

Indiana-Kentucky Synod, ELCA

Treasurer's Report for 2008-09 Fiscal Year and Budget Proposal for 2010-11 Fiscal Year

Outline:

- Overview of Synod Accounts
- Review FY ended
- Budget Proposal 2010-11
- Additional Activities and Resources

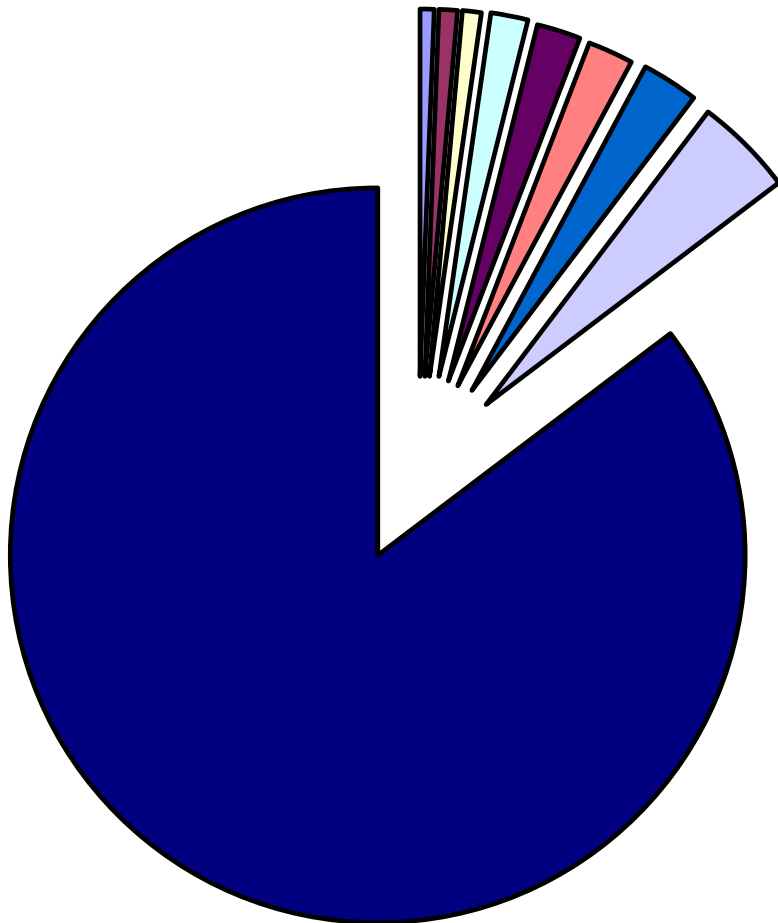
SYNOD ACCOUNTS

Defined

- **Temporarily Restricted**
 - Funds given for a specific purpose
 - World hunger, disaster relief, etc.
 - Not budgeted; sometimes called pass-throughs
- **Endowment**
 - Permanently restricted assets (e.g. 2/3 of M2K)
 - Assets that have been traditionally treated as endowment (non-permanently restricted gifts & bequests)
- **Council Designated**
 - Funds/assets received that are used at the discretion of Synod Council
 - Property sales, unrestricted bequests, and other items
 - “Temporary parking” for assets until their use is determined
- **Operations**
 - All current activity
 - Traditionally known as the “budget”
- **Outdoor Ministries** – operations and endowment

OPERATIONS

Sources of Income



- Other Perm Rest.
- Comp. Offset
- Income/Nat'l
- Misc
- Other Revenue
- Council Desig.
- M2K
- Registration/Fees
- Benevolence

OPERATIONS

FY2008-09 Activity

- Revenue: \$3.35 million
 - \$2.69 shared benevolence (80% of Total)
 - 0.66 other
 - Endowment draws (e.g. outreach – M2K, candidate grants)
 - Transfers from temporarily restricted (e.g. campus ministry)
 - Registration fees (e.g. assembly)
- Expenses: \$3.35 million
 - \$1.37 shared benevolence with ELCA
 - .68 program/admin salaries and benefits & deans salaries
 - .33 admin (rent, utilities, communications, travel)
 - .20 campus ministry support (0.12 from benevolence)
 - .19 new starts, redevelopments, etc. (.05 from benevolence)
 - .14 Assembly (covered by registration fees)
 - .10 outdoor ministry grant from operations (covers director)
 - .09 Trinity seminary, Capital/Wittenberg University support
 - .07 Global Missions (\$3k from benevolence)
 - .06 candidacy and candidate support (\$14k from benevolence)
 - .12 Other ministry support

AUDIT SUMMARY

FY2008-09

- Status of Prior Year “Material Weaknesses”:

- Purchasing Policy
- Controls over Investment Accounts

- Status of Prior Year Comments

- Improve Bank Reconciliation Procedures:
- Establish Procedure for Reviewing Journal Entries:



**Fully
Implemented!**

- FY2008-09

- Synod commended by auditors for above actions
- No new material weaknesses
- “Best Practice” Recommendation
 - Disaster Recovery Plan
- Efficiency Ratio: 84.4%

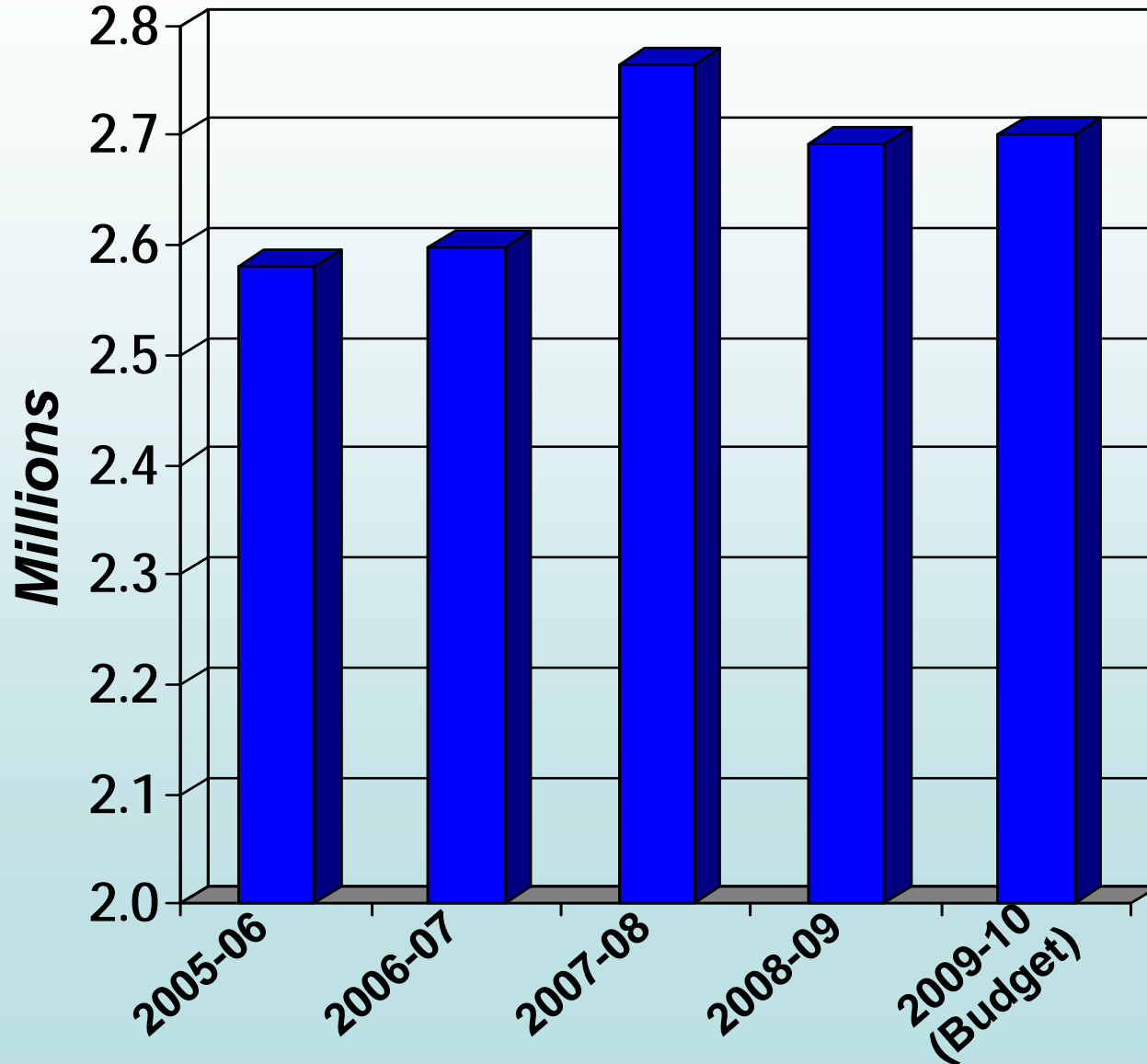
AUDIT SUMMARY

Efficiency Ratio

- Fairly Steady over last 3 years:
 - 84.4%, 84.6%, 82.9%
- 75% considered good.
- Synod's level suggests:
 - Lean organization run efficiently.
 - May lack organizational structure, including staffing, to expand ministries.
 - Danger of organizational staff and ministries being overburdened and overwhelmed.

BENEVOLENCE

Current Trend



- Increased 3 straight years before 2008-09.
- Current trend is declining.
- 2009-10 starting slow.

OPERATIONS

Benevolence by Conference (\$000)

Conference	2008-09	2007-08	2006-07
Northwest	274	284	282
North Central	290	280	270
Northeast	496	546	510
Indianapolis	585	622	526
Lafayette	154	154	150
East Central	206	203	191
Southeast	126	125	144
Evansville	170	170	172
South Central	207	204	193
Eastern Kentucky	183	176	159

**Detailed
Benevolence
Reports
Available on
Assembly
Material
CD's**

CONGREGATIONAL BENEVOLENCE

Variance Report

2007-08 to
2008-09

2006-07 to
2007-08

CONGREGATIONS

Showing Increases	42.7%	52.4%
Showing Decreases	45.3%	36.9%
Level with Preceding Year	12.0%	10.7%

DOLLAR VARIANCE FOR CONGREGATIONS

Showing Increases	183,855	297,213
Showing Decreases	<u>(255,745)</u>	<u>(131,453)</u>
Total Change	(71,890)	165,761

AVERAGE VARIANCE PER CONGREGATION

Showing Increases	1,915	2,519
Showing Decreases	<u>(2,507)</u>	<u>(1,584)</u>
Total	(592)	935

ENDOWMENT

Spending Policy

- Spending Policy:
 - 36 month rolling average determines draw amount.
 - Prohibits spending if below HGV on Feb.1.
- Dropped below its Historic Gift Value.
- Suspended 3rd Clause of policy:
 - For non-permanently restricted funds only.

Net Asset Balances

February 1, 2009

	HGV	“Underwater”	Total
Mission 2000	\$1,492,084	(\$307,939)	(\$1,184,145)
Candidacy	859,048	(220,065)	(638,983)
“Named” Endowments	245,479	(35,380)	(210,099)
Total Endowment	\$2,596,611	(\$563,384)	(\$2,033,227)

ENDOWMENT STATUS

What this means

- We will not draw from Mission 2000 while it is “underwater.”
 - Majority of funding for Outreach comes from M2K.
 - Continuing funding pulls available resources from other ministries.
- We are spending principal of Unrestricted Council Designated.
 - Not legally obligated to maintain HGV.
 - Not sustainable.

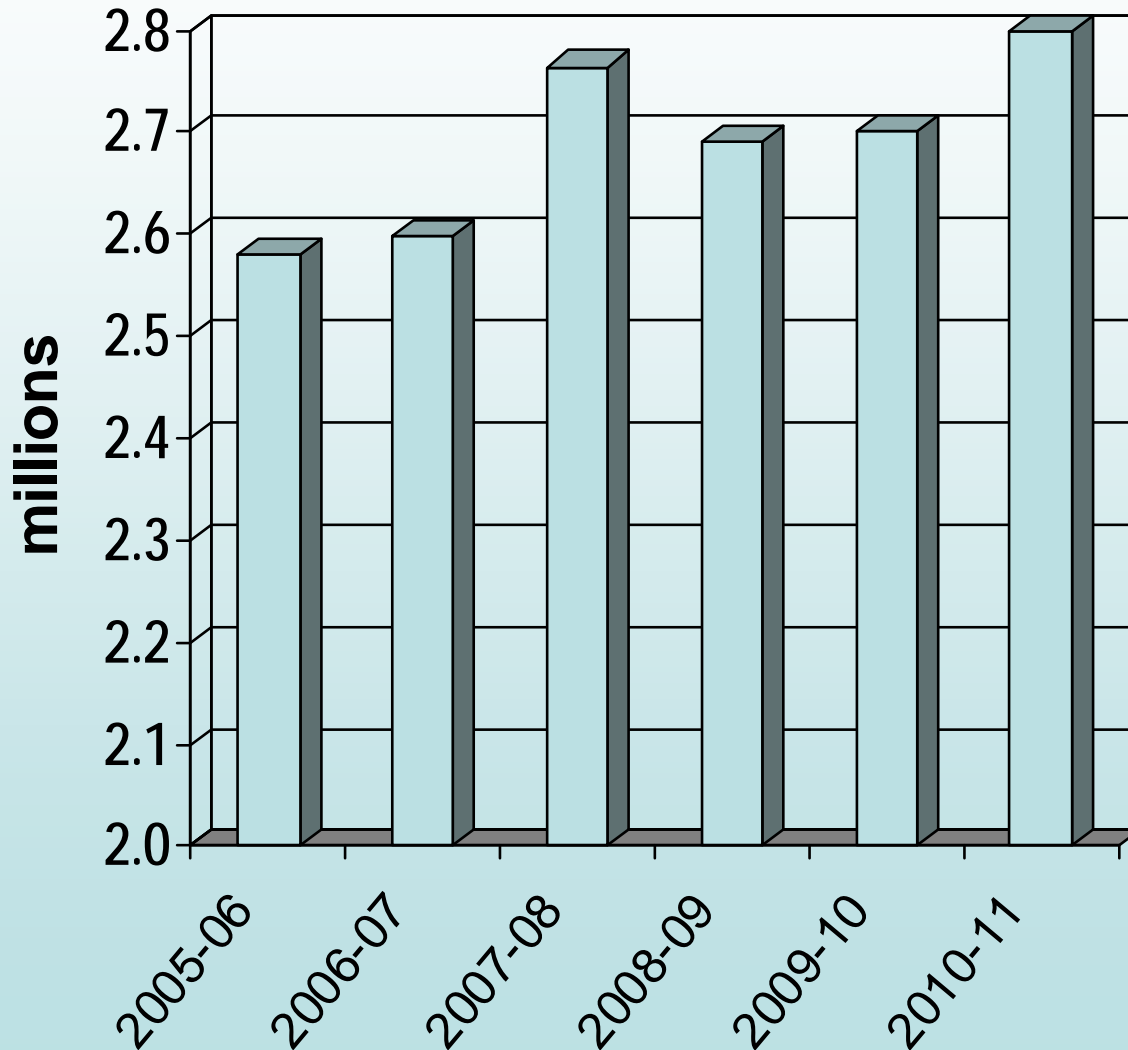
OPERATIONS

Current Year Adjustments

- Budgeted Benevolence adjusted
- Suspended endowment draw from M2K
- Capital expenditures frozen
- Reduced expenses to bring budget into balance.
- 20% reductions for Trinity Seminary, LOM, and Dean's compensation

OPERATIONS

2010-11 Proposed Budget – Benevolence



- \$2.8 million benevolence
- 4% increase from 2008-09
- 1% less than 2002-03

OPERATIONS

2010-11 Proposed Budget

- “Balanced budget” not requiring one-time funds
- Maintains ELCA benevolence at 51.5%
- Key program Impact
 - Campus ministry – far from funding program staff
 - Outdoor Ministry – does not fully fund program staff
 - Outreach – no additional new starts (full-year)
- Other support
 - Trinity Seminary – less than ½ of requested amount
 - Communications – implies reliance on e-communication
 - Assembly – nearly self-funding
 - Deans’ stipend – maintained at 20% reduction
 - Bishop transition – no additional expenses
 - Program Staff – salaries frozen

OPERATIONS

What does this mean?

- Synodical Ministries Require Congregational Support
 - Congregational benevolence is primary source of Synod revenue
 - If benevolence decreases, ministries must be cut (campus ministry, new starts, social ministry, etc.)
- Key Ministry Areas are Already Facing Shortfalls
 - Significant reductions already
 - Outreach, campus ministry, seminary support, outdoor ministry, etc.
- This is a FAITH Budget
 - Benevolence from Congregations must increase
 - 4% growth from last year is required for budget to balance
- Voting Members (YOU) Must Tell the Story
 - Adoption of the budget **REQUIRES** that you will challenge your congregation and your conference to increase benevolence
 - **STEWARDSHIP** is the key

Finance Committee

Ongoing Activities

- Financial risk assessment (COSO)
 - Prioritizing activities
 - Updating policies/procedures
- Striving to improve budgeting process
 - More inclusive
 - More robust
- On-line contribution mechanism
- Monitoring endowment funds
- LOM finances (incorporation)

Looking to the Future

- Projected budget hinges on benevolence.
- Mission 2000 must exceed HGV before draws resume.
- Challenges = Opportunities



ADDITIONAL RESOURCES

Synod Finances

- CD ROM
 - Treasurer's Report
 - FY2010-11 Budget Summary
 - Benevolence by Congregation
- I-K Website: www.iksynod.org (Who We Are/Finance Team)
 - Audited Financial Statements
 - Endowment Spending Policy
 - Investment Policy
- By Request to Treasurer: knknoerzer@aol.com
 - Detailed financial statements
 - Detailed budget
 - Other questions

BREAKOUT SESSION

Additional Information

- Audit reports available
 - Financial statements
 - Management letter
- More detailed discussion in break-out session
 - Budget details & actual expenses – line items
 - Congregational benevolence
 - Q&A
 - Treasurer & Finance Committee Chairperson
 - Finance committee representatives

Breakout session located in “Harrison A”

Thank you!

I-K Synod Finance Committee

Kevin Bardonner (chairperson), Joyce Kissell, Marty Mielke, Kathy Ward, and Susan Prenatt (Financial Consultant)

Bishop Stuck & the entire IK Synod Staff