

Church of St. Michael & St. George

WHERE OUR MONEY GOES

OCTOBER 13, 2019

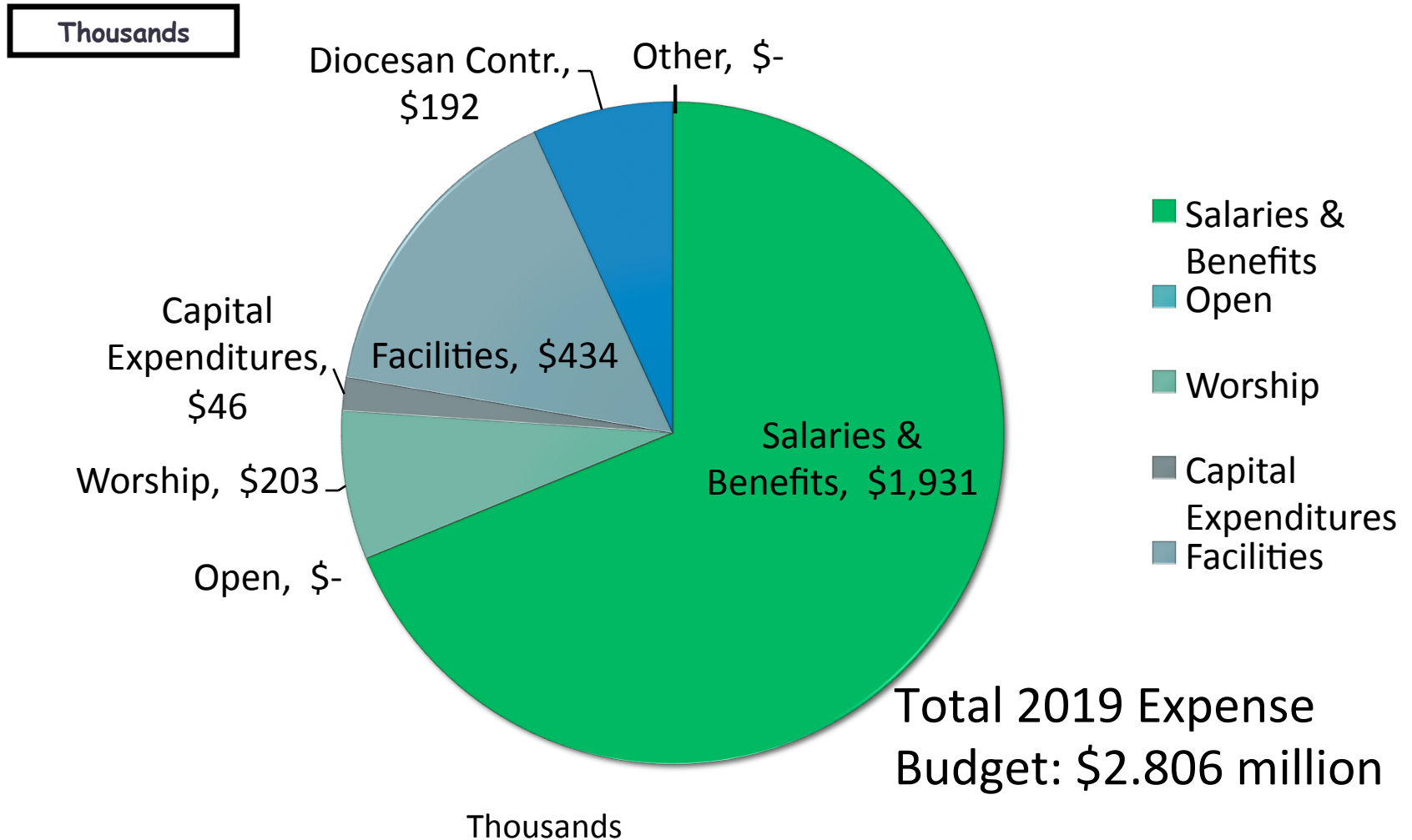
Senior Warden Introduction

- Recent Sermons conveyed spiritual reasons to pledge.
- Today we want to also consider another dimension – *Where Our Money Goes*, or more specifically, what it takes to meet the needs of funding our ministries.
- To that end this intends to:
 - Supplement the overview included in our 2020 Stewardship Campaign materials,
 - Address comments and interest expressed in Focus Groups conducted by the Strategic Planning Committee.

Senior Warden Introduction

- ❑ We learn from Scripture to share the blessings we receive through God's grace.
- ❑ Indeed, our Parishioners generously give their time, talent, and treasure.
- ❑ To insure we are good stewards of those resources, the Vestry, Finance Committee, and Treasurer watch over the Church's finances.
- ❑ John Rowe, Joe Sheehan and Mike Zaccarello, Treasurer, as members of the Finance Committee are here to:
 - Give an overview of the parish's fiscal health, **beginning with 2019 budgeted expenses and revenues.**
 - Clear up certain misconceptions expressed in Focus groups,
 - Answer your questions.

2019 Budgeted Expenses by Type

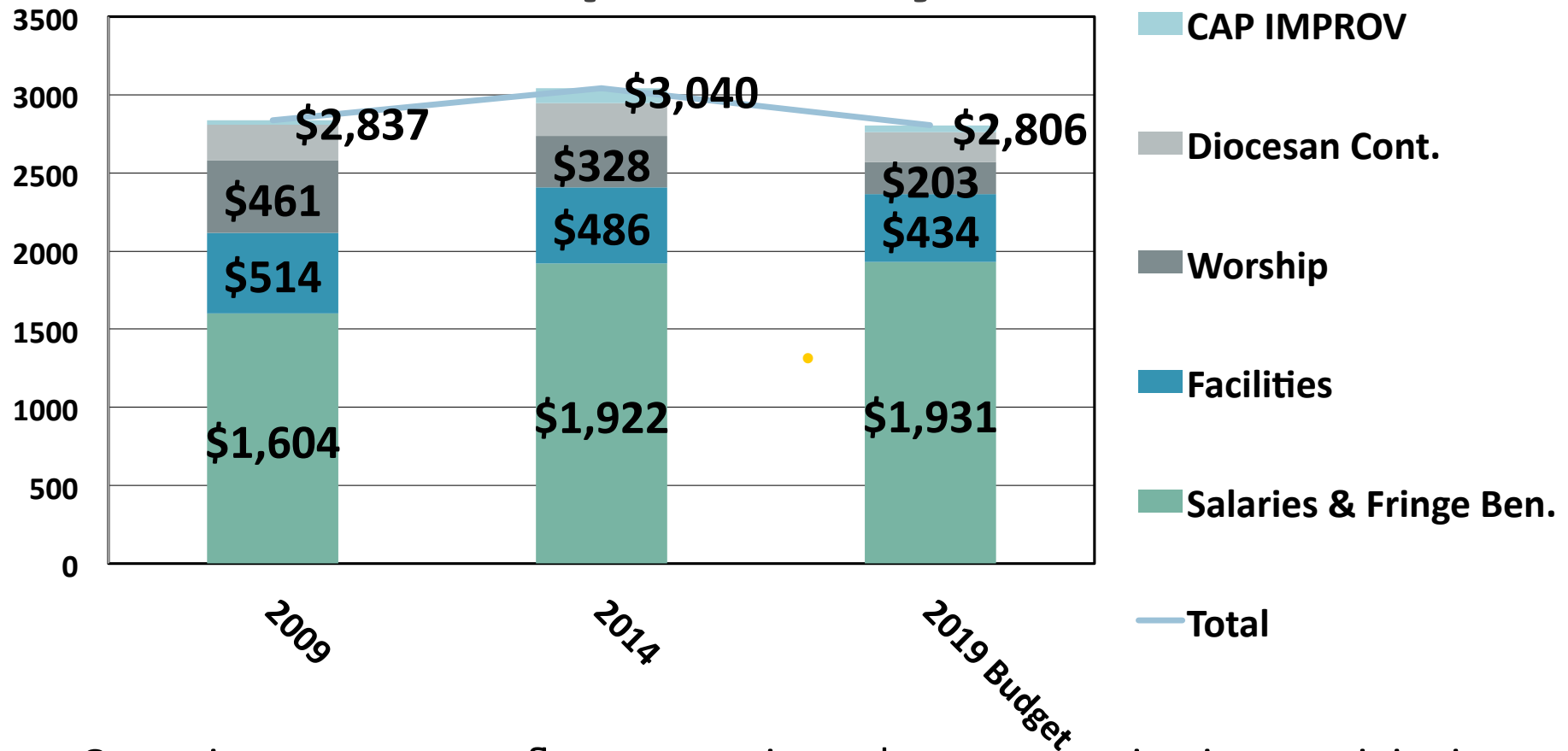


WHERE OUR MONEY GOES (*IA)

Expenses By Year

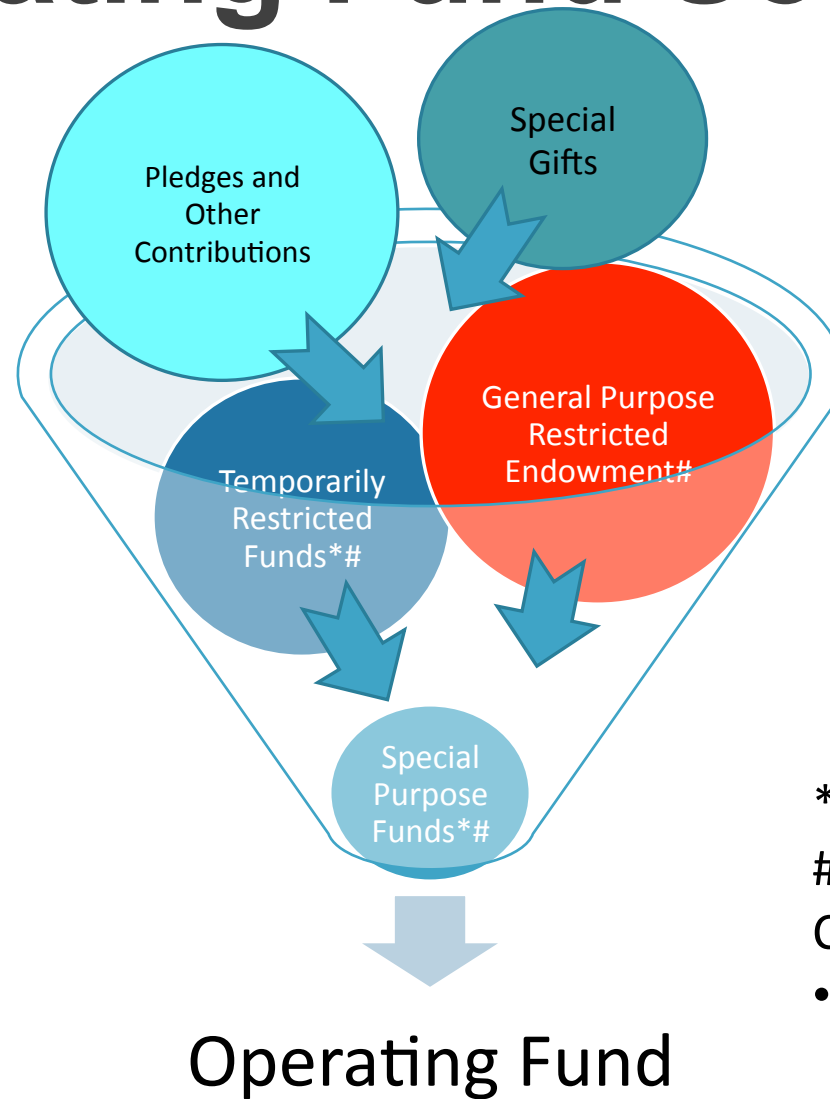
* Inflation Adjusted

Thousands



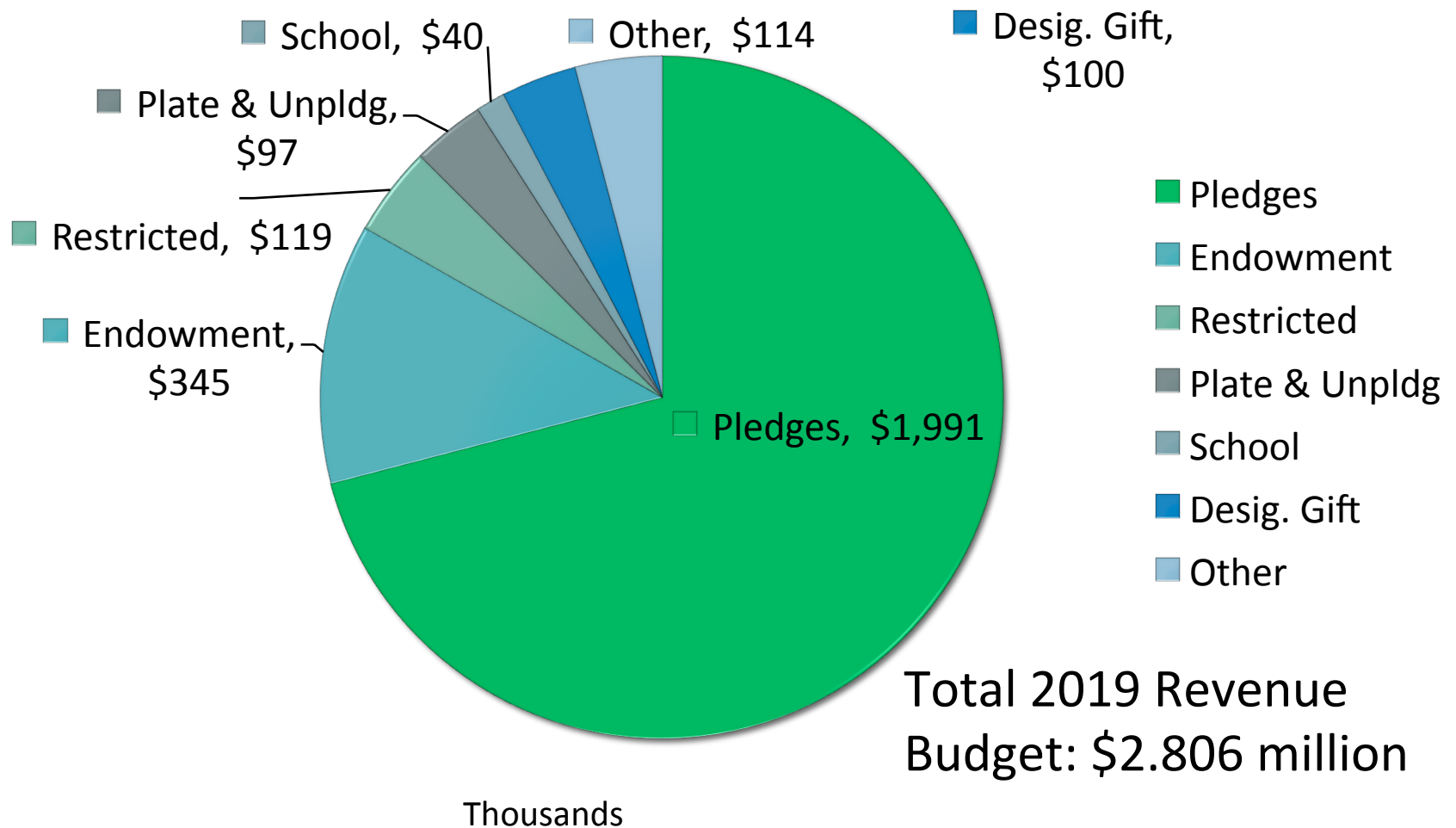
- Operating expenses are flat - supporting only costs to maintain our ministries.
- Excludes Depr. or capital asset replenishment.

Operating Fund Sources



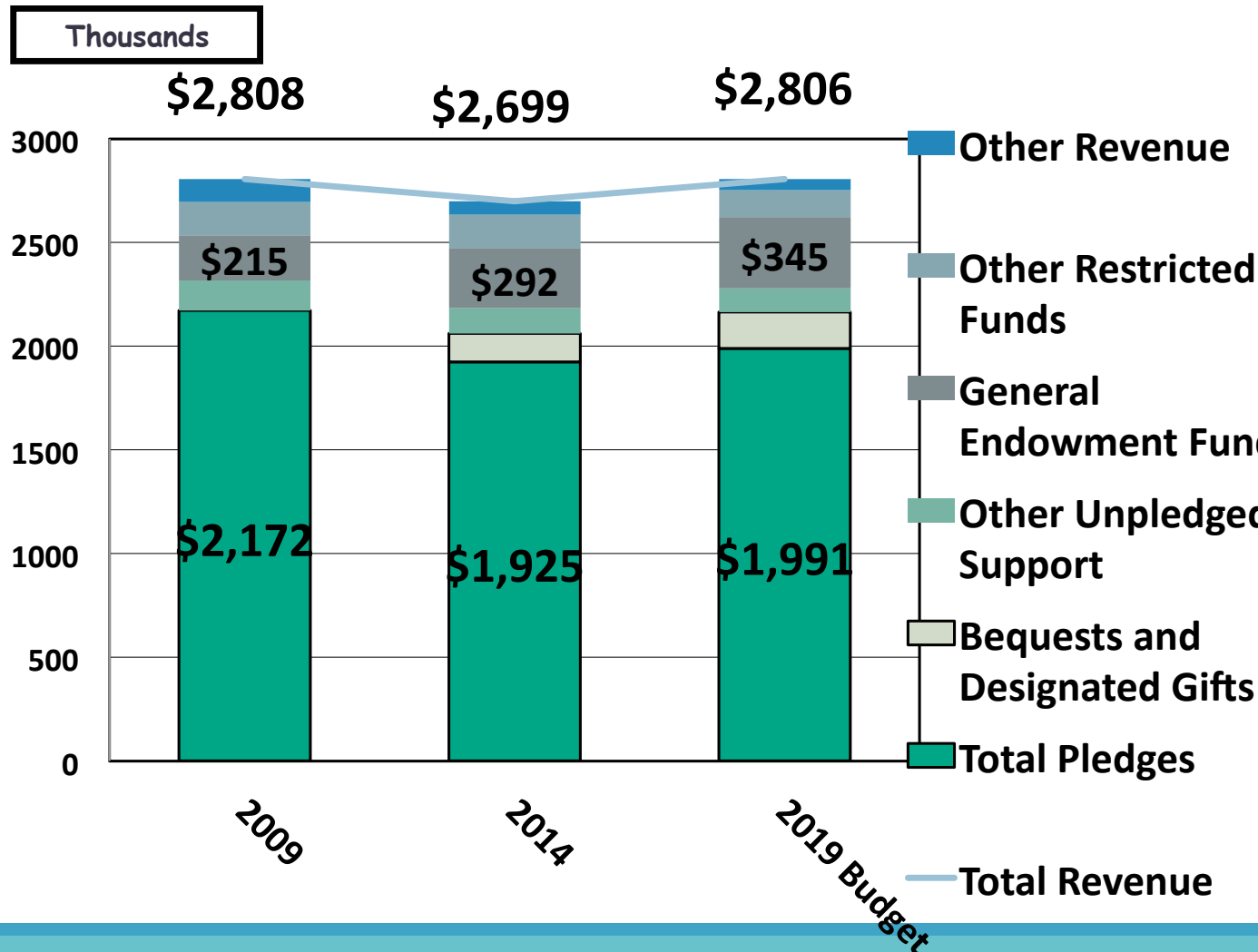
- *15 separate funds
- # under Endowment Committee oversight.
- Budget process & control

2019 Budgeted Income by Type



Revenue Comparison (IA*)

* Inflation Adjusted



- **Trend - declining over that last 10+ years.**
- Due to: declines in Pledge Income. Partially offset by increasing support from Endowment funding.

Endowment Fund Discussion - John Rowe

At August 31, 2019: **\$11.7 million** under Endowment Committee Oversight:

- **\$6.4** million in Endowment General Fund.
- \$5.3 in Restricted Funds and Special Purpose Funds

Endowment Committee Trustees Provide Oversight following Vestry Guidance.

- Kathy Sherby (chair), Joe Sheehan, Gayle Jackson, an open position and ex-officios: The Rector and The Treasurer.

Funds available for the general use of the Church:

- Annual Transfers to Operating Fund from the Endowment are set at 5% of Average Investment Balance of prior 12 quarters: **for 2019 this will be \$345K,** vs. \$328K in 2018.
- Special Purpose Funds released for donor designated purpose are budgeted at \$23K vs. \$22K for 2018.

General Fund Overview

Temporarily Restricted Designated Fund:

- Transfers to General Operating Fund to reimburse designated purpose expenditures are budgeted at \$96K (including \$50K in the Assistant Fund) vs. \$40K for 2018.

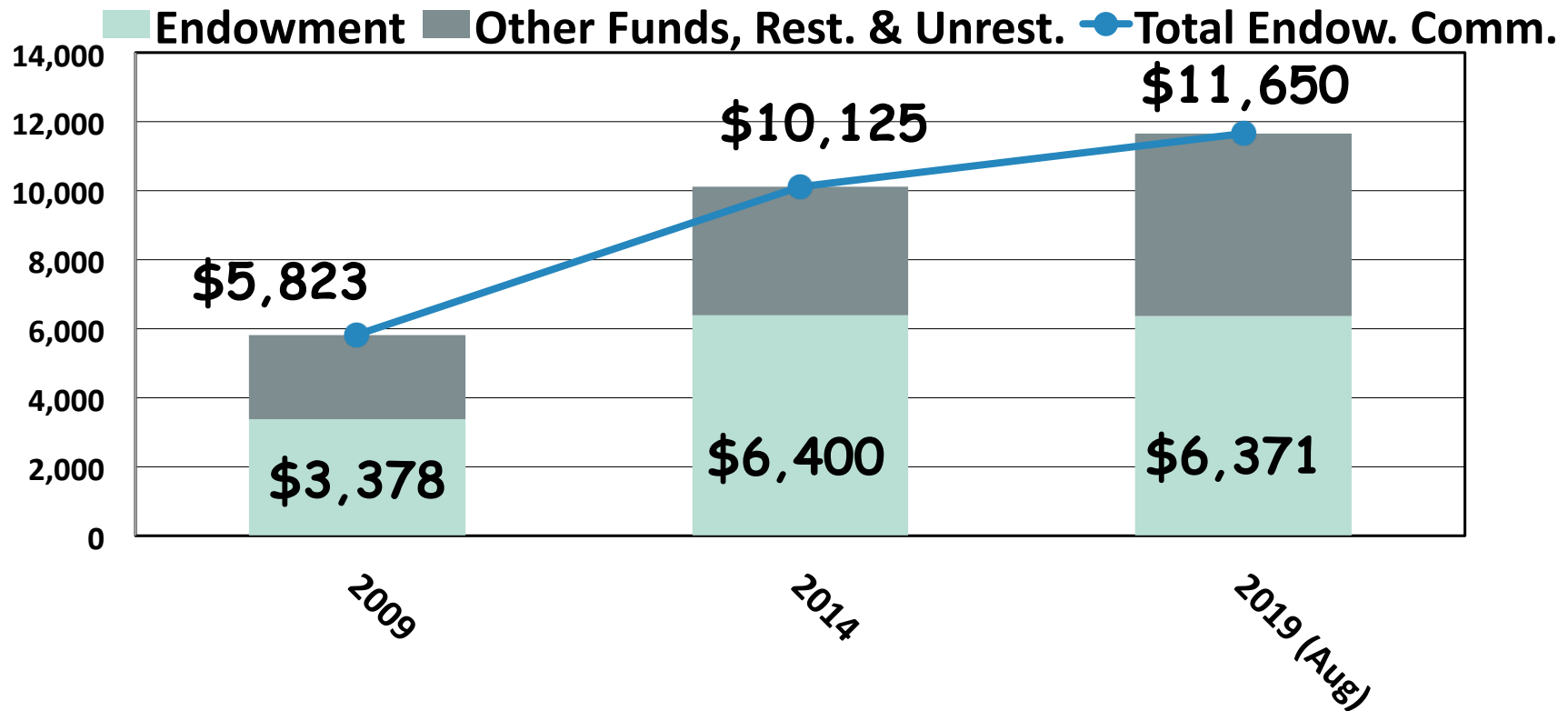
Unrestricted General Fund

- Applies collections, including Budgeted 2019 Pledge receipts of \$1.991 million plus transfers from the Restricted and Temporarily Restricted funds and Endowment allocation, to operate the Church's ministries.

Endowment & Restricted Fund Value Comparison*

Thousands

* Unadjusted for inflation

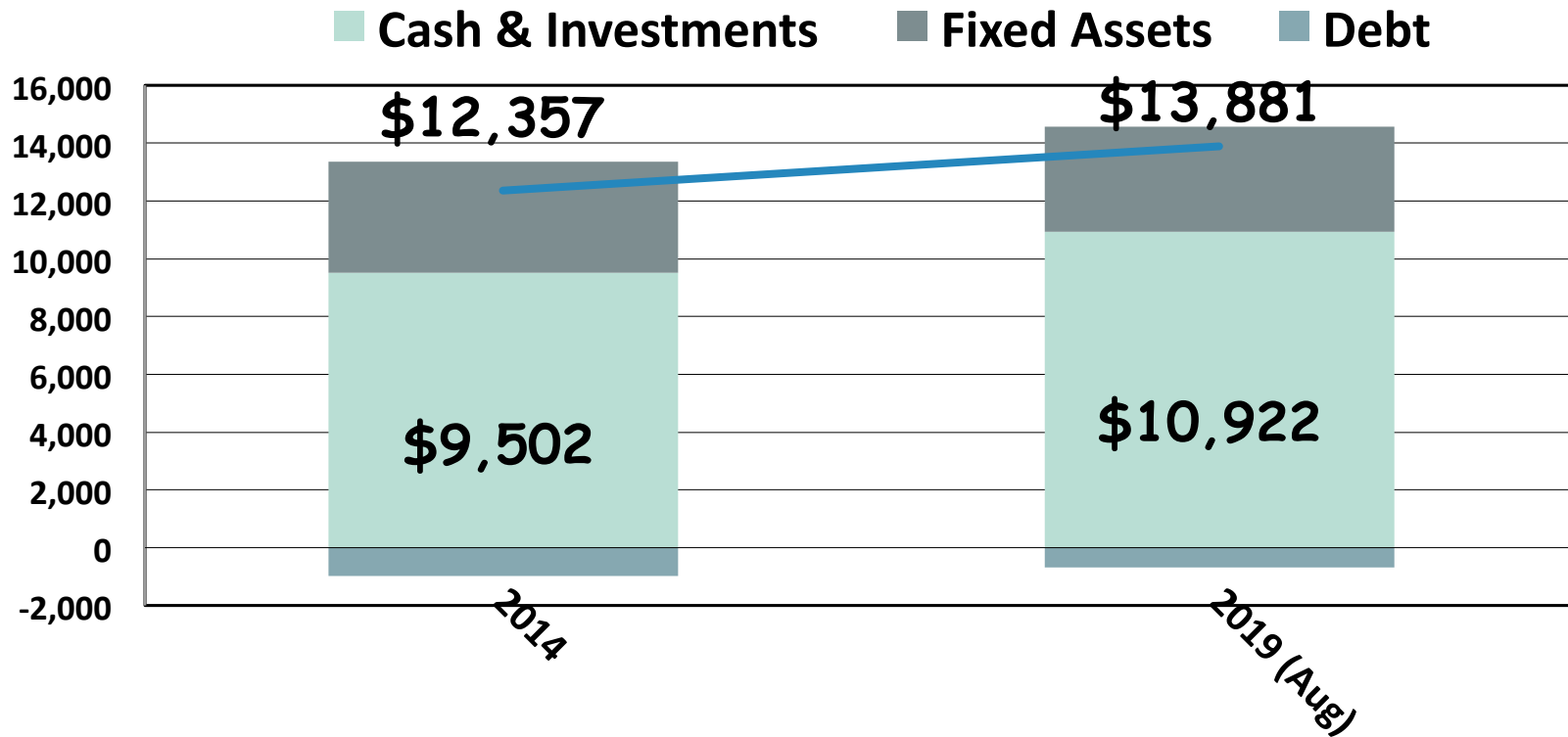


CSMSG's September 30, 2019 Net Asset position remains robust at approximately \$13.9 million

Net Asset Comparison Comparison*

* Unadjusted for inflation

Thousands



Budget Process-Treasurer

The Finance Committee develops an annual Proposed Budget by:

- Applying a reiterative bottom up / top down process.
- Engaging and consulting with department heads for budget development and revision.
- Applying an inflation factor to year expenses with adjustments for changes in ministries.
- Obtaining in the Stewardship Committee's view of expected Pledges for the coming year.

Budget Process

The Proposed Budget is presented for Vestry Approval.

Actual performance is monitored by the Finance Committee and compared to Budget:

- Material variances are identified and analyzed for accountability.

The Treasurer reports on YTD Performance and variances at each Vestry Meeting.

Outside Auditors present their Review Report of the prior year's performance to the Finance Committee annually.

Control Factors

- Expenditures contemplated by the Approved Budget inherently have Vestry approval.
- Material unbudgeted expenditures require Vestry approval.
- Any two of the following have signing authority for budgeted expenditures:
 - The Rector, Business Manager, Jr./Sr. Warden, Vestry Secretary, and the Treasurer.

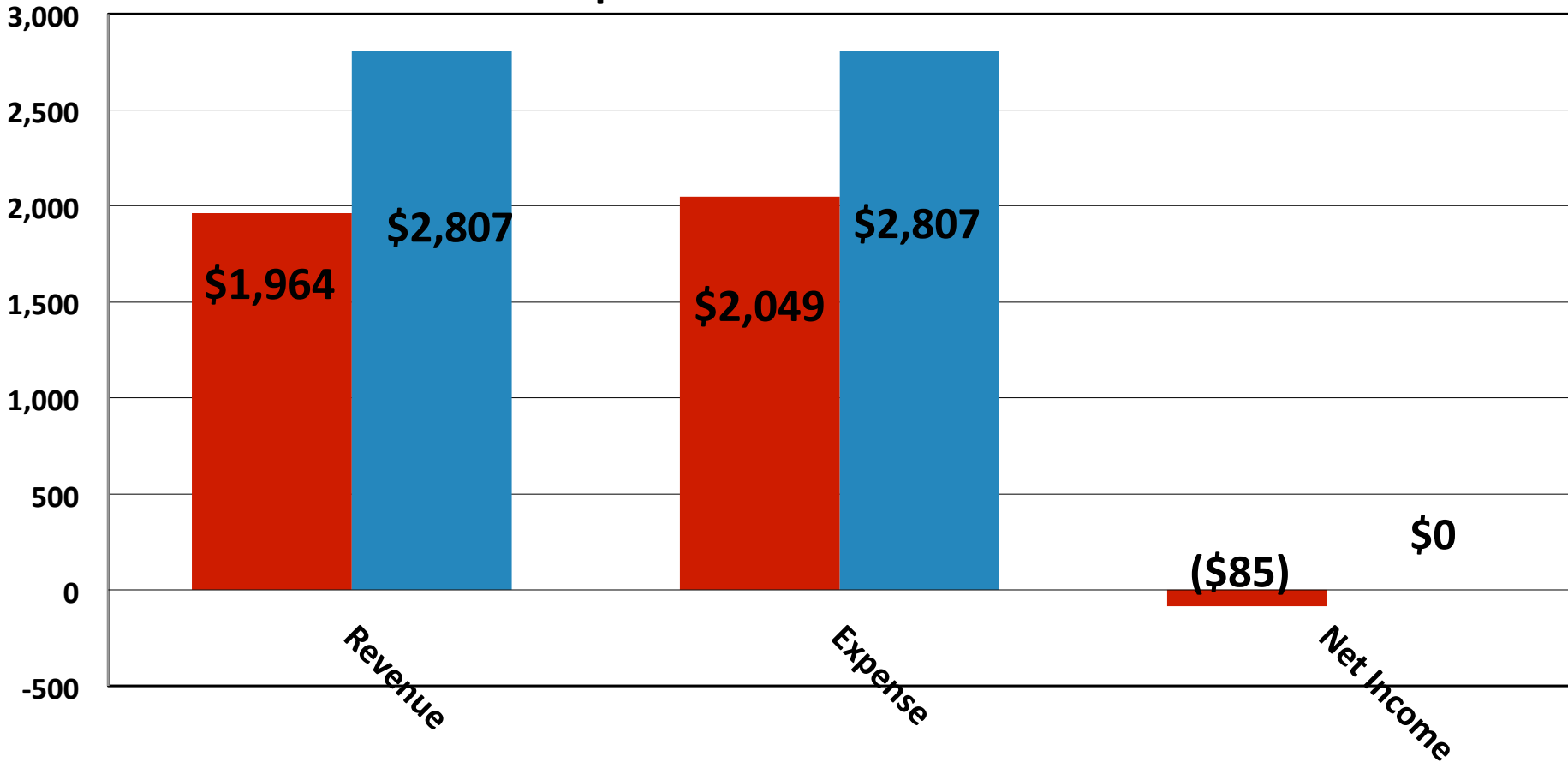
Where We Stand: Sept. YTD & Full Year Income/(Deficit), Comparison*

* Unadjusted for inflation

Thousands

■ Sept 2019 YTD

■ 2019 Bud



Line of Credit Commentary

- We budget for seasonal fluctuations, but cash flow does not always turn out as we expect.

To help with the uneven flow of our revenues and expenses we have a \$900K line of credit to help smooth out the lumpiness.

Contributing factors to the current \$625K outstanding on the line include:

- The cumulative deficit since 2007 net of
 - Proceeds from the sale of the second Wydown house to the Endowment, and
 - A \$500K Debt Reduction gift to the Church.

Line of Credit Commentary

CSMSG

We expect future reduction of the LOC through:

- Future receipt of pledged columbarium slot payments that will apply to the approximate \$200K of the line used for columbarium construction;
- Returns on our “investment in the future”.

Funding Commentary

Joe Sheehan

CSMSG

To overcome our loss trend, we need both pledge income and Endowment growth.

For its part, the General Purpose Endowment and restricted use funds currently exceed \$11.6 million and, as a result of this growth:

- Available annual distributions have increased, and
- Our Balance Sheet continues to strengthen ...

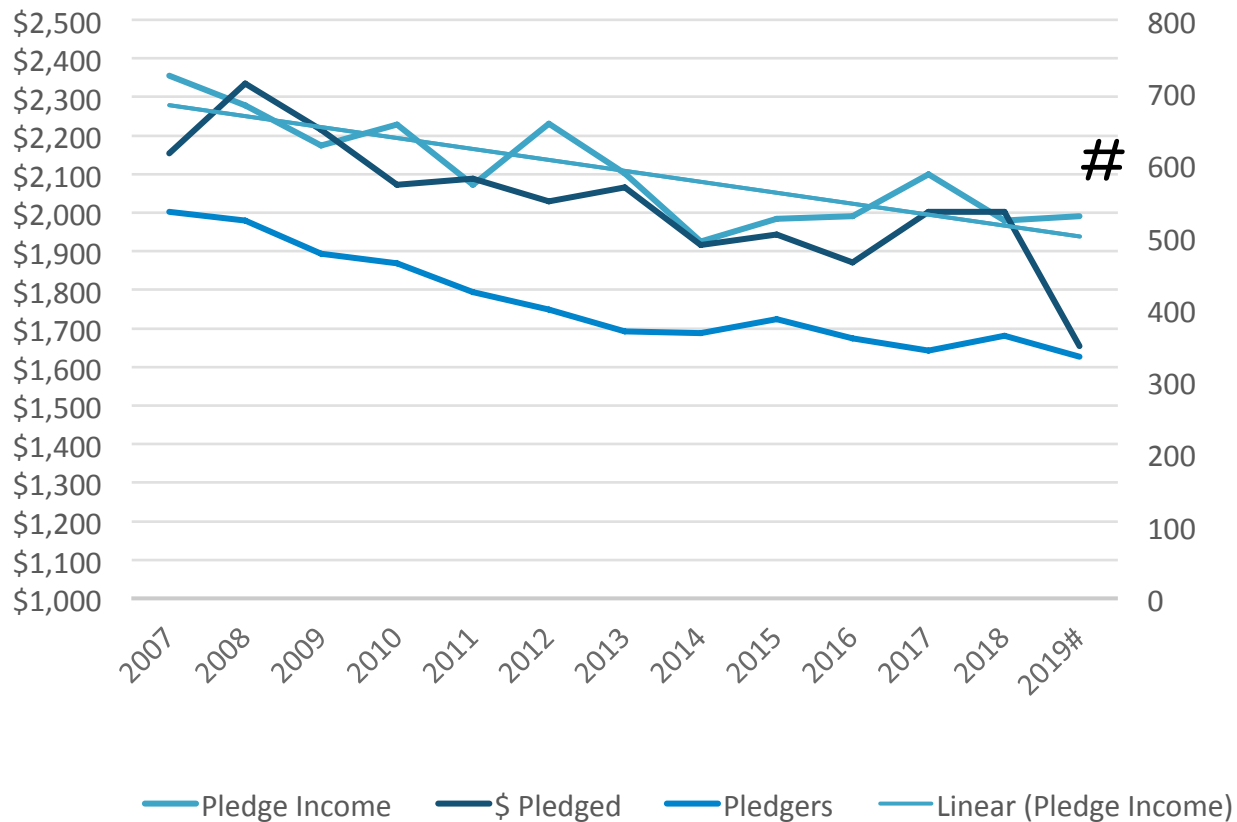
Funding Commentary

Joe Sheehan

CSMSG

- ☐ Yet, to retain existing parishioners and attract new members - we need to responsibly invest in the future.
- ☐ To sustain our ministries and keep them vibrant - we need to avoid the pattern of recent years' losses.
- ☐ **We can do this through increases in the number of parishioners pledging and the amounts we pledge.**
- ☐ We look to non-pledgers to begin the rewarding journey of pledging and giving and pledgers to increase their pledges for 2020.

Pledge Income Over the Decade (IA*) (000's)



Due to some exceptional gifts, we are better positioned this year than the last several – BUT, we clearly face headwinds in meeting the recurring pledge income needed to support our ministries.

*Inflation Adjusted
#Budget

Questions and Discussion

CSMSG

Summation – Senior Warden

CSMSG

- ☐ Thank you for attending, for your interest and support for the Church.
- ☐ Please keep CSMSG in your prayers and prayerfully consider your own pledge to help sustain and grow this great parish.