

FINANCE COMMITTEE MINUTES

January 16, 2019

Finance Members: Jack Barry, Keith Dawson, Jim Fisher, Jim Hooper, Evelyn Nadler, Ben Parks, Kathie Tiedeman, Libby Wilson, Rev. Dr. Charlie Lee, Rev. Dr. Kathryn Campbell
(Members present are in bold).

Opening Prayer - Jack

December and Year-End 2018 Financial Results – Libby

The Preschool Program financial were reviewed first and they continue to be right on budget for their fiscal year. Income is under budget year-to-date by \$727 due to some drops of participants, however there have been some adds to counter these for the most part. Also, expenses have a favorable budget of \$592 so the Preschool has a total net unfavorable variance year-to-date of \$135.

For the church, pledges finished the year with a positive variance of \$14,073. Approximately \$9,000 of the overage were pledges that came in after last year's budget was completed. The remaining increases were mostly due to new member pledges and some members who paid more than their pledges. Miscellaneous Income – General Fund finished the year with a positive variance of \$4,078 due for the most part to the multi-year rebate received earlier in the year. Income from the Lillian Steele pledge finished the year with a negative variance of \$39,000. This is actually a positive because it means that we did not need the entire \$110,000 we had anticipated for the year from this bequest. Due to this, overall Operating Income finished the year with an unfavorable variance of \$25,128. Year-to-date total Revenues are unfavorable by \$32,852. Personnel Committee expenses ended the year with a favorable variance of \$13,731 due primarily to approximately \$7,500 savings from not replacing the Parish Visitor position, but also to continuing education and contract labor being less than budgeted. Worship and Music finished the year under budget by \$1,459 due to less net expense for Bach's Lunch because of more participation. The Youth Committee ended with a favorable variance of \$2,616 due to obtaining unbudgeted scholarships for Montreat, and to some budgeted programming that did not come to fruition. The General Office & Admin Committee finished with a favorable variance of \$3,229 due primarily to not replacing some computer equipment during the year that was budgeted for replacement. Building and Grounds ended with a favorable variance of \$2,229 due to reductions of contract services, and under budget utility costs. At year-end total expenses had a favorable variance of \$33,488 which allowed the reduction of the transfer of funds from Lillian Steele. The net operating results for 2018 ended with a surplus of \$635. The Balance Sheet continues to show a strong, liquid position.

In the Schedule of Designated Funds, the most notable item is that we have received \$64,590 in advanced pledges for 2019. The Schedule of Restricted Funds showed revenue totaling over \$26,000 from dividends and capital gains distribution. This revenue is more than offset by the expenses booked for the changes in market value of the funds in the 4th quarter.

Discussion and Recommendations for 2019 Budget – Libby

The Committee discussed different versions of the budget including an "Asking" version, a "Budget Option 1" version, and an "Option 2" version. Expense-wise, the Mission Committee

requested an increase of \$3,650 for local mission agencies. The Mission committee still has significant unused endowment funds from 2018, and will be getting another significant distribution in 2019. Mission discussed using some of these funds (over \$70,000) to help fund the budget, however they decided that they would rather use them to do something significant. Because of this the Option 1 budget version doesn't use any of these funds, however it keeps this expense line relatively flat (\$500 increase). The Option 2 version uses \$4,000 of the endowment funds to reduce the expense line to \$36,000. All other Mission expense lines remain flat with the exception of the expense line for Presbytery which was increased from \$10,000 to \$10,500 to cover the per capita increase that Presbytery will be seeing from the General Assembly. All 3 versions of the budget have this increase. The Benevolence – Tutoring Support-in-Kind line is set to be basically flat from 2018 actuals. This is down from 2018 budget due to less participation this Fall. The Personnel Committee Asking budget included a 3% increase for staff. Option 1 lowers this increase to 2% in order to keep this expense line relative flat from 2018's budget. Option 2 uses the asking budget amount using the savings from reducing the Local Mission expense to offset the increase. Building & Grounds asked for a \$7,100 budget increase, but this was reduced to \$2,300 in both the Option 1 and Option 2 budgets to take into account saving changes that were implemented in 2018 and will continue forward. Likewise, Fellowship requested a budget increase of \$1,800 which was able to be reduced to \$300 in Options 1 and 2 to due to 2018 changes. The Youth Committee requested an increase of \$1,600 for their budget. The biggest component of this increase was for Montreat Youth Conference. The Dockery Educational Trust is restricted to be used for Christian education of Starmount members under the age of 25. Because Montreat falls exactly within those parameters, funds from this trust will be used, which should bring the total needed in Option 1 and 2 to be a \$2,600 decrease.

The income for all budget versions are the same with most revenue lines remaining flat from 2018 actual amounts. The transfer from Designated Funds is budgeted to increase from \$6,000 to \$20,000 and the funds will come from Endowment receipts from the General Fund. The Lillian Steele funds request decreased from \$110,000 in the 2018 budget, to \$90,000 for the both Option 1 and Option 2 versions.

After discussions, the Committee felt that the staff should get the full salary increase requested from Personnel and therefore we are recommending Budget Option 2.

Other Discussion Items and Potential Action Items to Session

In following up on prior months' discussion regarding financial oversight of Starmount Presbyterian Church, Kathie Tiedeman reported on the discussion in the Admin Committee's last meeting. The oversight had been moved to Admin by transitional Pastor Ray Mims. The Finance Committee agreed with Admin's assessment that the oversight should return to Finance and has agreed to take this responsibility.

ACTION ITEMS TO SESSION ***

1. Approval of Finance Committee's recommendation of the 2019 budget.

Closing Prayer - Charlie