



Abide In Christ

Council on Finance & Administration June 2023

John Pearce, President

GOOD NEWS

- BECAUSE OF THE GOOD NEWS
- AND BECAUSE WE HAVE A PLAN
- FINANCIALLY EVERYTHING IS GOING TO BE OK

GOOD NEWS

- GOD IS IN CHARGE
- GOD IS GOOD
- GOD WILL PROVIDE WHAT WE NEED

TWK – FINANCIAL PLAN

- OVER THE NEXT TWO OR THREE YEARS WE WILL ALIGN OUR EXPENSES WITH OUR REVENUE
- WE WILL USE OUR BALANCE SHEET CASH RESERVES AS A BRIDGE TO GET TO A FULLY ALIGNED BUDGET
- WE WILL USE OUR BALANCE SHEET CASH RESERVES TO HELP LOCAL CHURCHES THAT ARE NEGATIVELY IMPACTED BY DISAFFILIATION



Revenue Trends – Apportionment Received

<u>Year</u>	<u>% if 52(t)</u>	<u>Collected</u>	<u>Reserve %</u>	<u>Change</u>
• 2021	11.0%	12,699,102	81.2%	
• 2022	10.75%	11,738,164	84.1%	(960,938)
• 2023	10.0%	10,735,097	82.3%	(1,003,067)
• 2024	10.0%	9,188,357	82.5%	(1,546,740)
• TOTAL REDUCTION 2021-2024		(3,510,745)	27.7%	

Revenue Trends – Why

- Local Church Total Revenue 52(t)
 - 2019 for 2021 budget \$142,155,382 @ 11% = \$15,637,092
 - 2022 for 2024 budget \$127,073,580 @ 11% = \$13,978,094
 - REDUCTION OF **\$1,658,998**
- Disaffiliation
 - 6/2022 – 60 Churches paid in 2021 \$386,781
 - 5/2023 – 160 Churches paid in 2022 \$1,205,799
 - REDUCTION OF **\$1,592,580**
- 11% TO 10% OF 52(T)
 - 2021 to 2024 REDUCTION OF **\$1,270,735**
- Other issues: COVID, US Economy

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TWK Cost Reduction Efforts (2022 Report)

- Facilities Cost:

- Done:

- MAC Jackson Office – Under Contract
 - Episcopal Office – moved into HQ
 - District Office – some eliminated

- Working on:

- District Offices – more eliminated
 - Archives and History – eliminate rent

- Admin Positions:

- Office of Admin Services
 - Communication Office
 - Districts
 - Campus Ministry
 - Covenant Entities

Combined TAC and MAC Annual
Budget w/o Healthcare

2018 - \$17,501,241

2023- \$12,747,097

Reduction of \$4,754,144 or 27% over 5
years



Budgeted Expense Trends 2021 – 2024

<u>Category</u>	<u>2021</u>	<u>2024</u>	<u>Change</u>	<u>%</u>
• General Church/SEJ	3,273,213	2,704,442	(568,771)	(17.4)
• Admin	1,417,469	1,265,888	(151,581)	(10.7)
• Equitable Comp	385,000	625,000	240,000	62.3
• Connectional Min	3,539,086	3,525,003	(14,083)	(0.4)
• Districts	3,086,953	2,582,045	(504,908)	(16.4)
• TOTALS	11,701,721	10,702,378	(999,343)	(8.5)

Expense and Revenue Alignment – Results

- 2021 – 2024 Revenue Reduction 3,510,745
- 2021-2024 Expense Reduction 999,343
- Difference **2,511,402**

How do we discern where to align Revenue and Expenses

- Plan together as we listen to what God is calling us to do
- GCF&A General Church Budget Proposal from 2016 budget to 2024 budget shows a reduction of 40%
- Districts How many do we need after disaffiliation 9 – 8 – 7 ?
- Real Estate: Conf HQ, District Offices, Archives rent
- Camping & Retreat recovery from COVID
- Employees: about 60 paid by budget for \$6,094,610 including benefits which is 57% of total budget and we need a 5% pay raise to keep pace with inflation
- Use of benefit reserves to offset current benefit costs

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Use of Balance Sheet to Bridge Gap

- April 30, 2023 Balance Sheet (Net Assets)
- 77 accounts with Donor Restriction and balance of \$10,044,560
 - Disaster Recovery Funds 1,844,879
 - Board of Ordained Ministry (\$2.2 endowment) 3,705,178
 - Closed Church Proceeds 787,919
 - Conf Camp Fund 927,164
 - ALPS/MTH COS (not our money) 205,866
 - Robinson Higher Education (scholarship) 241,372
 - Red River Hobson Fund (Endowment) 1,029,936
 - 62 Other Funds less than \$200,000 each 1,302,246
- CFA Fall Project: What is purpose of fund, restrictions, who controls it, how do you access it, when was it last used, is it making a difference in ministry



Use of Balance Sheet to Bridge Gap

- April 30, 2023 Balance Sheet (Net Assets)
- Legacy TAC Health Plan Tail Coverage Reserve \$2,407,002
- 6 Accounts With Out Donor Restrictions
 - General Operating Reserves 8,444,689
 - New Church Development 5,491,116
 - Closed Church Fund 4,246,599
 - AC Designated for Small Churches 1,000,000
 - HQ Building 1,164,617
 - DS Parsonage Fund 541,825
 - Cabinet Reserve Fund 948,345
 - TOTAL Without Donor Restrictions 21,837,191



Help for Local Churches Negatively impacted by Disaffiliation that are still part of the TWK

- CFA Created “Stay UMC Fund”
- CFA Budget designates \$1,500,000 of Undesignated reserves and \$1,531,631 paid by 14 churches to disaffiliate that paid zero in 2022
- Bishop McAlilly appointed the following people to the Stay UMC Fund
 - Melinda Britt – Chair
 - Sue Engle
 - BJ Brack
 - Paula Smith
 - Drew Shelley
 - John Pearce
- Other resources for: wellbeing, trauma response, strategic planning, innovation, property issues



TWK Council on Finance & Administration

- John Pearce – President
- B.J. Brack – Vice President
- Sue Engle – Secretary
- Marianne Taylor
- Mark Kilpatrick
- Kylene McDonald
- Rebecca Hall
- Mona Miller
- Anita Ransom
- Scott Killebrew
- Mary Kate Myers
- Michael Waldrop
- William McAlilly – Bishop
- Larry Davis – Treasurer
- Melinda Britt – DCM
- Phil Jamieson – UM Foundation
- David Weatherly – District Supt.
- Clare Wilson – Asst. Treasurer



Today's Message

- Transparency: No Secrets/No Surprises – It's your money
- Every Dollar we spend comes from a donation to a local church
- Ministry occurs at the local church and at the Conference level
- Recommended Budget returns more dollars to local churches
- Disaffiliations have had a bigger financial impact in 2023
- 2022 Results – Income > Budget, Expenses < Budget
- Continued Efforts to reduce Conference costs
- 2023 Results to date
- Consideration/Approval of recommended 2024 budget
- Other items needing AC Approval



2022 TWK Apportionments Received

	<u>Number</u>	<u>Paid</u>	<u>% of Total</u>
Churches Paid 100%	675	10,358,741	88.2%
Churches Paid 50%-100%	92	1,225,278	10.4%
Churches Paid 1% - 50%	46	154,145	1.4%
Churches Paid Zero	98	0	
Total Churches	911	11,738,164	

84.6% of 13,874,753 Apportioned

\$455,219 Over Budget



Expenses vs. Budget 2022



2022 Camping & Retreat Ministry Budget Issue

- Beersheba and Cedar Crest Combined Budget miss was: \$669,585
- Meeting on 3/27/23 with:
 - Russell Casteel, Brian Marcoulier, Larry Davis, Melinda Britt, Clare Wilson, Courtney Lawson and John Pearce for purpose of determining why the 2022 miss, and the impact on 2023 and plan for 2024
 - We determined that \$269,281 of direct benefits and payroll taxes were not included in the 2022 budget (CFA fault?)
 - Revenue/Income from Campers was short by about \$310,000 from COVID overhang
 - Additional extraordinary expenses of about \$90,000
 - Accounting system overhaul resulting from conference merger did not provide timely reporting until early Fall of 2022, so this was not visible

2022 Camping & Retreat Ministry Budget Issue

- Action Plan:
 - Russell Casteel developed a detailed revenue plan for 2023 that appears realistic
 - Larry revised 2023 budget to insure all direct billed benefits were included
 - Clare will ensure timely monthly P&L reports will be provided
 - Camping & Retreat Board and Conference Staff to work with camping staff on fundraising activities (no longer restricted as in past)
 - Camping & Retreat to develop new strategies around revenue and recruitment and use of facilities.
 - Russell and his staff will maintain a very detailed 12 month forecast for paying campers and retreats
- Revised annual deficits to be funded by TWK Budget:

• 2022: \$996,085	2024: \$535,369
• 2023: \$635,020	2025: TBD



2023 Year to Date Results

- May 31 is 41.6% of the year
- Apportionments received year to date:
 - \$3,847,217
 - 35.8% of Budget (\$10,735,097)
- Expenses year to date:
 - \$2,813,765
 - 24.9% of Budget (\$11,275,751)



Financial Impact of May 2023 Disaffiliation

- In accordance with BOD paragraph 2553 160 TWK Churches disaffiliated at the special called AC on May 22
- These 160 Churches paid \$1,205,799 or 10.3% of 2022 total paid
- 67 Churches disaffiliated in prior years and paid \$391,128 in prior years or about 3.0%
- 64 other Churches have inquired (so far) about disaffiliation in November 2023
- The 160 Churches (May 2023) must pay their previous 12 months of Connectional Commitment plus an additional 12 months which is \$3,131,283
- The 160 Churches must pay \$3,983,442 of unfunded pension liability



TWK 2024 Recommended Budget

REVENUE:

- 10.0% of Line 52(t) from 2022 Stat Reports • 12,707,358
- Reduction for May Disaffiliations • (2,197,684)
- Est. Reduction for future Disaffiliations • (400,000)
- Estimated Reserve for Non-Payments • (1,439,269)
- UPBO Funds Re-designated for Employee Benefits • 1,291,122
- Pre-paid 2024 Connectional Commitment May Disaffiliations • 517,952
- Use of Unrestricted Reserves • 222,899
- **Net Revenue** • **10,702,378**



TWK 2024 Recommended Budget

GENERAL CHURCH APPORTIONMENT:

World Service	1,377,478
Ministerial Education	465,248
Black College	185,583
Africa University	41,533
Episcopal Fund	407,927
General Admin	163,564
Interdenominational Coop	36,386
Total	2,677,718



TWK 2024 Recommended Budget

ADMINISTRATION:

Admin Services	544,460
Episcopal Office	210,258
Conference HQ	343,200
General Conference Delegates	20,000
Archives & History	102,970
Legal	45,000
TOTAL	1,265,888



TWK 2024 Recommended Budget

Jurisdictional Admin 26,724

Equitable Compensation 625,000



TWK 2024 Recommended Budget

DISCOVER AND SEND

New Church Development	534,657
Reserves	(534,657)
Evangelism (new)	0
Volunteers in Mission (Use reserves)	0
Disaster Response Preparedness	60,000
Discover and Send Team Innovation Fund	20,000
TOTAL	80,000



TWK 2024 Recommended Budget

EQUIP

Equip Staff	250,166
Young People's Ministry	206,500
Disability Concerns (covered in health/wellness)	0
Board of Ordained Ministry	160,000
Safe Spaces (covered in equip)	0
Board of Laity	22,500
Higher Ed/Campus Ministry	802,814
Camping	635,369
TOTAL	2,077,349



TWK 2024 Recommended Budget

CONNECT:

Ethnic Local Church Concerns	20,000
Church & Society	8,000
Health & Wellness	5,500
Council on Religion & Race	0
Role & Status of Women	4,000
Anti-Racism Coalition	19,700
Creation Care	1,000
Christian Unity	1,000
Connect Strategy Team Innovation Fund	9,000



TWK 2024 Recommended Budget

Covenant Entities Total

Family Services of West KY	344,400
Hannah's Hope	5,100
Miriam's Promise	25,500
Project Transformation	85,000
Reelfoot Rural Ministries	50,000
Trinity Community Commons	112,500
UM Neighborhood Centers	42,500
	23,800



TWK 2024 Recommended Budget

CONNECTIONAL TABLE	445,473
COMMUNICATIONS	
Communications	327,081
Annual Conference	171,000
Journal Committee	11,500
DISTRICT SUPERINTENDENTS (same for each)	1,343,798



TWK 2024 Recommended Budget

DISTRICT ADMINISTRATION:

Caney Fork River	107,820
Cumberland River	115,815
Harpeth River	136,518
Metro	143,442
Mississippi River	137,355
Purchase	150,205
Red River	165,212
Stones River	139,975
Tennessee River	141,905
Total	1,238,247



TWK 2024 Health Benefits Budget

- Health Flex Premiums \$5,050,000
- Direct Billing of Health Premiums (\$5,050,000)

- For the church/employer the annual premium for one clergy person increased from:
 - \$13,440 in 2022 to
 - \$14,400 in 2023 to
 - \$15,730 in 2024



TWK 2024 Pension & Other Benefits

Pension Costs	3,566,300
Direct Bill Pension Costs	(3,566,300)
Retiree Health	800,000
Other Income	(10,000)
Retiree AC Expense	60,000
Retiree Moving Expense	60,000
Disability Healthflex Premiums	50,000
Audit/Actuarial Evaluations	30,000
Administrative Services Support	250,317
Other Expenses	35,500
Total Other	1,275,817



CFA Action Items for 2024

- TWK CFA moves for the approval of the recommended 2024 Tennessee Western Kentucky Conference Budget as posted on the web-site on May 2, 2023 and reviewed today
- TWK CFA moves for the approval of the allocation of funds to the “Stay UMC Fund” as discussed in this presentation.
- CFA moves that the TWK Cabinet be authorized by the Annual Conference to use the Cabinet Reserve Fund in accordance with its written process, in its sole discretion, in an amount up to \$250,000 for calendar year 2024. Any amount above \$250,000 within the calendar year shall require consultation with, and agreement of, CFA.



CFA Action Items for 2024

- CFA moves that the approved travel expense for staff and members of councils, boards, committees and other entities of the conference be reimbursed at the mileage amount allowed by the Internal Revenue Service for business travel. All other business related expenses may be reimbursed in accordance with the CFA approved Accountable Reimbursement Policy.
- CFA moves that the housing allowance designated for clergy pursuant to Internal Revenue Code section 107 be approved for 2023-2024.
- CFA moves that the compensation for the District Superintendents for 2024 be set at \$132,544 inclusive of the housing allowance.