

Indiana-Kentucky Synod, ELCA

Treasurer's Report for 2009-10 Fiscal Year and Budget Proposal for 2011-12 Fiscal Year

Outline:

- Overview of Synod Accounts
- Review FY ended
- Budget Proposal 2011-12
- Additional Activities and Resources



SYNOD ACCOUNTS

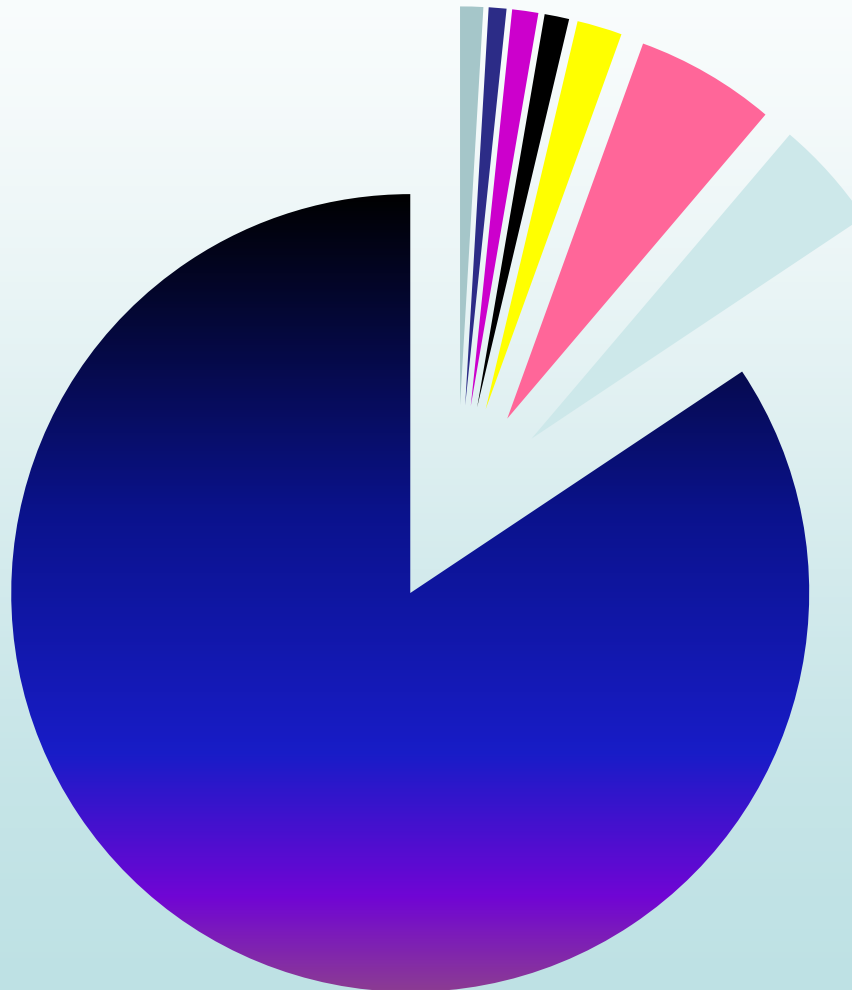


Defined

- **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
- Temp Restr.
- Other Revenue
- Council Desig
- Registration/Fees
- Benevolence

OPERATIONS



FY2009-10 Activity

- Revenue: \$3.029 million
 - \$2.388 shared benevolence (79% of Total)
 - 0.64 other income
 - Transfers from temporarily restricted (e.g. campus ministry)
 - Freed to Lead
 - Registration fees (e.g. assembly)

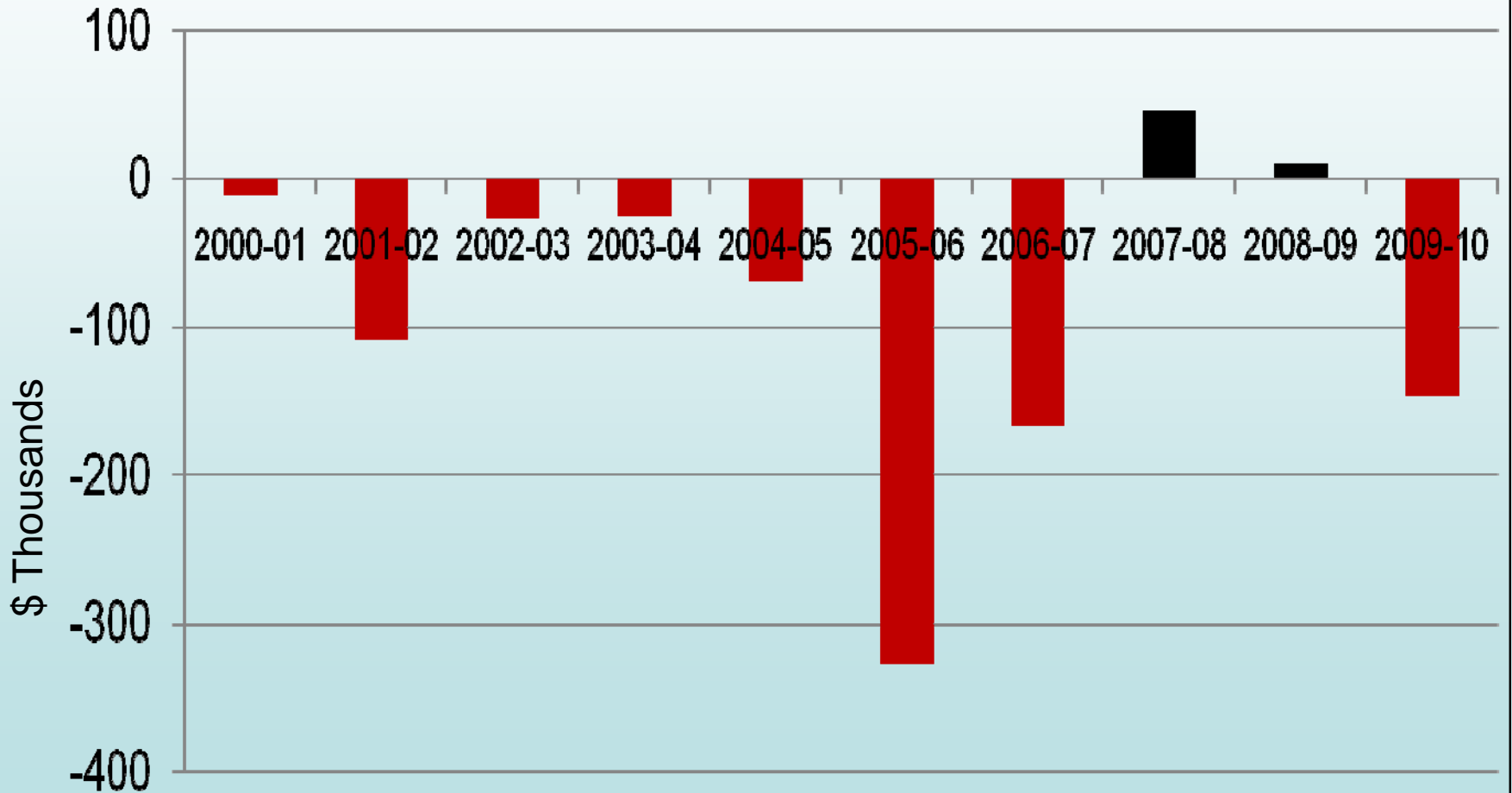
- Expenses: \$3.175 million
 - \$1.23 shared benevolence with ELCA (51.5%)
 - .66 program/admin salaries and benefits & deans salaries
 - .24 admin (rent, utilities, communications, travel)
 - .20 campus ministry support (0.15 from benevolence)
 - .16 new starts, redevelopments, etc. (.12 from benevolence)
 - .12 Assembly (covered by registration fees)
 - .06 outdoor ministry grant from operations (covers director)
 - .07 Trinity seminary, Capital/Wittenberg University support
 - .03 Global Missions (\$3k from benevolence)
 - .04 candidacy and candidate support (\$16k from benevolence)
 - .20 Freed to Lead Administrative/Program Expense
 - .16 Other ministry support

Deficit

FY2009-10



Operations Annual "Bottom Line"



Gift to Outdoor Ministries

FY2009-10



VOTED: SC/2009/40: Whereas the Indiana-Kentucky Synod Operations Balance Sheet includes an interfund receivable due from Outdoor Ministries in the amount of \$135,861.73, and Whereas Outdoor Ministries will embark on a new path in the journey by becoming independently incorporated on February 1, 2010, and Whereas the Indiana-Kentucky Synod desires to be supportive and encouraging of Outdoor Ministries in this endeavor, therefore BE IT RESOLVED that the Indiana-Kentucky Synod formally forgive the interfund receivable due from Outdoor Ministries as a gift to the newly formed corporation.

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FY2009-10



Significant Contributing Factors:

- Declining Benevolence
- Gift to Outdoor Ministries
- Transfer Prior-year Reserve

AUDIT SUMMARY

FY2009-10



- No “Material Weaknesses”
- FY2009-10
 - “Best Practice” Recommendation
 - Monitor the Mission Investment Fund
 - Disaster Recovery Plan
 - “Unqualified” opinion except relating to the valuation of Outdoor Ministry asset.
 - Efficiency Ratio: 84.4%



AUDIT SUMMARY

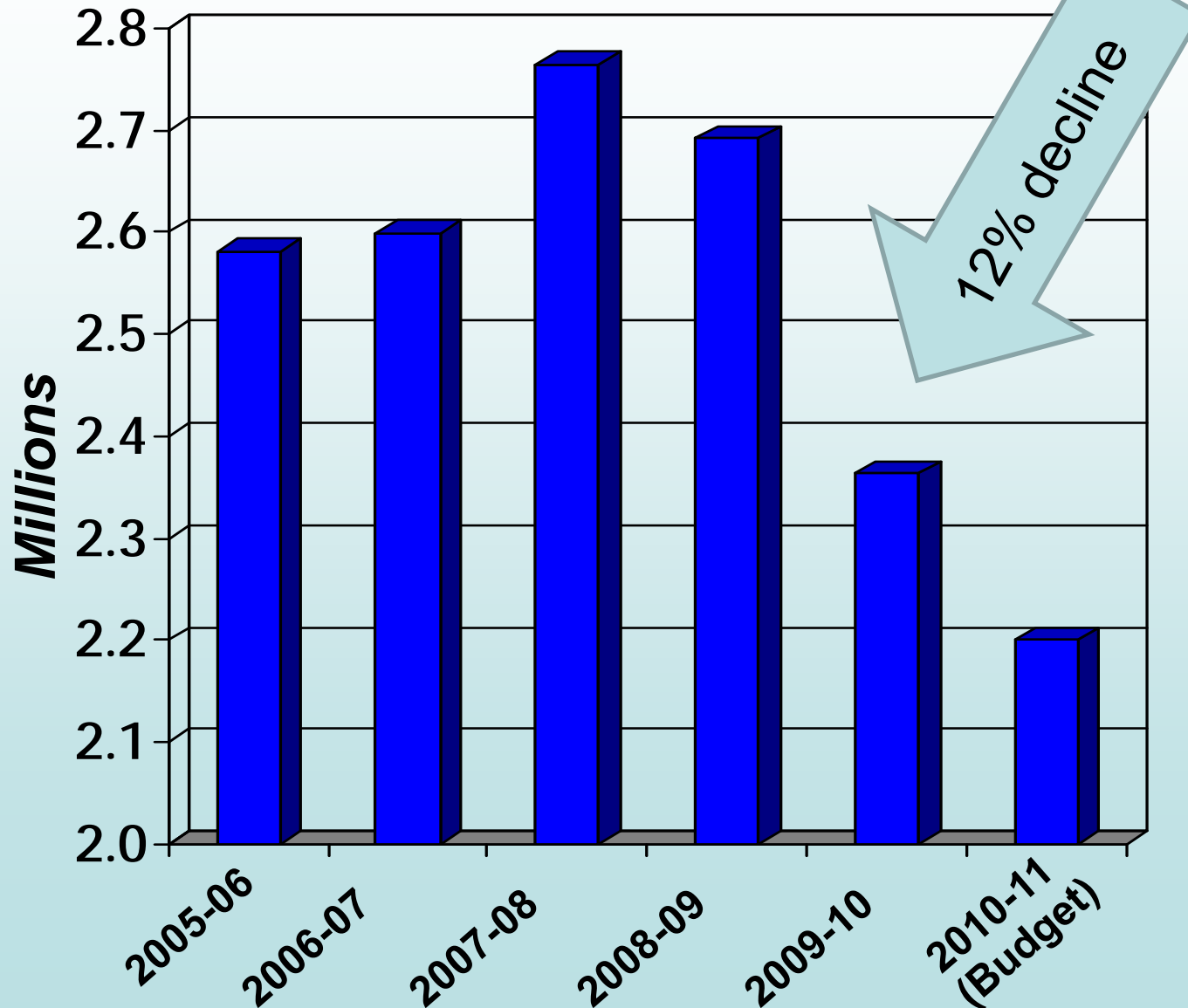
Efficiency Ratio

- Fairly Steady over last 4 years:
 - 84.4%, 84.6%, 82.9%, 84.4%
- 67% to 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.
- 2010-11 starting slow.

OPERATIONS

Benevolence by Conference (\$000)



Conference	2009-10	2008-09	2007-08
Northwest	238	274	284
North Central	225	290	280
Northeast	437	496	546
Indianapolis	542	585	622
Lafayette	134	154	154
East Central	198	206	203
Southeast	104	126	125
Evansville	161	170	170
South Central	165	207	204
Eastern Kentucky	158	183	176

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

CONGREGATIONAL BENEVOLENCE

Variance Report

	2008-09 to <u>2009-10</u>	2007-08 to <u>2008-09</u>
<u>CONGREGATIONS</u>		
Showing Increases	33.9%	42.7%
Showing Decreases	54.8%	45.3%
Level with Preceding Year	11.3%	12.0%
<u>DOLLAR VARIANCE FOR CONGREGATIONS</u>		
Showing Increases	134,285	183,855
Showing Decreases	<u>(462,588)</u>	<u>(255,745)</u>
Total Change	<u>(328,303)</u>	<u>(71,890)</u>
<u>AVERAGE VARIANCE PER CONGREGATION</u>		
Showing Increases	1,790	1,915
Showing Decreases	<u>(3,823)</u>	<u>(2,507)</u>
Total	<u>(2,033)</u>	<u>(592)</u>



Net Asset Balances

as of January 31, 2010

	2010	2009	2008
Mission 2000	\$1,561,072	\$1,184,145	\$1,548,563
Candidacy	879,183	638,983	1,015,050
“Named” Endowments	249,259	210,099	410,517
Other	0	0	281,711
Total	\$2,689,514	\$2,033,227	\$2,974,130



OPERATIONS

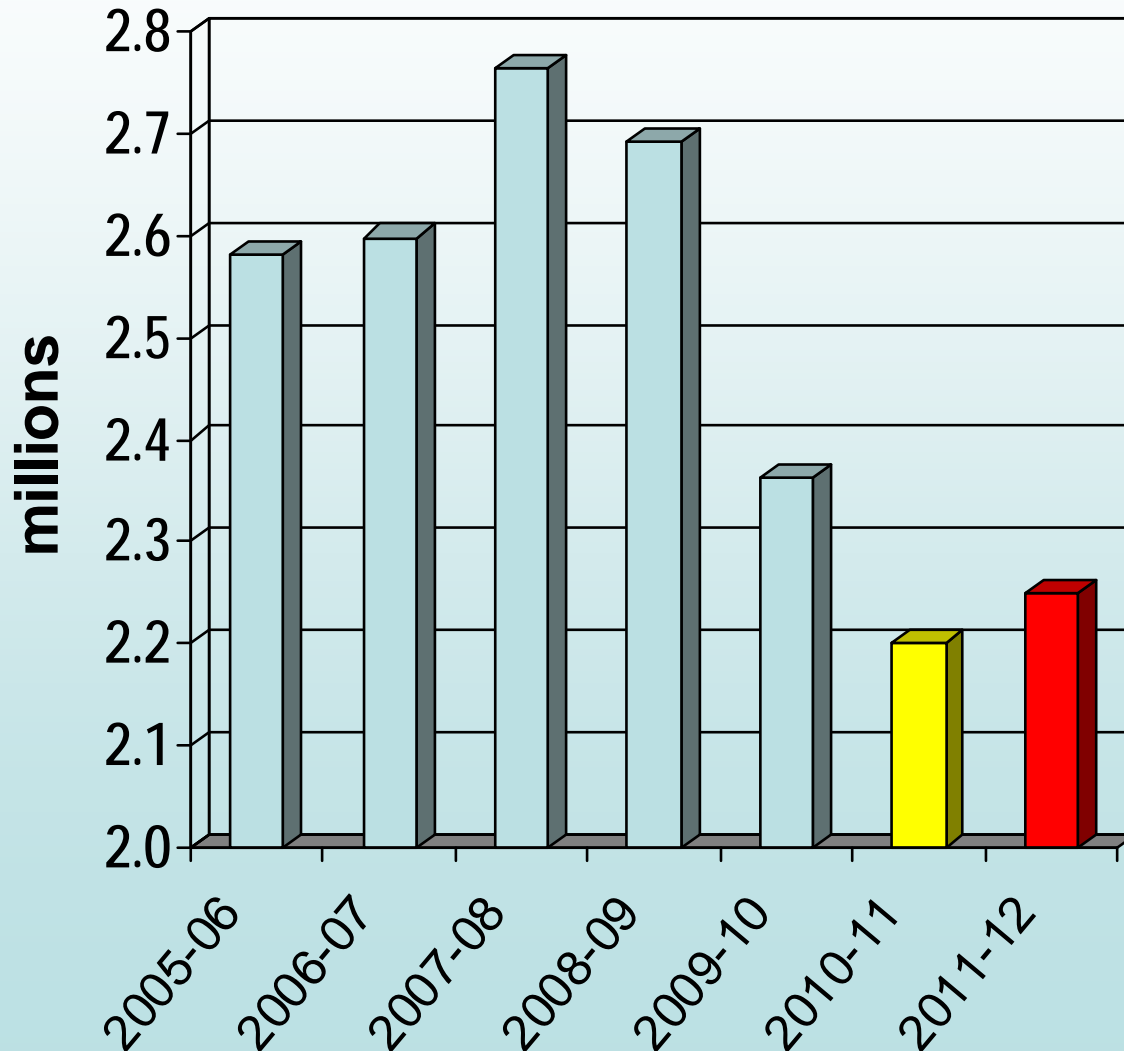
Current Year Adjustments

Adjustments made with
assistance of
Prioritization Planning

- Budgeted Benevolence and Shared Benevolence adjusted down 21%.
- Mission 2000 Endowment draw added.
- Reduced expenses to bring budget into balance:
 - Reductions in staff; program staff wages frozen.
 - Campus Ministries reduced 12%.
 - Reductions in support for Trinity Seminary (38%), University Support (50%) Outdoor Ministries (67%).
 - No funding for Mission Initiatives.
 - Funding for other programs/committees/ministries drastically reduced.

OPERATIONS

2011-12 Proposed Budget – Benevolence



- \$2.5 million benevolence
- 4% increase from 2008-09
- 1% less than 2002-03

OPERATIONS

2011-12 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)
relies exclusively on M2K funds
- Other support
 - Trinity Seminary – < 1/3 of request; “token” gift
 - Communications –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
- Continually improve budgeting process
 - More inclusive
 - More robust
- Monitoring endowment funds
- LOM finances (incorporation)



Looking to the Future

- Ministries funded by the budget hinge on benevolence.
 - Together, we can exceed the goal!
- “God’s Work. Our Hands. Extraordinary work through ordinary people.”

ADDITIONAL RESOURCES



Synod Finances

- CD ROM
 - Treasurer's Report
 - FY2011-12 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 “Meeting Room 2”