvement over January. Further increases will be necessary to meet Ministry Plan requirements. Based on recent experience and with **God's Infinite and Ever Present Power**, we can be confident that those needs will be met, but will require **continued diligence and inspired effort from all of us.**

Cash Balances

Total cash balances were down by about \$23 K during the month (substantially due to the disbursement of \$24 K from to Disciples Alive! from the Capital Campaign Benevolence Reserve Fund. The operating fund was down by about \$4.4 K. This "burn rate" was down from that experienced in February (\$8.5 K) and significantly below the January experience (\$20 K). As of March 31, 2015, the bank accounts of FLC show a total balance in the amount of \$89,466, compared to \$112,114 at February 28, 2015. The Operating Fund balance is **positive** \$55,632, compared to **positive** \$59,993 at February 28. Designated funds show a balance of \$28,636 (vs. \$47,032 in the prior month), conduit funds have a balance of \$5,198 (vs. \$5,089 in the prior month) and total restricted funds are **zero** at March 28, as they were at February 28.

Building Maintenance Reserve

At March 31, 2015, this fund balance is \$100, unchanged from February 28, 2015.

To the extent practicable, additions to this reserve are planned to be resumed in the coming months and continue until it is restored to an appropriate level (to be recommended by the Finance Team).

Unallocated Reserve

At March 28, 2015, this fund balance is \$13,365, compared to \$9,426 at February 28. During March, this fund experienced a net **increase** of \$3,939 as a result of the following:

March Benevolence Offering to be Deployed in April	\$	3,792
Lutheran World Relief Benevolence (from Ash Wednesday)		(324)
March Noisy Offering to be Deployed in April		25
Charlene Hobson Memorial, net of tithe		45
Thrivent Financial Matching Funds, net of tithe		<u>401</u>
Net increase	\$	<u>3,939</u>

As shown above, the Unallocated Reserve contains an amount of \$3,817 in March benevolence which is awaiting disbursement to Mission Partners.

Capital Campaign Fund

March marks the closure of a very successful Capital Campaign. At March 31, 2015, this fund balance is **positive** \$15,171, represented solely by the amount set aside for benevolence and expenses for the Campaign Celebration being held on April 12 to celebrate the success of the effort. With the \$16,657 received in March, the total offerings received during the entire three year Campaign total \$1,029,600. Total payments have been made as follows:

Mission Investment Fund - mortgage payment	\$	833,875
INJOY Stewardship Solutions (ISS) - our campaign partner		36,000
BRW Architects - sanctuary expansion		15,000
Benevolence - Habitat for Humanity "build"		41,309
Benevolence - Faith Lutheran Day School Endowment Fund		20,000
Benevolence - NTNL DiscipleLife Alive Ministry		24,000
"Blessed to Be a Blessing"		7,480
"Epic" and other recurring event expenses		7,314
"Celebration" event expenses		5,179
Kennedy's ENG - video camera, including related equipment		3,510
The Addison Group - our media consultant		3,272
Brochures, DVDs and other print media		3,188
Stephanie Burke - performance artist		1,730
Other		<u>2,580</u>
Total Payments	\$	<u>1,014,428</u>

March 2015

Finance Ministry Team Recommendation(s) for Council Action

None at this time.

Other Matters for Council Information

March Unpaid Bills Carried Over to March

At March 31, 2015, all outstanding invoices have been paid.

Debt Service Program

As of March 31, there are no available Capital Campaign funds remaining in the account. The full amount of the required payment of \$23,637 was sent to Mission Investment Fund (MIF) to cover accrued interest as of March 31, plus the scheduled principal payment. Contributions in the amount of \$16,657 were received during the month, and after deducting \$1,666 for the tithe, were combined with \$8,646 from operating funds to make the payment.

With the Capital Campaign complete, current plans are to make payments in the full amount of \$23,637 from regular revenue funds as practical. Recommendations for changes to this plan will be made if circumstances warrant.

Finance Ministry Team Action Items

During its December 15, 2013 Council meeting, Council delegated to the Finance Ministry Team various action items stemming from recommendations by the Audit Ministry Team. The Finance Ministry Team has reviewed and preliminarily discussed the various action items. As the new Treasurer, I was not involved in these discussions so I will be meeting privately with Ken Fogg (previous Treasurer) and Kari Voight (Operations Director) to get educated and updated on the status of these items. They will then be further addressed and resolved in upcoming Finance Team Meetings and a comprehensive status report will be submitted to Council in a future meeting in the first half of 2015.

Financial Report - April 2015

Presented to Faith Lutheran Church Council

May 9, 2015

The Finance Ministry Team met on May 4, 2015, and covered the following items.

- Opening prayer
- Review of April 2015 financial statements
- Review of reserve funds
- Discussion of current financial position
- Closing prayer

Highlights

- Total income for April was \$72 K and total giving (ex. noisy offering, rental income, miscellaneous income, etc.) was \$69 K.
 - Total giving was significantly down from the March total of \$91 K, but it should be noted that April had only four Sundays and March had five.
 - Total weekly giving averaged \$17.3 K. This compares with an average of \$18.3 K in March and \$18.2 K thus far in 2015.
 - While Easter results were very good, the other weeks were subpar. Results for the last Sunday in April were likely impacted by the fact we only had one regular service (due to the NT-NL Assembly)
 - Further improvement will be needed to the tune of an additional \$5 K per week, to fully meet budget requirements. Early results from the first May service are very encouraging.
 - With the Capital Campaign complete as of March 31, all receipts for the month were treated as regular giving.
- Expenses for April were almost \$8 K above budget (\$107 K vs. \$99 K).
 - This includes the monthly \$23.6 K debt service payment.
 - Almost all of the deviance was related to one-off expenses, including those associated with the Easter celebration (included expenses for Stephanie Burke). Other nonrecurring costs included support for the Briarwood Gala, investment in our Disciple Connections program (new banners, signs, etc.) and remaining expenses from the Kansas City trip.
- As a result of the below average revenue and higher expenses, we did experience a significant decline in our Operating Fund bank balance. As of April 30, 2015, this balance is \$21 K, a drop of almost \$35 K from last month.

April 2015

- While not the result we were hoping for, we have been here before. Most importantly, we should take our current position as a challenge to redouble our efforts to grow the Church and our commitment to its success. With the investments we are making and with open and honest communication of the challenges we are facing, we will no doubt succeed.
- **GOD IS GOOD ALL THE TIME!**

Detailed Summary of April 2015 Financial Statements

Income

For the month of April 2015, total operating income was \$72,386. Regular envelope offerings (including remaining amounts designated as capital campaign giving) for April 2015 were \$69,164, compared to \$74,621 for April 2014. Both months had an equal number of Sunday services.

The April 2015 financial report reflects \$17.3 K average weekly offerings during the four Sundays in the month. **This is about \$5 K less than will be necessary to meet budget requirements.**

The Finance Ministry Team will continue to review weekly giving reports and will report results and respond appropriately as circumstances dictate.

Expenses

For the month of April 2015, total operating expenses were \$107,033. This includes the full debt service payment of \$23,637. It also includes benevolence/mission support of \$9,548. April operating expenses were \$7,714 above the April budgeted expenses per the 2015 Ministry Plan. Most of the deviances were one-off items, many related to expenses for the Easter celebration. These included the \$3.8 K for expenses related to Stephanie Burke's appearance at the Good Friday service. Investment in our disciple development program (for banners and other promotional material), for remaining expenses from the staff trip to Kansas City in March, and for special benevolence gifts (such as support for the Briarwood Gala) made up most of the remaining deviance.

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. The momentum from the impressive response from the congregation over the last two months of 2014 has certainly slowed and need to be regained in order to meet Ministry Plan requirements. Based on recent experience and with **God's Infinite and Ever Present Power**, we can be confident that those needs will be met, but will require **continued diligence and inspired effort from all of us.**

Cash Balances

Total cash balances (for all accounts) were down by about \$29 K during the month. The operating fund was down by almost \$35 K. As of April 30, 2015, the bank accounts of FLC show a total balance in the amount of \$60,387, compared to \$89,466 at March 31, 2015. The Operating Fund balance is **positive** \$20,985, compared to **positive** \$55,632 at March 31. Designated funds show a balance of

April 2015

\$32,802 (vs. \$28,636 in the prior month), conduit funds have a balance of \$6,600 (vs. \$5,198 in the prior month) and total restricted funds are **zero** at April 30, as they were at March 31.

Building Maintenance Reserve

At April 30, 2015, this fund balance is \$100, unchanged from March 31, 2015.

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).

Unallocated Reserve

At April 30, 2015, this fund balance is \$17,977, compared to \$13,365 at March 31. During April, this fund experienced a net **increase** of \$4,613 as a result of the following:

April Benevolence Offering to be Deployed in May	\$	3,636
Peacemakers Benevolence		(45)
Financial Peace University		(59)
Deployment of April Noisy Offering		(25)
Dick Hodson Memorial, net of tithe		900
Thrivent Financial Matching Funds, net of tithe		<u>206</u>
Net increase	<u>\$</u>	<u>4,613</u>

The Unallocated Reserve contains an amount of \$13,911 in January through April 2015 benevolence, which is awaiting disbursement to yet to be determined Mission Partners.

Benevolence Reserve

The very successful Capital Campaign was concluded in March and the Campaign Celebration was held on April 12. As of April 30, 2015, this fund has a remaining balance of **positive** \$14,725, a decline of \$447 from the March 31, 2015 balance of **positive** \$15,172. This change was due solely to preliminary expenses paid for the Celebration event. After payment of remaining expenses for the Celebration, the balance will be disbursed to the FLDS Endowment Fund to complete Capital Campaign benevolence commitments.

Finance Ministry Team Recommendation(s) for Council Action

None at this time.

Other Matters for Council Information

April Unpaid Bills Carried Over to May

At April 30, 2015, all outstanding invoices have been paid.

Debt Service Program

The full amount of the required payment of \$23,637 was sent to Mission Investment Fund (MIF) to cover accrued interest as of April 30, plus the scheduled principal payment. The payment came out of regular operating funds and with the Capital Campaign complete, current plans are to continue to make payments in the full amount of \$23,637 from these funds as practical. Recommendations for changes to this plan will be made if circumstances warrant.

Finance Ministry Team Action Items

During its December 15, 2013 Council meeting, Council delegated to the Finance Ministry Team various action items stemming from recommendations by the Audit Ministry Team. The Finance Ministry Team has reviewed and preliminarily discussed the various action items. As the new Treasurer, I was not involved in these discussions so I will be meeting privately with Ken Fogg (previous Treasurer) and Kari Voight (Operations Director) to get educated and updated on the status of these items. They will then be further addressed and resolved in an upcoming Finance Team Meeting and a comprehensive status report will be submitted to Council in the next couple of months.

Financial Report - May 2015

Presented to Faith Lutheran Church Council

June 14, 2015

The Finance Ministry Team met on June 11, 2015, and covered the following items.

- Opening prayer
- Review of May 2015 financial statements
- Review of reserve funds
- Discussion of current financial position
- Closing prayer

Highlights

- Total income for May was \$92 K and total giving (ex. noisy offering, rental income, miscellaneous income, etc.) was \$90 K.
 - Total giving was up significantly from the April total of \$69 K, but it should be noted that April had only four Sundays and May had five.
 - Total weekly giving averaged \$18.0 K. This is up from the April average of \$17.3 K, and very consistent with the overall 2015 YTD average of \$18.1 K.
 - Further improvement will be needed to the tune of an additional \$5 K per week, to fully meet budget requirements. Early results from the first June service are very encouraging.
- Expenses for May were about \$1.8 K above budget (\$96.5 K vs. \$94.7 K).
 - This includes the monthly \$23.6 K debt service payment.
 - The only significant negative deviance (>\$2 K) was for computer/AV upgrades (\$3.5 K above budget). This deviance was related both to the payment of a past invoice for support services and some costs for the development of PushPay and Faith App.
 - Looking forward we can expect to see a reduction of \$1.6 K per month in June and July for janitorial services, but some additional (as of yet undetermined level) for roof repairs (both accounted for in the General Maintenance category).
- While we continued to see a decline in the Operating Fund bank balance, due to the extra Sunday and the somewhat improved performance in May, this decline was less than \$5 K, a significant improvement from the \$35 K drop last month. As of May 31, 2015, this balance is just over \$16 K.
- Challenges are great but so are opportunities. Early response from the appeal to the Congregation have been positive and this is reaffirming that:
- **GOD IS GOOD ALL THE TIME!**

May 2015

Detailed Summary of May 2015 Financial Statements

Income

For the month of May 2015, total operating income was \$91,763. Regular envelope offerings for May 2015 were \$89,969, compared to \$79,530 for May 2014. It should be noted that May last year only had four Sundays vs. the five we had this year.

The May 2015 financial report reflects \$18.0 K average weekly offerings during the five Sundays in the month which is very close to the YTD average of \$18.1 K weekly. **This is about \$5 K less than will be necessary to meet budget requirements.**

The Finance Ministry Team will continue to review weekly giving reports and will report results and respond appropriately as circumstances dictate.

Expenses

For the month of May 2015, total operating expenses were \$96,503. This includes the full debt service payment of \$23,637. It also includes benevolence/mission support of \$8,980. May operating expenses were \$1,785 above the May budgeted expenses per the 2015 Ministry Plan. The only significant negative deviance (more than \$2 K above budget) was for computer/AV upgrades (\$3.5 K above budget). This deviance was related both to the payment of a past invoice for support services and some costs for the development of PushPay and Faith App.

Looking forward we can expect to see a reduction of \$1.6 K per month in June and July for janitorial services, but some additional (as of yet undetermined level) for roof repairs (both accounted for in the General Maintenance category).

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. Since the impressive response from the congregation over the last two months of 2014, giving has leveled off in 2015 and has remained at a level below that needed to meet Ministry Plan expenses fully. Based on our experience of last year and early indications after the Council's appeal, I believe we can expect the congregation to respond again. Together with **God's Infinite and Ever Present Power** and **continued diligence and inspired effort from all of us, we will be able meet the expectations He has for Faith Lutheran Church.**

Cash Balances

Total cash balances (for all accounts) were down by about \$4 K during the month. The operating fund was down by just under \$6 K. As of May 31, 2015, the bank accounts of FLC show a total balance in the amount of \$56,129, compared to \$60,387 at April 30, 2015. The Operating Fund balance is **positive** \$16,245, compared to **positive** \$20,985 at April 30. Designated funds show a balance of \$31,422 (vs. \$32,802 in the prior month), conduit funds have a balance of \$8,463 (vs. \$6,600 in the prior month) and total restricted funds are **zero** at May 31, as they were at April 30.

May 2015

Building Maintenance Reserve

At May 31, 2015, this fund balance is \$100, unchanged from April 30, 2015.

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).

Unallocated Reserve

At May 31, 2015, this fund balance is \$17,965, compared to \$17,977 at April 30. During May, this fund experienced a net **decrease** of \$13 as a result of the following:

May Benevolence Offering to be Deployed in June	\$	4,556
Benevolence to Briarwood Lutheran Ministries		(5,000)
Thrivent Financial Matching Funds, net of title		<u>431</u>
Net increase	<u>\$</u>	<u>(13)</u>

The Unallocated Reserve contains an amount of \$13,467 in January through May 2015 benevolence. Of this, approximated \$7,000 will be disbursed to the Faith Lutheran Day School (FLDS) Endowment Fund in June and the remaining amounts will be disbursed to other Mission Partners as they are chosen.

Benevolence Reserve

The very successful Capital Campaign was concluded in March and as of May 31, 2015, this fund has a remaining balance of **positive** \$13,357, a decline of \$1,368 from the April 30, 2015 balance of **positive** \$14,725. This change was due to a reimbursement to the Operating Fund of \$1,200 for the Briarwood Gala fee along with remaining expenses paid for the Celebration event held on April 12. As all those expenses have now been paid, the entire remaining balance (\$13,357) will be disbursed to the FLDS Endowment Fund in June to complete Capital Campaign benevolence commitments.

Finance Ministry Team Recommendation(s) for Council Action

None at this time.

Other Matters for Council Information

April Unpaid Bills Carried Over to June

At May 31, 2015, all outstanding invoices have been paid.

Debt Service Program

The full amount of the required payment of \$23,637 was sent to Mission Investment Fund (MIF) to cover accrued interest as of May 31, plus the scheduled principal payment. The payment came out of regular operating funds and with the Capital Campaign complete, current plans are to continue to make payments in the full amount of \$23,637 from these funds as practical. Recommendations for changes to this plan will be made if circumstances warrant.

Finance Ministry Team Action Items

During its December 15, 2013 Council meeting, Council delegated to the Finance Ministry Team various action items stemming from recommendations by the Audit Ministry Team. The Finance Ministry Team has reviewed and preliminarily discussed the various action items. As the new Treasurer, I was not involved in these discussions so I will be meeting privately with Ken Fogg (previous Treasurer) and Kari Voight (Operations Director) to get educated and updated on the status of these items. We have scheduled this meeting for June 16th and after that meeting we will address and resolve the issues in our July Finance Team Meeting. A comprehensive status report will then be submitted to Council later in July.

Financial Report - June 2015

Presented to Faith Lutheran Church Council

July 12, 2015

The Finance Ministry Team met on July 6, 2015, and covered the following items.

- Opening prayer
- Review of June 2015 financial statements
- Review of reserve funds and activity
- Review of Report on Responses to Audit Team Recommendations
- Discussion of current financial position
- Closing prayer

Highlights

- Total income for June was \$101 K and total giving (ex. noisy offering, rental income, miscellaneous income, etc.) was \$99 K.
 - Total giving took another step in the positive direction, up by \$11 K from the May total of \$90 K, even as June had only four Sundays vs. the five in May.
 - Total weekly giving averaged almost \$25 K. This is up significantly from the May average of \$18 K, and well above the overall 2015 YTD average of about \$19 K.
 - A big boost to June giving came from the receipt of two very generous gifts of marketable securities during the month. These totaled \$23.3 K. Regular giving in addition to these special gifts was about average on a weekly basis.
 - Results in future months will need to be similar to June results to fully meet budget requirements.
- Expenses for June were about \$1.6 K below budget (\$91.0 K vs. \$92.6 K).
 - This includes the monthly \$23.6 K debt service payment.
 - There were no significant negative deviances (>\$2 K) during the month.
 - The biggest savings vs. budgeted amounts came in the General Maintenance category, where expenditures ran \$3.3 K below budget. Almost half of these savings came from the planned reduction of \$1.6 K per month for janitorial services. We can expect a similar savings in July for these services, but some additional (as of yet undetermined level) for roof repairs will be required at some point.
- With revenue up and expenses down slightly, we saw an increase in the Operating Fund bank balance of almost \$10 K, the first increase this year. As of June 30, 2015, this balance is just under \$26 K, still a precarious level.
- Challenges are great, but so are opportunities. Early responses from the appeal to the

June 2015

Congregation continue to be positive and with continued Faith, Prayer, and Diligence, we will see further examples of the absolute Truth that:

- **GOD IS GOOD ALL THE TIME!**

Detailed Summary of June 2015 Financial Statements

Income

For the month of June 2015, total operating income was \$100,548. Regular envelope offerings for June 2015 were \$99,208, compared to \$88,208 for June 2014. Both months had four Sundays..

The June 2015 financial report reflects \$24.8 K average weekly offerings during the four Sundays in the month, which is significantly above the YTD average of \$19.2 K weekly. A big boost this month came from two very generous gifts of marketable securities, which totaled \$23.3 K. Average weekly giving outside of these two gifts was about equal to YTD levels.

To fully fund the budget weekly giving will need to maintain the levels we saw in June. The Finance Ministry Team will continue to review weekly giving reports and will report results and respond appropriately as circumstances dictate.

Expenses

For the month of June 2015, total operating expenses were \$90,977. This includes the full debt service payment of \$23,637. It also includes benevolence/mission support of \$10,739. June operating expenses were \$1,601 below the June budgeted expenses per the 2015 Ministry Plan. There were no significant negative deviances (more than \$2 K above budget) for the month. The biggest savings vs. budgeted amounts came in the General Maintenance category, where expenditures ran \$3.3 K below budget. Almost half of these savings came from the planned reduction of \$1.6 K per month for janitorial services. We can expect a similar savings in July for these services, but some additional (as of yet undetermined level) for roof repairs will be required at some point.

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. Since the impressive response from the congregation over the last two months of 2014, giving has leveled off in 2015 and remained at a level below that needed to meet Ministry Plan expenses fully until this past month. In June we saw what is hopefully a beginning to a similar response from the congregation, with two special gifts leading to monthly revenue sufficient to meet budget demands. Based on our experience of last year and these early indications after the Council's appeal, I believe we can expect the congregation to respond again. Together with **God's Infinite and Ever Present Power and continued diligence and inspired effort from all of us, we will be able meet the expectations He has for Faith Lutheran Church.**

Cash Balances

Total cash balances (for all accounts) were up by about \$4 K during the month. The operating fund
June 2015

was up just under \$10 K. As of June 30, 2015, the bank accounts of FLC show a total balance in the amount of \$60,043, compared to \$56,129 at May 31, 2015. The Operating Fund balance is **positive** \$25,814, compared to positive \$16,245 at May 31. Designated funds show a balance of \$24,254 (vs. \$31,422 in the prior month), conduit funds have a balance of \$9,975 (vs. \$8,463 in the prior month) and total restricted funds are **zero** at June 30, as they were at May 31.

Building Maintenance Reserve

At June 30, 2015, this fund balance is \$100, unchanged from May 31, 2015.

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).

Unallocated Reserve

At June 30, 2015, this fund balance is \$5,697, compared to \$17,965 at May 31. During June, this fund experienced a net **decrease** of \$12,268 as a result of the following:

Special Gift	\$	1,200
Benevolence Payment (to Briarwood) Credit		5,000
Transfers of YTD Benevolence Funds to Benevolence Reserve		<u>(18,457)</u>
Net decrease	\$	<u>(12,267)</u>

The Unallocated Reserve contained an amount of \$18,467 in January through June 2015 benevolence. This was transferred to the Benevolence Reserve during the month. The remaining balance in the Fund is truly Unallocated Reserve. The remaining amounts will be disbursed to other Mission Partners as they are chosen.

Benevolence Reserve

At June 30, 2015, this fund balance is \$18,457, compared to \$13,357 at May 31. During June, this fund experienced a net **increase** of \$5,100 as a result of the following:

Final Benevolence Disbursement from Capital Campaign	\$	(13,357)
Transfer of 2015 YTD Benevolence Funds from Unallocated Reserve		<u>18,457</u>
Net increase	\$	<u>5,100</u>

The final benevolence disbursement from the Capital Campaign of \$13,357 was made to the Faith Lutheran Day School (FLDS) Endowment Fund in June. Total YTD Benevolence Funds of \$18,457 were transferred into the Benevolence Fund from the Unallocated Reserve. These funds will be disbursed to selected Mission Partners as they are chosen.

Finance Ministry Team Recommendation(s) for Council Action

None at this time.

Other Matters for Council Information

June Unpaid Bills Carried Over to July

At June 30, 2015, all outstanding invoices have been paid.

Debt Service Program

The full amount of the required payment of \$23,637 was sent to Mission Investment Fund (MIF) to cover accrued interest as of June 30, plus the scheduled principal payment. The payment came out of regular operating funds and with the Capital Campaign complete, current plans are to continue to make payments in the full amount of \$23,637 from these funds as practical. Recommendations for changes to this plan will be made if circumstances warrant.

Finance Ministry Team Action Items

During its December 15, 2013 Council meeting, Council delegated to the Finance Ministry Team various action items stemming from recommendations by the Audit Ministry Team. The Finance Ministry Team reviewed and preliminarily discussed the various action items prior to my term and steps have been taken by Kari Voight (Operations Director) to implement the responses. I met with Ken Fogg (previous Treasurer) and Kari on June 16th to review the progress that has been made to respond to the Audit Team recommendations. Cooperatively we have prepared a document which summarizes both the steps that have been taken to date and recommendations on resolving the remaining items. We reviewed this document at our Finance Team Meeting on Monday, July 6 and I wish to submit the attached comprehensive status report to the Council. Since I will be absent from the July 12th meeting, I propose we review the report at the August meeting.

Financial Report - July 2015

Presented to Faith Lutheran Church Council

August 16, 2015

The Finance Ministry Team met on August 10, 2015, and covered the following items.

- Opening prayer
- Review of July 2015 financial statements
- Review of reserve funds and activity
- Discussion Audit Team Annual Review of FLC and FLDS Financials
- Discussion of current financial position
- Discussion of potential upcoming maintenance expenses
- Scheduled financial review meeting with Alan Klaas
- Closing prayer

Highlights

- Total income for June was \$72.3 K and total giving (ex. noisy offering, rental income, miscellaneous income, etc.) was \$71.8 K.
 - Total giving took a backward step in July, down by \$27 K from the June total of \$99 K, with equal number of Sundays. It should be noted that June included two special gifts amounting to \$23.3 K, which made up the bulk of the difference.
 - Total weekly giving averaged about \$18 K. While this below the overall 2015 YTD average of about \$19 K, it is just slightly lower than the average ex. the \$23.3 K in special gifts (\$18.2 K).
 - Results in future months will need to be increase by about \$5 K per week to fully meet budget requirements.
- Expenses for June were \$3.7 K below budget (\$94.4 K vs. \$98.1 K).
 - This includes the monthly \$23.6 K debt service payment.
 - The only significant negative deviances (>\$2 K) during the month was for expenses associated with Vacation Bible School (VBS). Most expenses are in for VBS and overall expenditures are substantially consistent with the budget.
 - The biggest savings vs. budgeted amounts came in the General Maintenance category, where expenditures ran \$4.9 K below budget. About a third of these savings came from the planned reduction of \$1.6 K per month for janitorial services. This will be the last month where we will be able to book these savings as janitorial services go back to the normal schedule in August.
 - Roof repairs in both the Love to the Max Center (LTMC) and the Sanctuary will be required at some point. An estimate of \$31 K has been obtained for the LTMC repairs. Due to our financial situation, the Director of Operations (DOO) is pursuing a strategy

August 2015

to do the work piecemeal, with \$5 K of targeted “emergency” repairs expected to be done by February (if financially possible). An estimate has not been obtained for the Sanctuary repairs. It is possible that insurance could cover the LTMC work and that a warranty from the roofers could cover the Sanctuary repairs; the DOO is pursuing these avenues.

- With revenue significantly down, we saw a major decrease in the Operating Fund bank balance of over \$22 K. As of July 31, 2015, this balance is under \$4 K, an extremely precarious level. The total bank balance (including designated and conduit funds) is \$31 K.
- While we are extremely challenged, we are also Blessed by our Savior, on a daily basis. 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 2015 Financial Statements

Income

For the month of July 2015, total operating income was \$72,263. Regular envelope offerings for July 2015 were \$71,798, compared to \$87,586 for July 2014. Both months had four Sundays.

The July 2015 financial report reflects \$17.9 K average weekly offerings during the four Sundays in the month, which is below the YTD average of \$19.0 K weekly. However if the \$23.3 K that was received from two special gifts in June is subtracted, the adjusted YTD average weekly giving amounts to \$18.2 K, close to the July amount.

To fully fund the budget weekly giving will have to be at least \$5 K per week higher than current levels or about \$23 K. The Finance Ministry Team will continue to review weekly giving reports and will report results and respond appropriately as circumstances dictate.

Expenses

For the month of July 2015, total operating expenses were \$94,382. This includes the full debt service payment of \$23,637. It also includes benevolence/mission support of \$7,920. July operating expenses were \$3,717 below the July budgeted expenses per the 2015 Ministry Plan. There was only one significant negative deviances (more than \$2 K above budget) for the month, that being VBS, where most of the expenses have now been paid. Overall expenditures for VBS are very close to the budget. The biggest savings vs. budgeted amounts came in the General Maintenance category, where expenditures ran \$4.9 K below budget. About a third of these savings came from the planned reduction of \$1.6 K per month for janitorial services, which will go away in August when we go back to the regular schedule.

We do have some potentially higher maintenance expenses on the horizon for roof repairs. Though not an emergency now because of the dry season, these are required in both the Love to the Max Center (LTMC) and the Sanctuary at some point. An estimate of \$31 K has been obtained for the LTMC repairs. Due to our financial situation, the Director of Operations (DOO) is pursuing a strategy to do the work piecemeal, with \$5 K of targeted “emergency” repairs expected to be done by February (if

August 2015

financially possible). An estimate has not been obtained for the Sanctuary repairs. It is possible that insurance could cover the LTMC work and that a warranty from the roofers could cover the Sanctuary repairs; the DOO is pursuing these avenues.

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. Since the impressive response from the congregation over the last two months of 2014, giving has leveled off in 2015 and remained at a level below that needed to meet Ministry Plan expenses fully. While we did see a positive bump in June, due primarily to two special gifts totaling \$23.3 K, July has seen giving drop back to the previous levels, which are \$5 K below the necessary amount needed to meet the budget. August can be expected to be better if solely for the fact that there are five Sundays in the month. However more will be needed beyond just the advantage of the calendar, and we will all have to work to respond to our financial challenges. Together with **God's Infinite and Ever Present Power** and **continued diligence and inspired effort from all of us, we will be able meet those challenges.**

Cash Balances

Total cash balances (for all accounts) were down by almost \$29 K during the month and the operating fund was down by \$22 K. As of July 31, 2015, the bank accounts of FLC show a total balance in the amount of \$31,083, compared to \$60,043 at June 30, 2015. The Operating Fund balance is **positive** \$3,694, compared to positive \$25,814 at June 30. Designated funds show a balance of \$22,688 (vs. \$24,254 in the prior month), conduit funds have a balance of \$4,700 (vs. \$9,975 in the prior month) and total restricted funds are **zero** at July 31, as they were at June 30.

Building Maintenance Reserve

At July 31, 2015, this fund balance is \$100, unchanged from June 30, 2015.

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).

Unallocated Reserve

At July 31, 2015, this fund balance is \$5,041, compared to \$5,697 at June 30. During July, this fund experienced a net **decrease** of \$656 as a result of the following:

Special Gift for Check Scanner	\$	444
Special Gift to Savanna Sullivan Fund		100
Transfer of Special Gift from June to Operating Fund		<u>(1,200)</u>
Net decrease	\$	<u>(656)</u>

The \$5,041 in the Unallocated Reserve will be disbursed to Mission Partners as they are chosen.

Benevolence Reserve

At July 31, 2015, this fund balance is \$17,547, compared to \$18,457 at June 30. During July, this fund experienced a net **decrease** of \$910 as a result of the following:

Benevolence Disbursement to Briarwood	\$	(4,500)
Transfer of July Benevolence to Fund		<u>3,590</u>
Net increase	\$	<u>(910)</u>

The funds in this account will be disbursed to selected Mission Partners as they are chosen.

Finance Ministry Team Recommendation(s) for Council Action

None at this time.

Other Matters for Council Information

July Unpaid Bills Carried Over to August

At July 31, 2015, all outstanding invoices have been paid.

Debt Service Program

The full amount of the required payment of \$23,637 was sent to Mission Investment Fund (MIF) to cover accrued interest as of July 31, plus the scheduled principal payment. The payment came out of regular operating funds and with the Capital Campaign complete, current plans are to continue to make payments in the full amount of \$23,637 from these funds as practical. Recommendations for changes to this plan will be made if circumstances warrant.

Finance Ministry Team Action Items

During its December 15, 2013 Council meeting, Council delegated to the Finance Ministry Team various action items stemming from recommendations by the Audit Ministry Team. The Finance Ministry Team reviewed and preliminarily discussed the various action items prior to my term and steps have been taken by Kari Voight (Operations Director) to implement the responses. I met with Ken Fogg (previous Treasurer) and Kari on June 16th to review the progress that has been made to respond to the Audit Team recommendations. Cooperatively we have prepared a document which summarizes both the steps that have been taken to date and recommendations on resolving the remaining items. We reviewed this document at our Finance Team Meeting on Monday, July 6 and I submitted the comprehensive status report to the Council at the July meeting. Since I was absent from that July 12th meeting, I propose we review the report at the August meeting.

August 2015

Financial Report - August 2015

Presented to Faith Lutheran Church Council

September 12, 2015

The Finance Ministry Team met on September 8, 2015, and covered the following items.

- Opening prayer
- Review of August 2015 financial statements
- Review of reserve funds and activity
- Pastor reviewed three potential 2016 Ministry Plans prepared by Staff
- Discussion of current financial position and how to proceed
- Closing prayer

Highlights

- Total income for August was \$84.8 K and total giving (ex. noisy offering, rental income, miscellaneous income, etc.) was \$78.4 K.
 - Total giving took another backward step in August (compared to June and on a weekly basis vs. July as well). Giving was about \$21 K below the June level and although it was almost \$7 K above July, this came over 5 Sundays vs. only 4 in July.
 - It should be noted that August is a traditionally difficult month, as giving in August 2014 was over \$4 K below August 2015 with the same number of Sundays.
 - Total weekly giving averaged \$15.7 K. This is the lowest weekly average of the year, and compares to the YTD average of \$18.5.
 - Results in future months will need to be about \$23 K per week to fully meet budget requirements.
- Expenses for August were \$1.4 K below budget (\$92.2 K vs. \$93.6 K).
 - This includes the monthly \$23.6 K debt service payment.
 - There were no significant negative deviances (>\$2 K) during the month..
 - General Maintenance expenditures continue to be below budget at \$1.6 K under, but the savings were not as great as in the previous two months as janitorial services went back to the normal schedule in August.
 - As discussed in last month's report, roof repairs in both the Love to the Max Center (LTMC) and the Sanctuary will be required at some point. Estimates are still being gathered and potential insurance/warranty options are being pursued. Due to our financial situation, no imminent expenditures are planned.
- With revenue down, we saw another decrease in the Operating Fund bank balance (over \$7 K).. As of August 31, 2015, this balance is underwater by almost \$4 K. The total bank balance

August 2015

(including designated and conduit funds) was also down by over \$12 K to a very precarious level of less than \$19 K.

- While we are extremely challenged, we are also Blessed by our Savior, on a daily basis. Through continued Gratitude, Faith, Prayer, and Diligence we will see our way through the challenges.
- **GOD IS GOOD ALL THE TIME!**

Detailed Summary of August 2015 Financial Statements

Income

For the month of August 2015, total operating income was \$84,777. Regular envelope offerings for August 2015 were \$78,405, compared to \$74,254 for August 2014. Both months had five Sundays. On a positive note rental income was up significantly to \$5.2 K.

The August 2015 financial report reflects \$15.7 K average weekly offerings during the five Sundays in the month, which is below the YTD average of \$18.5 K weekly (\$17.9 K if the \$23.3 K that was received from two special gifts in June is subtracted).

To fully fund the budget weekly giving will have to be at least \$7 K per week higher than the August level or about \$23 K. The Finance Ministry Team will continue to review weekly giving reports and will report results and respond appropriately as circumstances dictate.

Expenses

For the month of August 2015, total operating expenses were \$92,189. This includes the full debt service payment of \$23,637. It also includes benevolence/mission support of \$9,374. August operating expenses were \$1,445 below the August budgeted expenses per the 2015 Ministry Plan. There were no significant negative deviances (more than \$2 K above budget) for the month. Overall line item expenditures tracked the budgeted amounts very closely. With the resumption of a regular schedule for janitorial services in August savings in the General Maintenance category were reduced from June/July levels, but still amounted to \$1.6 K.

We do have some potentially higher maintenance expenses on the horizon for roof repairs. Though not an emergency now because of the dry season, these are required in both the Love to the Max Center (LTMC) and the Sanctuary at some point. An estimate of \$31 K has been obtained for the LTMC repairs. Due to our financial situation, the Director of Operations (DOO) is pursuing a strategy to do the work piecemeal, with \$5 K of targeted “emergency” repairs expected to be done by February (if financially possible). An estimate has not been obtained for the Sanctuary repairs. It is possible that insurance could cover the LTMC work and that a warranty from the roofers could cover the Sanctuary repairs; the DOO is pursuing these avenues.

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

August 2015

last year). In most cases, the peaks and dips reflect expected seasonal ebb and flow. Since the impressive response from the congregation over the last two months of 2014, giving has leveled off in 2015 and remained at a level below that needed to meet Ministry Plan expenses fully. While we did see a positive bump in June, due primarily to two special gifts totaling \$23.3 K, July and August giving has dropped back, with August giving at the lowest weekly level of the year. With bank balances at very low levels, paying all of our bills (including the full mortgage payment) in September will be a struggle. We will all have to work to respond to our financial challenges. Together with **God's Infinite and Ever Present Power** and **continued diligence and inspired effort from all of us, we will be able meet those challenges.**

Cash Balances

Total cash balances (for all accounts) were down by over \$12 K during the month and the operating fund was down by \$7 K, going into negative territory. As of August 31, 2015, the bank accounts of FLC show a total balance in the amount of \$18,550, compared to \$31,083 at July 31, 2015. The Operating Fund balance is **negative** \$3,694, compared to positive \$3,694 at July 31. Designated funds show a balance of \$26,614 (vs. \$22,688 in the prior month), conduit funds have a balance of **negative** \$4,347 (vs. positive \$4,700 in the prior month) and total restricted funds are **zero** at August 31, as they were at July 31. The negative balance in the conduit funds was due to a deficit of \$5,372 in the FLASHY account after payment of the final bills for the Detroit Youth Gathering.

Building Maintenance Reserve

At August 31, 2015, this fund balance is \$100, unchanged from July 31, 2015.

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).

Unallocated Reserve

At August 31, 2015, this fund balance is \$4,774, compared to \$5,041 at July 31. During August, this fund experienced a net **decrease** of \$267 as a result of the following:

Purchase of Check Scanner	\$	(444)
Special Gift to Savanna Sullivan Fund		100
Thrivent Contribution		85
Tithe for Thrivent Contribution		<u>(8)</u>
Net decrease	<u>\$</u>	<u>(267)</u>

The \$4,774 in the Unallocated Reserve will ultimately be disbursed to selected Mission Partners as practical, but will be used to pay bills in the short term as necessary.

Benevolence Reserve

At August 31, 2015, this fund balance is \$21,740, compared to \$17,547 at July 31. During August, this fund experienced a net **increase** of \$4,193 as a result of the following:

August 2015

Transfer of August Benevolence to Fund 4,193

Net increase \$ 4,193

The funds in this account will ultimately be disbursed to selected Mission Partners as practical, but will be used to pay bills in the short term as necessary.

Finance Ministry Team Recommendation(s) for Council Action

During our August meeting, the FMT reviewed the proposed 2016 Ministry Plan submitted by Pastor Rusty on behalf of the FLC Staff. Three different Plans were included in the submission, and while we decided not to specifically recommend approval of any of the different plans, we do recommend the following:

- 1) In order to maintain a positive bank balance and provide sufficient funds to fully meet payroll and other Ministry obligations, the FMT recommends that we leverage the expected approval of the sale of the 3.5 acres of excess property by the Congregation at the Sept. 27th meeting to renegotiate the monthly mortgage payment with the Mission Investment Fund (MIF). We further recommend that we attempt to negotiate a payment which gives us the maximum level of financial flexibility (lowest possible payment).
- 2) For further financial flexibility, we propose that the benevolence reserve continue to be funded, but that half of the payments we maintained in reserve until we build up the Operating Fund back to a level to fully fund current obligations.
- 3) These steps are recommended to maintain both short-term and 2016 Financial flexibility and allow for fully meeting Ministry plan goals and obligations.

Other Matters for Council Information

July Unpaid Bills Carried Over to August

At August 31, 2015, all outstanding invoices have been paid.

Debt Service Program

The full amount of the required payment of \$23,637 was sent to MIF to cover accrued interest as of August 31, plus the scheduled principal payment. The payment came out of regular operating funds. In September, we believe we still will be able to make the full payment, but due to the low level of our bank balance we will be making the payment later in the month and informing the MIF of this. As discussed above, after we put the 3.5 acre property up for sale, we will renegotiate a lower payment with MIF which is consistent with our need to maintain a positive bank balance.

Finance Ministry Team Action Items

During its December 15, 2013 Council meeting, Council delegated to the Finance Ministry Team various action items stemming from recommendations by the Audit Ministry Team. The Finance Ministry Team reviewed and preliminarily discussed the various action items prior to my term and

August 2015

steps have been taken by Kari Voight (Operations Director) to implement the responses. I met with Ken Fogg (previous Treasurer) and Kari on June 16th to review the progress that has been made to respond to the Audit Team recommendations. Cooperatively we have prepared a document which summarizes both the steps that have been taken to date and recommendations on resolving the remaining items. We reviewed this document at our Finance Team Meeting on Monday, July 6 and I submitted the comprehensive status report to the Council at the July meeting. Since I was absent from that July 12th meeting, I reviewed the report at the August meeting. At this review, the Pastor Rusty informed the Council that the proposed Conflict of Interest policy would need to be modified and committed to provide those modifications to the Finance Team over the next couple of months. Austin Adams also suggested that the status report be modified to tie the recommendations more directly to the original Audit Team report. The Finance Team will submit the revised report to Council either in October or November to reflect these changes.

Financial Report - September 2015

Presented to Faith Lutheran Church Council

October 11, 2015

The Finance Ministry Team met on October 6, 2015, and covered the following items.

- Opening prayer
- Review of September 2015 financial statements
- Discussion of current financial position and how to proceed
- Review of reserve funds and activity; discussed how to “clean up” the accounts
- Review of revenue situation
- Closing prayer

Highlights

- Total income for September was \$71.4 K and total giving (ex. noisy offering, rental income, miscellaneous income, etc.) was \$70.7 K.
 - Total giving continued to be sluggish in September, perpetuating a three month trend since an excellent June. Giving was over \$28 K below the June level and the second lowest month of the year.
 - It should be noted that the summer is traditionally difficult, and September is generally not much better. However this September was lower than usual, and about \$8 K below September 2014 with the same number of Sundays.
 - Total weekly giving averaged \$17.7 K. This is actually about \$2 K higher than in August and compares to the YTD average of \$18.4 K.
 - Results in future months will need to be over \$20 K per week to fully meet budget requirements (based on the recently reduced mortgage payment of \$15 K).
- Expenses paid in September were \$15.7 K below budget (\$79.0 K vs. \$94.7 K), although there are some major caveats/adjustments which have to be explained.
 - The most important of these is the fact that the monthly \$23.6 K debt service payment was not paid in September due to lack of funds. .
 - An adjustment in the other direction was the “zeroing out” of three of the Conduit fund accounts. By far the largest of these was the FLASHY account, which was \$5,222 in deficit as a result of the underfunded Mission trip to the Detroit Youth Convention. After transferring the positive \$720 from the Youth Scholarship Fund into the FLASHY account, we cleared the account by allocating the remaining deficit to the Senior High Missions line item in the Operating Fund. The small, \$210 wedding fund deficit was cleared by allocation to the Office Technology line item in the Operating Fund.
 - Taking into account the adjustments above (assuming the full mortgage payment), “normalized” expenses for September would have been \$3.2 K above budget (\$97.9 K vs. \$94.7 K).

September 2015

- Higher maintenance expenditures accounted for more than the total overage on expenses. General Maintenance expenditures exceeded the budgeted amount by \$4.0 K (\$10.7 K vs. \$6.7 K). This was due to a variety of issues, including gutter repair, the annual city fire inspection fee, change out of locks and the addition of an interior classroom wall in the LTM center. One expense which was incurred in September, but will be paid and accounted for in October is \$3.5 K for air conditioner repair.
- As discussed in the last two month's report, roof repairs in both the Love to the Max Center (LTMC) and the Sanctuary will be required at some point. Estimates are still being gathered and potential insurance/warranty options continue to be pursued. The construction company did some work on the flashing in the Sanctuary, but that is insufficient and we will push for a more comprehensive repair from them by sending a letter authored by a congregation member who is a lawyer. Due to our financial situation, no imminent expenditures are planned.
- With revenue down, we saw another decrease in the Operating Fund bank balance (by almost \$8 K), and as of September 30, 2015, this balance is underwater by over \$11 K. The total bank balance (including designated and conduit funds) held steady at a precarious level of less than \$19 K, made possible only by deferring the mortgage payment.
- As discussed in our last FTM and Council meeting we are employing the following strategies to maintain sufficient operating funds to sustain our ministry:
 - Pursuing the sale of our vacant 3.5 acre plot of land and leveraging this to reduce our monthly mortgage payment to a manageable level. This strategy is being successfully carried out. The congregation voted affirmatively on our proposal to list the property at the Special Congregation meeting held on September 27th. This has allowed us to achieve preliminary approval for a plan to reduce the monthly mortgage payment by \$8.6 K to \$15 K. At this level we are still paying \$8 K in principal to go with the \$7 K in interest. The exact schedule will be: make full \$23.6 K payment in October to cover the September obligation, skip the October obligation and pay \$15 K per month 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 payment schedule.
 - Reduce benevolence payments by 50% until such time as our cash position allows us to resume those payments in full. The benevolence reserve will continue to be fully funded during this time and the 5% going directly to the ELCA will continue to be paid.
- While we are extremely challenged, we are also Blessed by our Savior, on a daily basis. Through continued Gratitude, Faith, Prayer, and Diligence we will see our way through the challenges.
- **GOD IS GOOD ALL THE TIME!**

Detailed Summary of September 2015 Financial Statements

Income

For the month of September 2015, total operating income was \$71,420. Regular envelope offerings for September 2015 were \$70,699, compared to \$78,839 for September 2014. Both months had four Sundays.

The September 2015 financial report reflects \$17.7 K average weekly offerings during the four Sundays in the month, which is slightly below the YTD average of \$18.4 K weekly (\$17.8 K if the \$23.3 K that was received from two special gifts in June is subtracted).

To fully fund the budget (with the adjusted \$15 K monthly mortgage payment) weekly giving will have to be at about \$3 K per week higher than the September level or over \$20 K. The Finance Ministry Team will continue to review weekly giving reports and will report results and respond appropriately as circumstances dictate.

Expenses

For the month of September 2015, total operating expenses paid were \$78,997. However, this amount does not include the required debt service payment of \$23,637, which was skipped due to lack of funds, as detailed earlier in this report. It does include the full amount of benevolence/mission support of \$7,789, although only half of that amount was actually deployed. Also as detailed earlier, operating expenses included a net total of \$4.7 K used to “zero out” conduit fund deficits, primarily for the underfunded FLASHY trip to the Detroit Youth Gathering. Adjusting for these irregularities, results in “normalized” September operating expenses of \$97,932, which are \$3,202 above the September budgeted expenses per the 2015 Ministry Plan. This excess was more than accounted for by the \$4.0 K in higher than budgeted level of Maintenance expenses. This was due to a variety of issues, including gutter repair, the annual city fire inspection fee, change out of locks and the addition of an interior classroom wall in the LTM center. One expense which was incurred in September, but will be paid and accounted for in October is \$3.5 K for air conditioner repair.

We do have some potentially higher maintenance expenses on the horizon for roof repairs. Though not an emergency now, these are required in both the Love to the Max Center (LTMC) and the Sanctuary at some point. An estimate of \$31 K has been obtained for the LTMC repairs. Due to our financial situation, the Director of Operations (DOO) is pursuing a strategy to do the work piecemeal, with \$5 K of targeted “emergency” repairs expected to be done by February (if financially possible). An estimate has not been obtained for the Sanctuary repairs. The construction company did complete some repairs on the flashing, but these are not sufficient. We are pursuing insurance options for the LTMC work and legal avenues to get the construction company to fully repair the Sanctuary roof deficiencies.

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. Since the impressive response from the congregation over the last two months of 2014, giving has leveled off in 2015 and remained at a level below that needed to meet Ministry Plan expenses fully. While we did see a positive bump in June, due primarily to two special gifts totaling \$23.3 K, giving in July, August and September has been disappointing. With bank balances at very low levels, paying all of our bills

September 2015

has been a struggle and we weren't able to make a mortgage payment in September, as noted earlier. We will all have to work to respond to our financial challenges. Together with **God's Infinite and Ever Present Power** and **continued diligence and inspired effort from all of us, we will be able meet those challenges.**

Cash Balances

Due to the cash conservation steps we took in September (deferral of mortgage payment and holding in reserve half of the benevolence payments), we were able to maintain total cash balances (for all accounts) flat with the month beginning amount of just under \$19 K. However the operating fund was down by almost \$8 K, going further into negative territory. As of September 30, 2015, the bank accounts of FLC show a total balance in the amount of \$18,773, compared to \$18,550 at August 31, 2015. The Operating Fund balance is **negative** \$11,295, compared to **negative** \$3,717 at August 31. Designated funds show a balance of \$30,242 (vs. \$26,614 in the prior month), conduit funds have a balance of **negative** \$174 (vs. **negative** \$4,347 in the prior month) and total restricted funds are **zero** at September 30, as they were at August 31. Actions were taken to "zero out" most of the conduit fund balances as discussed earlier, with the **negative balances** covered by the appropriate categories in the Operating Fund.

Building Maintenance Reserve

At September 30, 2015, this fund balance is \$100, unchanged from August 31, 2015.

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).

Unallocated Reserve

At September 30, 2015, this fund balance is \$4,862, compared to \$4,774 at August 30. During September, this fund experienced a net **increase** of \$88 as a result of the following:

Thrivent Contribution	\$	98
Tithe for Thrivent Contribution		<u>(10)</u>
Net decrease	<u>\$</u>	<u>88</u>

The \$4,862 in the Unallocated Reserve will ultimately be disbursed to selected Mission Partners as practical, but will we used to pay bills in the short term as necessary.

Benevolence Reserve

At September 30, 2015, this fund balance is \$25,280, compared to \$21,740 at August 31. During September, this fund experienced a net **increase** of \$3,540 as a result of the following:

Transfer of September Benevolence to Fund		<u>3,540</u>
Net increase	<u>\$</u>	<u>3,540</u>

The funds in this account will ultimately be disbursed to selected Mission Partners as practical, but will be used to pay bills in the short term as necessary.

Finance Ministry Team Recommendation(s) for Council Action

None at this time other than to maintain the financial flexibility steps we implemented last month and to approve the steps taken to rationalize the Conduit Funds, which were detailed earlier.

Other Matters for Council Information

July Unpaid Bills Carried Over to August

At September 30, 2015, all outstanding invoices have been paid, with the exception of \$3.5 K for the air conditioner repairs, which has subsequently been paid.

Debt Service Program

Due to the cash flow issues experienced in September, we did not make a mortgage payment to MIF. This was communicated to them during the month. As discussed earlier, with the approval by the congregation to list the 3.5 acres of vacant land and commit to dedicating the 100% of the proceeds from the eventual sale to pay down the debt, we have subsequently obtained preliminary approval from MIF for a plan to reduce the monthly mortgage payment by \$8.6 K to \$15 K. At this level we are still paying \$8 K in principal to go with the \$7 K in interest. The exact schedule will be: make full \$23.6 K payment in October to cover the September obligation, skip the October obligation and pay \$15 K per month 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 payment schedule.

Finance Ministry Team Action Items

During its December 15, 2013 Council meeting, Council delegated to the Finance Ministry Team various action items stemming from recommendations by the Audit Ministry Team. The Finance Ministry Team reviewed and preliminarily discussed the various action items prior to my term and steps have been taken by Kari Voight (Operations Director) to implement the responses. I met with Ken Fogg (previous Treasurer) and Kari on June 16th to review the progress that has been made to respond to the Audit Team recommendations. Cooperatively we have prepared a document which summarizes both the steps that have been taken to date and recommendations on resolving the remaining items. We reviewed this document at our Finance Team Meeting on Monday, July 6 and I submitted the comprehensive status report to the Council at the July meeting. Since I was absent from that July 12th meeting, I reviewed the report at the August meeting. At this review, the Pastor Rusty informed the Council that the proposed Conflict of Interest policy would need to be modified and committed to provide those modifications to the Finance Team over the next couple of months. Austin Adams also suggested that the status report be modified to tie the recommendations more directly to the original Audit Team report. The Finance Team will submit the revised report to Council before the end of the year to reflect these changes.

September 2015

Financial Report - October 2015

Presented to Faith Lutheran Church Council

November 8, 2015

The Finance Ministry Team met on November 5, 2015, and covered the following items.

- Opening prayer
- Review of October 2015 financial statements
- Discussion of current financial position and how to proceed
- Review of revenue situation
- Review of proposed Conflict of Interest Policy
- Closing prayer

Highlights

- Total income for October was \$76.1 K and total giving (ex. noisy offering, rental income, miscellaneous income, etc.) was \$75.0 K.
 - While total giving was up by over \$4 K vs. September, it was still well below the level necessary to meet budgeted expenses.
 - Giving was consistent with October 2014 (actually slightly higher).
 - Total weekly giving averaged \$18.8 K. This is actually about \$1 K higher than in August and compares to the YTD average of \$18.5 K.
 - Results in the remaining two months of the year will need to average over \$20 K per week to fully meet budget requirements (based on the recently reduced mortgage payment of \$15 K).
 - This should be happen, considering that Christmas and Year End giving is traditionally significantly higher than during the rest of the year.
- Expenses paid in October were \$4.1 K above budget (\$102.4 K vs. \$98.3 K).
 - The monthly \$23.6 K debt service payment which was not paid in September due to lack of funds was paid in October. Based on the renegotiated mortgage payment schedule with the Mission Investment Fund (MIF), the October payment will be skipped and future monthly payments will be \$15 K.
 - Higher maintenance expenditures (>\$2.2 K) accounted for more than half of the overage. The air conditioner repair which occurred in September, but was paid and accounted for in October amounted to \$3.5 K, with other maintenance actually lower than budget. Higher administrative costs o \$1.9 K accounted for the remainder of the overage.
 - As discussed in the last three month's report, roof repairs in both the Love to the Max Center (LTMC) and the Sanctuary will be required at some point. Estimates are still being gathered and potential insurance/warranty options continue to be pursued. The construction company did some work on the flashing in the Sanctuary, but that is

October 2015

insufficient and the staff is continuing to push for a more comprehensive repair from them by sending a letter authored by a congregation member who is a lawyer. Due to our financial situation, no imminent expenditures are planned.

- The October expense budget included our quarterly property and liability insurance payment of \$5.6 K, which also led to a higher cash outflow for the month.
- With revenue below budget requirements and expenses higher, we saw another significant decrease in the Operating Fund bank balance (by over \$26 K), and as of October 31, 2015, this balance is underwater by over \$37 K. The total bank balance (including designated and conduit funds) fell to a very precarious level of less than \$1.5 K.
- As discussed in our last FTM and Council meeting we are employing the following strategies to maintain sufficient operating funds to sustain our ministry:
 - As reported last month and noted earlier in this document, we have renegotiated a reduced monthly mortgage payment by an amount of \$8.6 K to \$15 K. This was facilitated by putting the 3.5 acres of surplus land up for sale. Even, at the reduced mortgage payment level we are still paying \$8 K in principal to go with the \$7 K in interest. The exact schedule included making the full \$23.6 K payment in October to cover the September obligation, skip the October obligation and pay \$15 K per month 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 payment schedule.
 - Reduce benevolence payments by 50% until such time as our cash position allows us to resume those payments in full. The benevolence reserve will continue to be fully funded during this time and the 5% going directly to the ELCA will continue to be paid. Due to the lack of funds in October, we did not make the 5% payment, but have made it early in November and plan to make the November payment if funds allow.
 - 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.
 - With 5 Sundays in November (although Thanksgiving can be expected to deliver lower than average revenue), a reduced mortgage payment, and a positive response from the congregation, we are hopeful of paying all of our bills while maintaining a positive bank balance. With December giving expected to be higher, we should be able to build at least some small cushion by the end of the year.
- While we are extremely challenged, we are also Blessed by our Savior, on a daily basis. Through continued Gratitude, Faith, Prayer, and Diligence we will see our way through the challenges.
- **GOD IS GOOD ALL THE TIME!**

Detailed Summary of October 2015 Financial Statements

Income

For the month of October 2015, total operating income was \$76,063. Regular envelope offerings for October 2015 were \$75,007, compared to \$74,157 for October 2014. Both months had four Sundays.

The October 2015 financial report reflects \$18.8 K average weekly offerings during the four Sundays in the month, which is slightly above the YTD average of \$18.5 K weekly (\$17.9 K if the \$23.3 K that was received from two special gifts in June is subtracted).

To fully fund the budget for the remainder of the year (with the adjusted \$15 K monthly mortgage payment) weekly giving will have to be at about \$2 K per week higher than the October level or over \$20 K. Due to the tightness of our financial situation, Kari (Operations Director) and Scott (Accountant) will coordinate closely to make sure bank balances remain positive, paying bills in a prioritized manner. The Finance Ministry Team will communicate with them and continue to review weekly giving reports and will report results and respond appropriately as circumstances dictate.

Expenses

For the month of October 2015, total operating expenses paid were \$102,399. This amount includes the full amount of the debt service payment of \$23,637, which was skipped in September due to lack of funds, as detailed earlier in this report. It also includes the quarterly property and liability insurance payment of \$5,570. It also includes the full amount of benevolence/mission support of \$8,380, although it was not actually deployed during the month. Overall, total expenses were \$4,051 above the October budgeted expenses per the 2015 Ministry Plan of \$98,348, which were somewhat elevated because of the quarterly insurance expense. This excess was mostly due to the >\$2.2 K in higher than budgeted level of Maintenance expenses, which included about \$3.5 K for the air conditioner repairs which were done in September. Administrative expenses were also higher than budget by about \$1.9 K, due to several miscellaneous expenses, the largest of which were the banners for the Church. Overall they accounted for the remaining overage.

As reported in previous months, we do have some potentially higher maintenance expenses on the horizon for roof repairs. Though not an emergency now, these are required in both the Love to the Max Center (LTMC) and the Sanctuary at some point. An estimate of \$31 K has been obtained for the LTMC repairs. Due to our financial situation, the Director of Operations (DOO) is pursuing a strategy to do the work piecemeal, with \$5 K of targeted “emergency” repairs expected to be done by February (if financially possible). An estimate has not been obtained for the Sanctuary repairs. The construction company did complete some repairs on the flashing, but these are not sufficient. We are pursuing insurance options for the LTMC work and legal avenues to get the construction company to fully repair the Sanctuary roof deficiencies.

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. Since the impressive response from the congregation over the last two months of 2014, giving has leveled off in

October 2015

2015 and has consistently remained at a level below that needed to meet Ministry Plan expenses fully. While we did see a positive bump in June, due primarily to two special gifts totaling \$23.3 K, giving in the last four months has been somewhat disappointing, although not out of line with previous years. With bank balances at very low levels, paying all of our bills has been a struggle and will continue to be a challenge for the last two months of the year. The reduction of the mortgage obligation, along with the expectation of higher seasonal giving does provide us an expectation that bills can be fully paid and positive bank balances maintained. However, we will all have to work to respond to our financial challenges. Together with **God's Infinite and Ever Present Power** and **continued diligence and inspired effort from all of us, we will be able meet those challenges.**

Cash Balances

Due to the continued lower than required revenues and higher level of expenses in October, cash balances for the month declined by over \$17 K, to under \$2 K as of October 31. The operating fund was down by over \$26 K, going further into negative territory. As of October 31, 2015, the bank accounts of FLC show a total balance in the amount of \$1,474, compared to \$18,773 at September 30, 2015. The Operating Fund balance is **negative** \$37,631, compared to **negative** \$11,295 at September 30. Designated funds show a balance of \$38,235 (vs. \$30,242 in the prior month), conduit funds have a balance of \$870 (vs. **negative** \$174 in the prior month) and total restricted funds are **zero** at October 31, as they were at September 30.

Building Maintenance Reserve

At October 31, 2015, this fund balance is \$100, unchanged from September 30, 2015.

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

At October 31, 2015, this fund balance is \$5,335, compared to \$4,862 at September 30. During October, this fund experienced a net **increase** of \$472 as a result of the following:

Thrivent Contribution	\$	25
Julie Glenn Memorial Gift		500
Tithe for Thrivent Contribution		<u>(53)</u>
Net decrease	<u>\$</u>	<u>472</u>

The \$5,335 in the Unallocated Reserve will ultimately be disbursed to selected Mission Partners as practical, but will be used to pay bills in the short term as necessary.

Benevolence Reserve

At October 31, 2015, this fund balance is \$32,800, compared to \$25,280 at September 30. During October, this fund experienced a net **increase** of \$7,520 as a result of the following:

Transfer of October Benevolence to Fund	<u>7,520</u>
Net increase	\$ <u>7,520</u>

The funds in this account will ultimately be disbursed to selected Mission Partners as practical, but will we used to pay bills in the short term as necessary. As noted earlier the ELCA NTNL Synod benevolence for October was held in reserve to pay bills, but has been paid out in early November, and plans are to continue to pay this on a monthly basis.

Finance Ministry Team Recommendation(s) for Council Action

None at this time other than to maintain the financial flexibility steps we have implemented in the last two months and to approve the Conflict of Interest Policy which is part of the response to Audit Team Recommendations, which are discussed at the end of this report.

Other Matters for Council Information

October Unpaid Bills Carried Over to November

At October 31, 2015, all outstanding invoices have been paid. The NTNL benevolence obligation was delayed and has been paid in early November..

Debt Service Program

We did make a full mortgage payment of \$23.6 K to MIF in October, but this was the September payment, which was deferred due to the cash flow issues experienced in that month. As discussed earlier and in last month's report, with the approval by the congregation to list the 3.5 acres of vacant land and commit to dedicating the 100% of the proceeds from the eventual sale to pay down the debt, we have obtained approval from MIF for a plan to reduce the monthly mortgage payment by \$8.6 K to \$15 K. At this level we are still paying \$8 K in principal to go with the \$7 K in interest. The exact schedule approved was to make the full \$23.6 K payment in October to cover the September obligation (which we did), skip the October obligation and pay \$15 K per month until the 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

During its December 15, 2013 Council meeting, Council delegated to the Finance Ministry Team various action items stemming from recommendations by the Audit Ministry Team. The Finance Ministry Team reviewed and preliminarily discussed the various action items prior to my term and steps have been taken by Kari Voight (Operations Director) to implement the responses. I met with

October 2015

Ken Fogg (previous Treasurer) and Kari on June 16th to review the progress that has been made to respond to the Audit Team recommendations. Cooperatively we have prepared a document which summarizes both the steps that have been taken to date and recommendations on resolving the remaining items. We reviewed this document at our Finance Team Meeting on Monday, July 6 and I submitted the comprehensive status report to the Council at the July meeting. Since I was absent from that July 12th meeting, I reviewed the report at the August meeting. At this review, Pastor Rusty informed the Council that the proposed Conflict of Interest policy would need to be modified. We discussed the modifications at our meeting this month and the revised Conflict of Interest Policy has been provided to Council for review at this November meeting. Austin Adams also suggested that the status report be modified to tie the recommendations more directly to the original Audit Team report. The Finance Team will submit the revised report to Council, after approval of the Conflict of Interest policy, at the December meeting.

Financial Report – December 2015

Presented to Faith Lutheran Church Council

January 10, 2016

The Finance Ministry Team met on January 7, 2015, and covered the following items.

- Opening prayer
- Review of December 2015 financial statements
- Discussion of current financial position
- Update of 2016 commitments/revenue projections
- Closing prayer

Financial Summary:

Income/Expense (k\$)	December	Full Year
Income	127.5	1,041.5
Expense	<u>98.1</u>	<u>1,104.0</u>
Net	29.4	-62.5
Cash Position		
Operating	25.7	
Designated	<u>30.4</u>	
Total	56.1	

Highlights

- Income for December was \$127.5 K. In addition, \$20.0K of special year end gifts were received and recorded in designated funds. Total cash received was 147.5K.
 - Total income was up by over \$53.4K vs. November (including the special gifts) and was the highest of level of monthly giving for the year.
 - Total income averaged \$36.9K per week. This was the highest average weekly giving and was an excellent response from the congregation.
- Reported expenses paid in December were \$98.1K. This is \$2.7K above the December monthly budget, and \$13.9 K above the November expenses reported.
 - Mortgage payment of \$15.0 K. This is \$8.6 K below the budgeted amount of \$23.6 K.
 - Most expense areas were in-line with budgeted amounts. The two areas that were over the monthly budget were Administration and Operational Expenses.
 - Administration was impacted with banners, and holiday printing.
 - Operational Expenses was impacted by audio visual and maintenance.

- In regards to needed roof repairs in both the Love to the Max Center (LTMC) and the Sanctuary, Estimates to re-caulk are being gathered but the cost should be relatively minor. In regards to the Sanctuary, as noted last month, the construction company did some work on the flashing, but that is insufficient. The staff is continuing to push for a more comprehensive repair from them by sending a letter authored by a congregation member who is a lawyer. Due to our financial situation, no imminent expenditures are planned.
- A strong December allowed us to increase our bank balances in December. The total bank balance (including designated and conduit funds) improved to about \$56.2K, a strong improvement, *however, less than 50% of December 2014.*
- 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. This is a decrease of \$8.6 K from our previous monthly obligation. 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.
 - Reduce benevolence payments by 50% until such time as 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 December.
 - 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.
 - Through these steps and a very good response in November and December from the Congregation we were able to reverse the negative tide and grow our balances in December, while paying all of our bills.
- While we are extremely challenged, we are also Blessed by our Savior, on a daily basis. Through continued Gratitude, Faith, Prayer, and Diligence we will see our way through the challenges. With this in mind, we look forward to our celebration of the birth of the Savior, a gift from our Great God that is truly awesome beyond words.
- **GOD IS GOOD ALL THE TIME!**

Detailed Summary of December 2015 Financial Statements

Income

For the month of December 2015, total operating income was \$127.5K. In addition \$20.0K of designated gifts were received and recorded in designated funds.

The December 2015 financial report reflects \$36.9 K average weekly offerings during the four Sundays in the month, which is very strong.

Even with the additional breathing room on cash, 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 continue to review weekly giving reports and will report results and respond appropriately as circumstances dictate.

Expenses

For the month of December 2015, total operating expenses paid were \$98.1K. This amount includes the reduced debt service payment of \$15.0K. It also includes only half of the 10% benevolence/mission support payment, equal to \$7.6K. Overall, total expenses were \$2.7K above the December budgeted expenses per the 2015 Ministry Plan of \$95.4K.

The overage was in two areas Administration and Operational Expenses.

- Administration was over budget by \$3,673 due to holiday printing and holiday banners.
- Net Operational Expenses were \$4,055 over budget (this includes the mortgage savings of \$8,638).
 - Audio visual was over budget by \$5,326 driven by 2 months of tech gizmo billings and the council approved data recovery of Rusty's laptop data.
 - Maintenance was \$7,616 over due to putting up Christmas lights on the exterior of the church, some expenses relamping the sanctuary, having all heating and cooling units serviced, and final payment of a disputed invoice from July.

Other expenses were generally in line with the budgeted amounts.

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

Due to the strong response from the congregation in December cash balances increased significantly. The operating fund increased by \$29.4 K, and reversed the negative balance from November. As of December 31, 2015, the bank accounts of FLC show a total balance in the amount of \$56.2K, compared to \$6.9K as of November 30, 2015. The Operating Fund balance is \$25.7K, compared to **negative** \$3.7K at November 30. Designated funds show a balance of \$31.4K, and Conduit Funds have a balance of **negative** \$1.0K.

Building Maintenance Reserve

At December 31, 2015, this fund balance is \$9.6K, increased by \$9.5K due to a special gift in December.

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 December 31, 2015, this fund balance is \$21.8K compared to \$5.7K at November 30. During December, this fund experienced a net **increase** of \$16.1K.

Benevolence Reserve

At December 31, 2015, this fund balance is zero compared to \$4.9K as of November 30. The benevolence reserve was reversed back to the income statement.

We will continue to pay the 5% benevolence payment to the ELCA NTNL Synod on a monthly basis.

Other Matters for Council Information

December Unpaid Bills Carried Over to January

At December 31, 2015, all outstanding invoices have been paid.

Debt Service Program

We did make a full payment of the revised monthly mortgage obligation in the amount of \$15 K to MIF in December. 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 on a monthly basis 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

None to report.