



Covenant Conversations Financial Overview

October 22, 2013



Agenda

- Overview of the of the budget
 - Expenses
 - Revenue (Income)
- How we are doing this year
- What has been done to manage the budget
- Budget for 2014
- Link to Stewardship
- Q & A

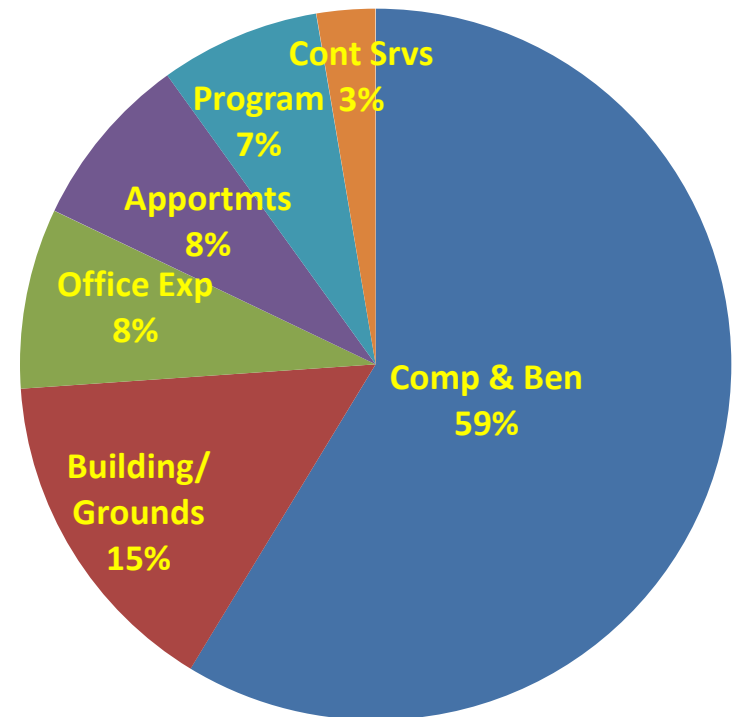
Introductions

- Your Finance Committee
 - Nick Tumminello, Committee Chair, Member of Board
 - Bob Cole, Chair of Stewardship Committee
 - John Drake
 - Julie Eggert
 - Mark Kays
 - Bob Sachs
 - Mandi Shawaria
- Ex-Officio, Non-Voting Members
 - Darren Cushman-Wood, Pastor
 - Jim Thieman, Business Administrator
 - Charles Young, Treasurer

6pm Third Tuesday of the Month
Open to all members of North

Budget/Expenses

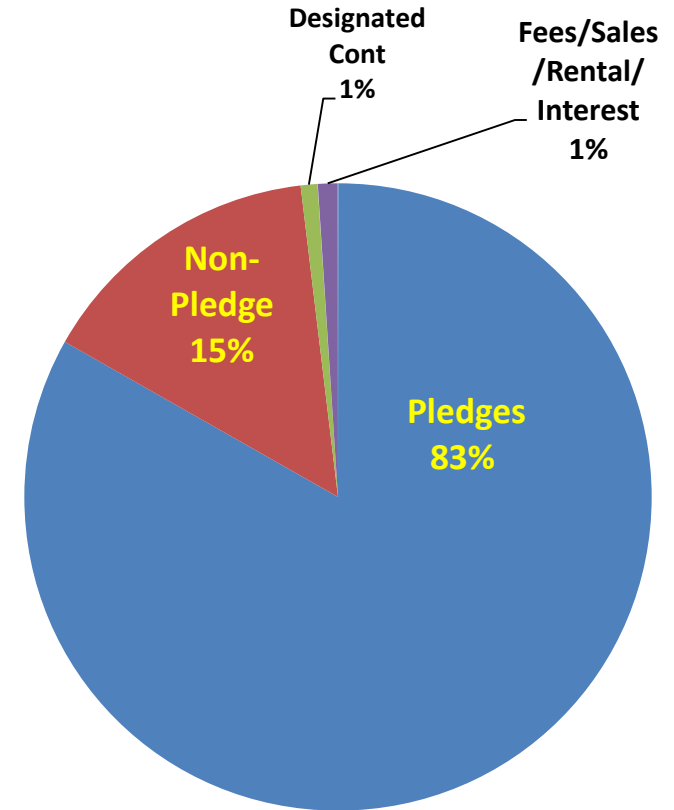
- **Compensation and Benefits** – salaries, healthcare, retirement, taxes, housing, etc.
- **Building Expenses** – utilities, repairs, grounds upkeep, janitorial supplies, etc.
- **Office Expenses** – computers, books, phone, legal fees, postage, etc.
- **Program Expenses** – ministry supplies, meals, curriculum, lodging, scholarships, etc.
- **Apportionments** – conference and district
- **Contracted Services** – security, accounting services



North's budget is dominated by people and facilities – 75%. Other expenses are much smaller by comparison

Revenue/Income

- Source of revenue/income
 - Pledge – pledges made that are paid during the year
 - Non-pledged – funds that are collected each Sunday - not being paid to fulfill a pledge
 - Designated Contributions
 - Fees, sales, rental, interest
- 98% of all funds come from donation



North relies almost completely on pledges and donations to pay for mission, services and facilities

2013 Finances – As of September

- 2013 budget \$1,425,000 (deficit budget \$87,000)
 - Board approved deficit budget and use of an undesignated bequest to cover the expected shortfall - **if needed**
- Expenses have been managed tightly and are below budget so far
 - Comp and Ben is below plan
 - Office expenses are down
 - Have not had any major repairs needed
- Revenue is down so far this year
 - People are falling behind in paying their full pledge amount (current rate is 90%)
 - Non-pledged income is down (\$31,000 below budgeted amount)
 - A request to catch up will go out with Q3 statements
- Through September – Expenses exceeding revenue by \$84,582
- We expect a traditionally strong December

If pledge payments rebound, North will end the year approximately \$90,000 short and will need to use all of the bequest to cover the shortfall

What has been done to manage the budget??

- Specific actions to reduce/manage expenses
- React and adjust to revenue trends
- Increased transparency with the congregation on financial matters

What has been done to manage/reduce expenses

- Staffing has been reduced
 - Clergy
 - From 6 in 2010 (4 full-time, 2 part-time) to 2 in 2013 (will backfill B. Williams in 2014)
 - Lay
 - Full-time - from 7 in 2010 to 4 in 2013
 - Part-time from 31 in 2012 to 29 in 2013
 - Reduced the number of staff receiving benefits by moving to increased use of part-time staff
- Health Insurance
 - Cost per employee has risen by 46% since 2010
 - \$9,100/year to \$15,100/year
 - We have reduced the number of people covered from 9 to 6
 - HOWEVER annual costs have still grown from \$82,000 (2010) to \$91,000 (2013)

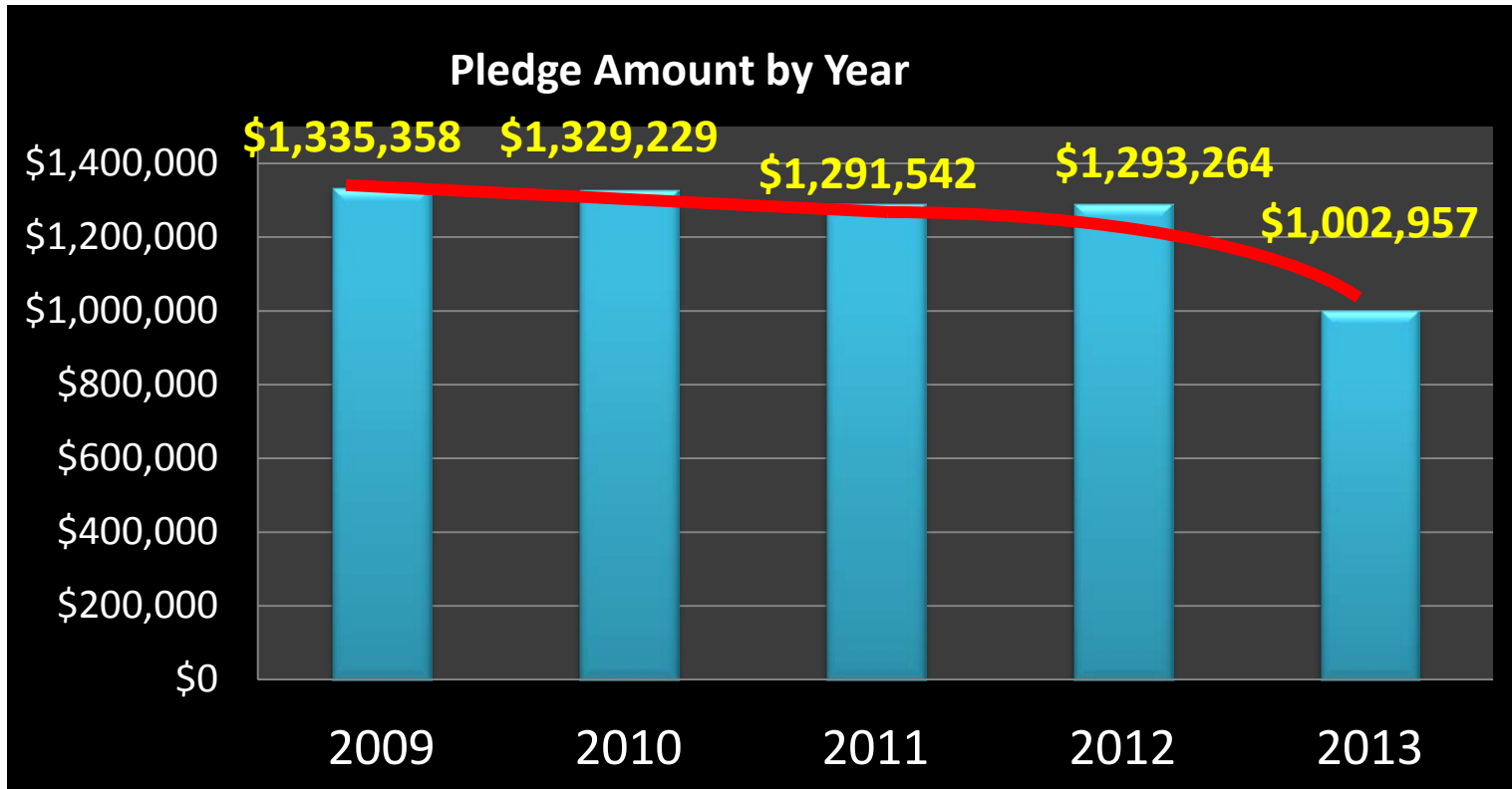
What has been done to manage/reduce expenses

- **Conference/District Apportionments –**
 - Expected Obligation: Conference – 10% of income , District 1%
 - Approximately \$130,000 per year
 - 2011 – notified conference North would not make full payment - would restore when able
 - 2012 – budgeted for payment of 50% of obligation (saved \$70,000)
 - 2013 – increased to 75% - on path to restore full payment (saved \$30,000)
 - 2014 – will be set based on outcome of budget/stewardship campaign
- **Building Operations/Repairs/Utilities**
 - Reduced “open hours” to lower staff, utilities
 - Upgraded heating/cooling – lowering utility usage
 - Setting aside lower amount for unplanned repairs
- **Programs/Mission**
 - Many small actions to manage expenses

Reacting and adjusting to revenue trends

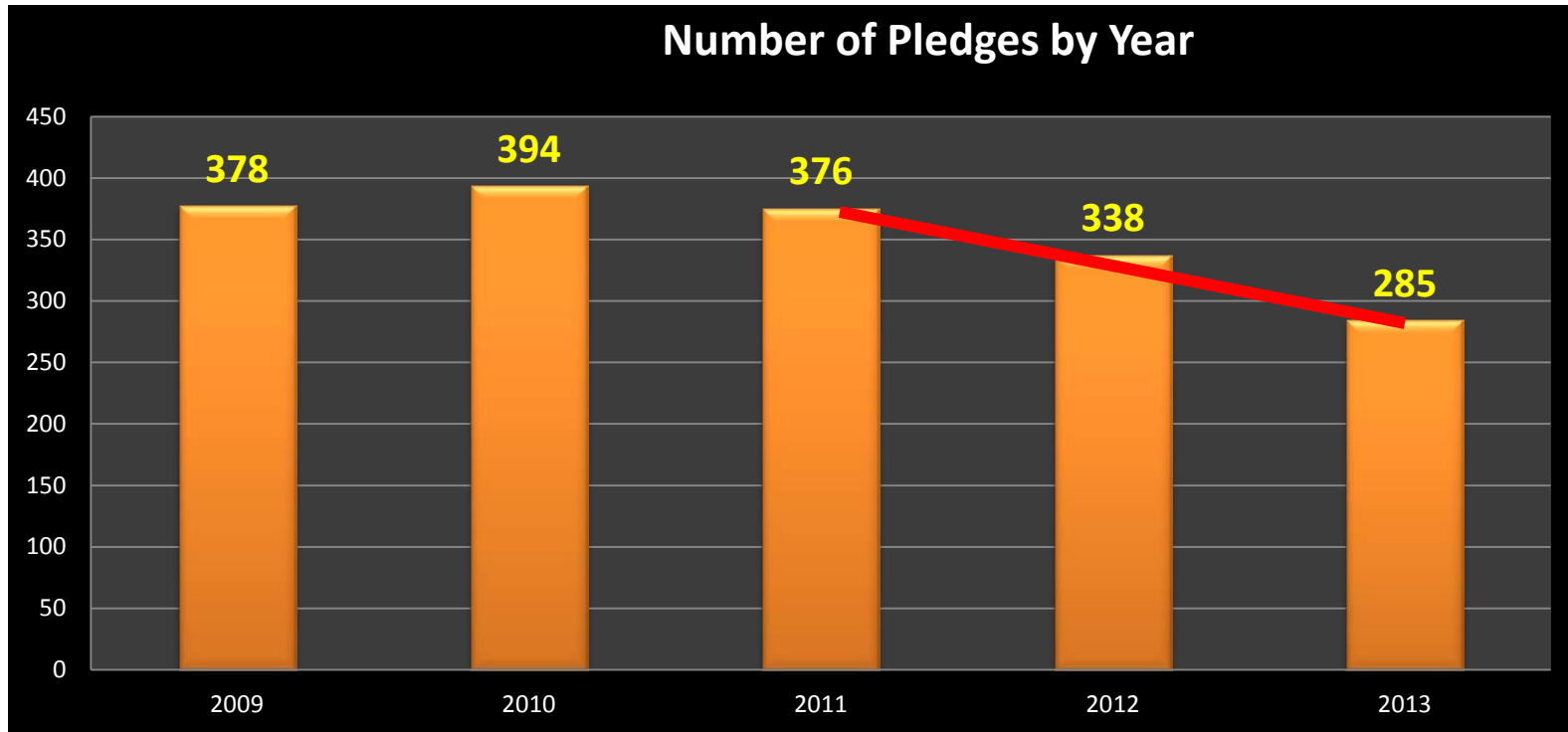
- Pledge amount
- Number of people/families pledging

Pledging Trends



- **Pledge amount has declined**
 - Part due to gradual shift since 2011 of a pledge/donation previously directed to General Operation fund to be directed to endowment
 - Part due to contribution to patterns

Pledging Trends



- Pledging base is getting smaller for various reason
 - Economy
 - Philosophical differences
 - Competing interests
 - Societal/generational trends
 - ???

North is increasingly relying on a smaller group to do more

Looking ahead to 2014 and beyond

- 2014 Preliminary budget
- [Link to Stewardship Campaign](#)

2014 Preliminary Budget

- Preliminary budget of \$1,400,00
 - Assumes current staffing levels and timely replacement of Rev Williams, further restoration of apportionment payments, prudent fiscal management and no further budget cuts
 - Assumes an increase in pledging of \$238,000 over 2013 levels
 - Assumes same level of non-pledges as 2013
- Budget adjustments will be made in reaction to results of stewardship campaign

The bigger the gap the harder the decisions

Budget adjustment options

- Reducing North's conference/district apportionment obligation payment – back to 50% **(saves \$20,000)**
- Staff/Clergy actions **(saves \$40,000)**
 - No raises for non-clergy staff
 - Delaying Brian's replacement until July 2014
- Reducing ministry supplies and curriculum requests **(saves \$21,000)**
- Reduce the amount held for unplanned repairs **(saves \$21,000)** note: exposed if major repair needed
- Others to be determined

Conclusions

- North has taken many actions over the past few years to reduce and manage expenses
 - The easy/prudent cuts have been – there are limited options that don't significantly impact North's character and mission
- North has “revenue problem”
 - Pledging participation is down and reliance on fewer pledger is increasing

Link to Stewardship Campaign

- From your Board of Directors
 - Present the budget and the challenge to the congregation
 - Let the congregation decide how to respond – give them the opportunity to “Step Up”
 - We will adjust the budget in response to the stewardship campaign results

North needs ALL of us to “Step Up”

- Increase your pledge over 2013
- If you pledged in the past but not last year...now is the time to come back
- If you have not pledged before...Now is the time to start