

Our Savior's Lutheran Church



Mid-Year Financial Report to the Congregation

June 26, 2016

Email thoughts to:

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Our Mission



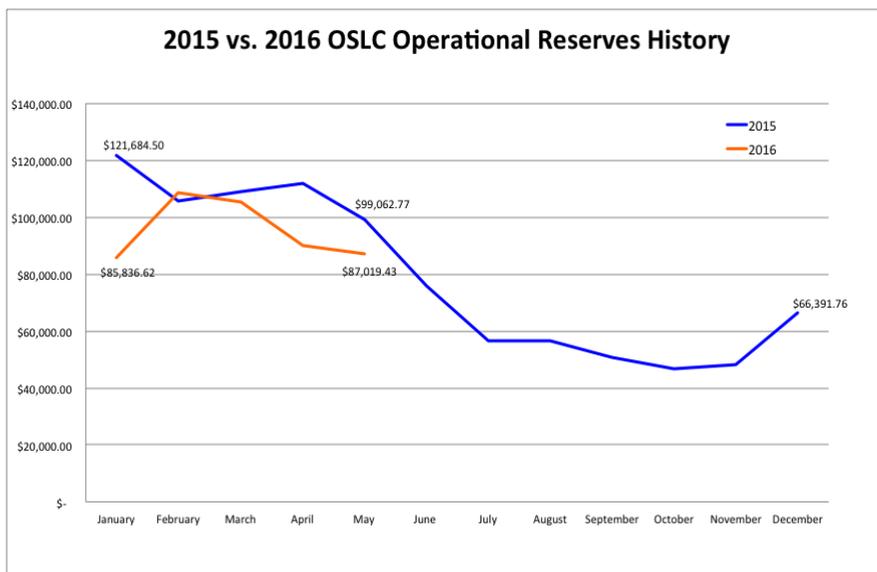
so that others may gain the Kingdom.

Meeting Objectives

1. Clearly report on our current financial situation
2. Address the issue, raised at the Annual Meeting of the Congregation in January, as to whether we will hire a Faith Formation leader in the last half of this year
3. Seek the Congregation's input regarding plans for the balance of 2016 and going into 2017.
4. Fuel excitement for Our Savior's mission

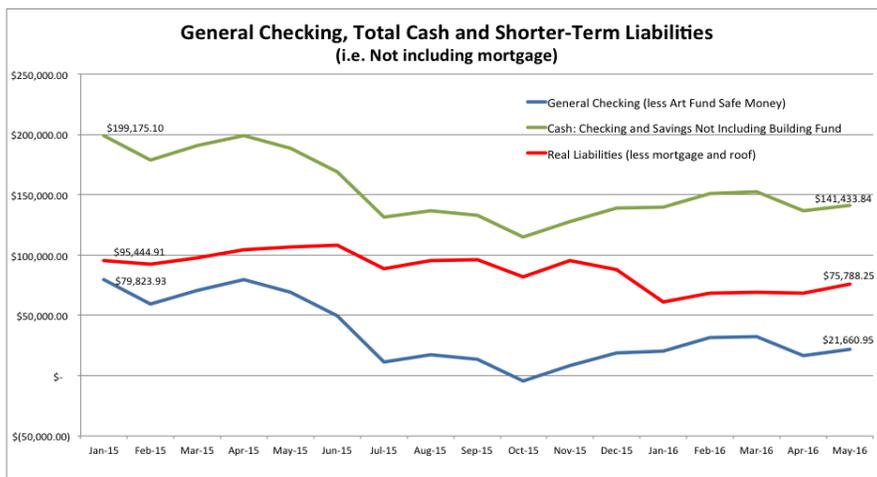
Operational Reserves Falling

Operational reserves are a measure of cash assets relative to short-term liabilities. It our available checking and savings minus our liabilities, or the amount of cash we would have if all of our shorter-term obligations became due at once. Operational reserves are a good measure of our financial strength. The ELCA recommends operational reserves at 3-6 months of expenses. Our monthly expenses currently run just under \$60,000, so we currently have only 1.5 months of reserves, and dipped below one month of reserves last year.



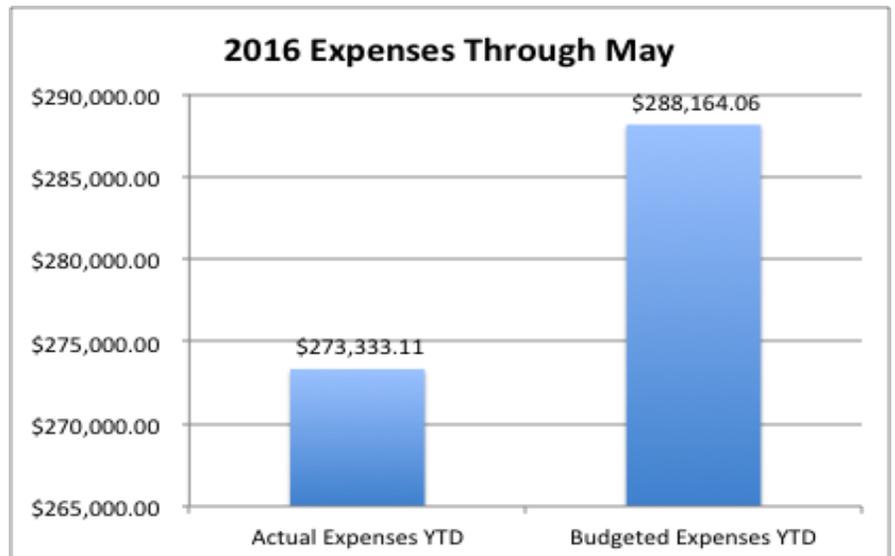
Spending into our savings

Since our giving income has been less than our expenses, our checking account balance has fallen over the last two years. In fact, if current (shorter-term) liabilities were to come due at once, we would need to dip into our savings in order to pay them. Currently, Our Savior's has just under \$120,000 in a savings account, enough for two months of operational expenses.



Expenses are tracking close to budget

Expense management is not our problem. Our staff is managing expenses close to budgeted levels overall. Actually, we are tracking a bit better than our expense budget year-to-date.



A word about Lakes Area Discovery Center (LADC)

LADC Facts

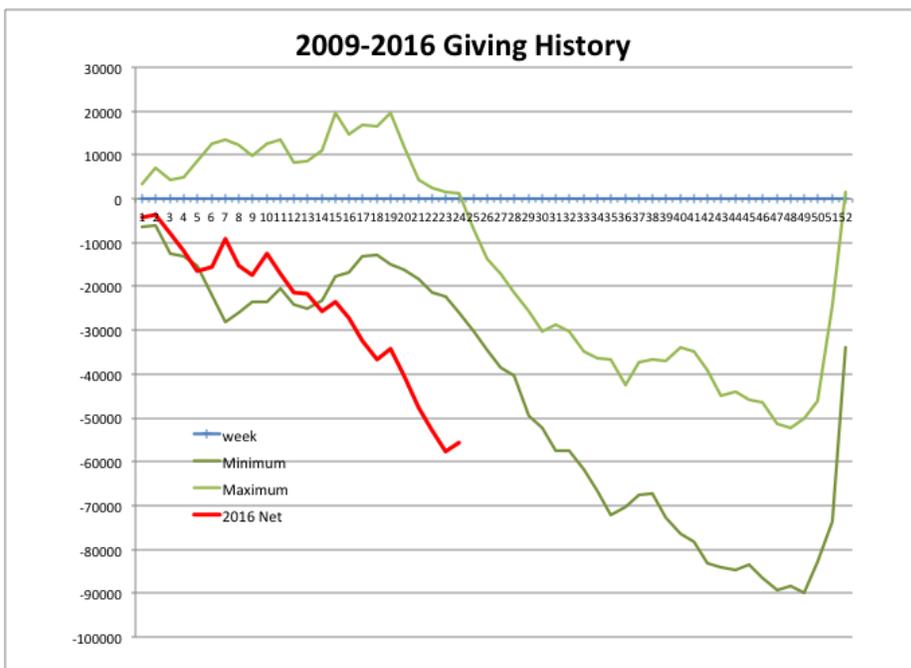
1. LADC currently pays OSLC \$25,000 a year for expenses to rent OSLC building space.
 - a. In 2007, LADC payments were \$12,000. LADC has increased its payments to OSLC at rate greater than the Consumer Price Index.
 - b. Later this year, LADC will add another room for additional children and will pay an extra \$5,000 per year, for a total of \$30,000 per year. The additional room will require little in terms of additional expense to OSLC.
 - c. Lower birth rates are creating new competitive pressure for day care providers, and LADC is not immune. OSLC-initiated cost increases could force LADC to leave OSLC.
2. Board estimates that the marginal cost to Our Saviors of LADC operating in our facility range between \$22,250 and \$27,200 a year with the median cost being \$24,700 a year.
 - a. The majority of marginal cost is Custodian salary.
 - b. All business administration costs are reimbursed (copier/paper). LADC handles its own postage, office supplies and subscriptions.
 - c. Telephone/Computer/Software/Internet are fixed costs that are not increased OSLC due to LADC's use.
3. There are many intangible benefits to Our Savior's.
 - a. Half of this year's confirmands came to Our Savior's as a result of first being enrolled at LADC day care. Their families joined the church after being introduced to childcare at our facility. It is a great way to gain new members.
 - b. LADC Partners with OSLC on up to three events per year (including Vacation Bible School). LADC provides funds for hosting these events, which benefit both LADC and OSLC.
 - c. LADC is a Christian day care center. As such, it helps OSLC fulfill OSLC's mission of, making Christ known in the world.

After a reviewing our relationship with LADC, the OSLC Administrative Board believes that the payment received from LADC is fair to both parties and that the partnership between OSLC and LADC is one that benefits both organizations.

Overall Giving is Under Budget

Overall giving for 2016 is under the amount needed to cover current expenses. Our Savior's historical giving pattern holds relatively level until late May or June, and does not pick up until the end of the year. This year giving started fall below our expectations very early, and it exhibited a "summer drop" that started in mid-March. We recently had a very strong week, but are still far below our budgeted levels.

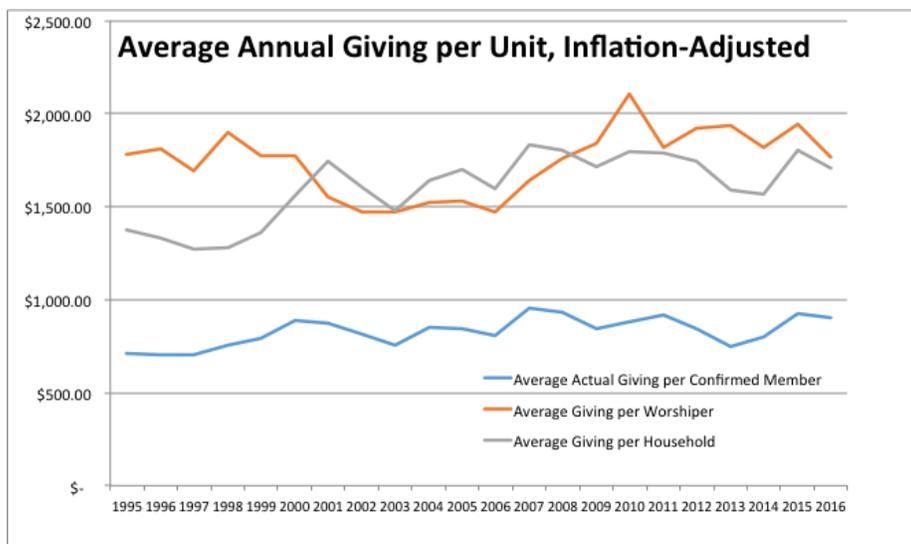
Notice, also, in this chart that our financial position relative to our budget on about week 24 seems to correlate closely with our financial position relative to budget at year end. Of course, that can vary, but it may give us a glimpse of where our year-end giving may be.



Our Giving Levels Per Giving Unit Are At or Near Historic Highs

Any way you measure it, our current and recent giving levels, measured on a per giving unit basis, are on the high side of historic norms. The chart to the right includes actual data for through 2015, and a projection of 2016 using actual giving for the first 24 weeks of the year and applying historic trends since 2009.

There is another important message in this chart... If we can turn more confirmed members into worshipers, we will see an increase in giving.

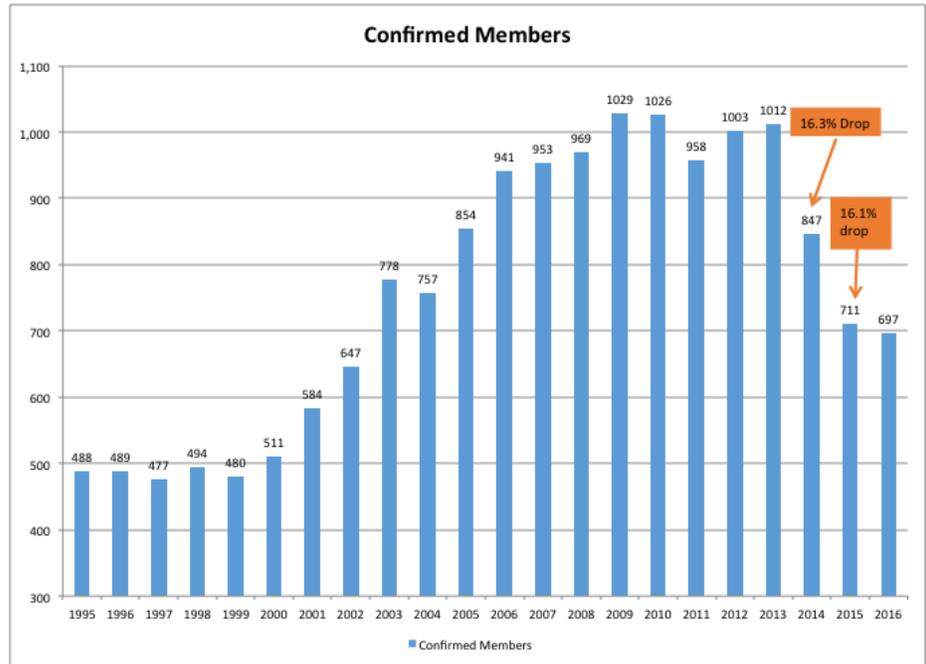


Our membership is smaller...a lot.

Unfortunately, Our Savior's membership has declined by nearly one-third since 2013. There are many reasons this has happened, including

- Pastoral changes
- Controversial ELCA positions
- Sunday school changes
- A long trend of younger people choosing not to participate in organized religion

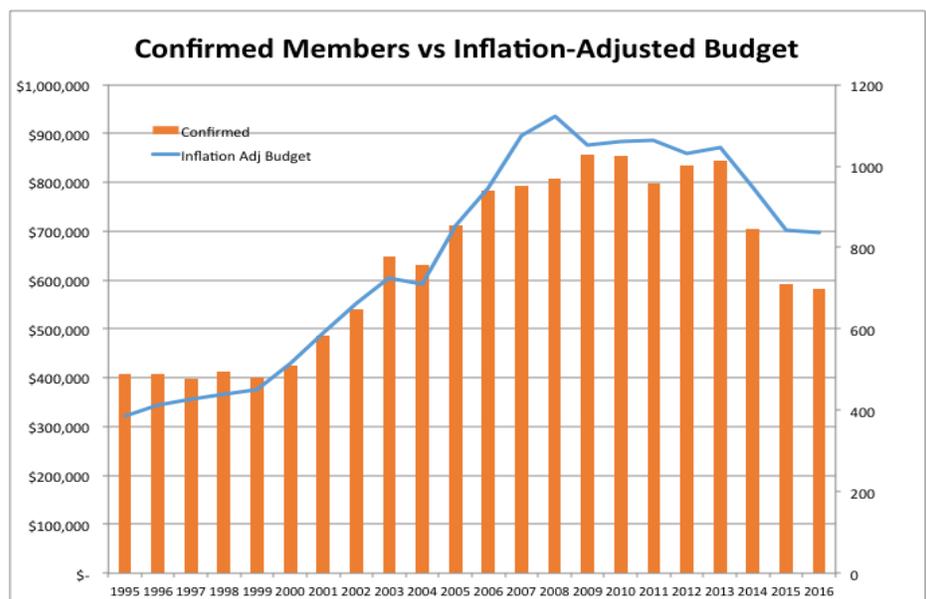
The good news is that, so far in 2016, we have not seen big, additional membership losses. It's too soon to tell for sure as summer seems to be a time when people may consider church changes, especially younger families.



Declining membership requires budget adjustments

In response to reductions in membership, significant budget cuts were made over the same period of time, totaling 20%. These cuts resulted in staff and program reductions.

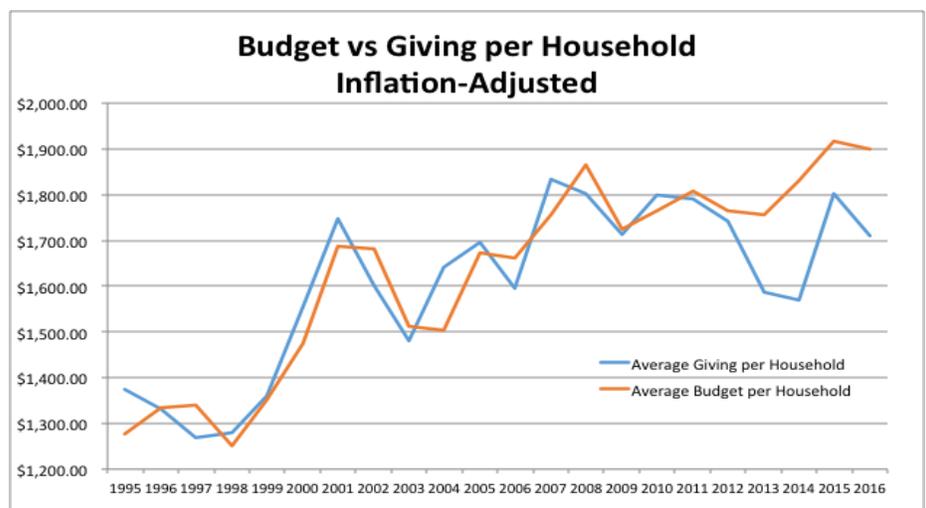
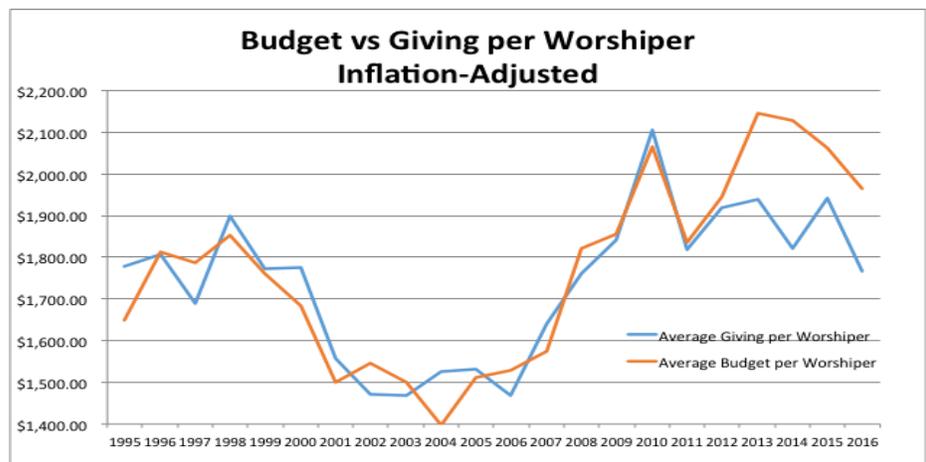
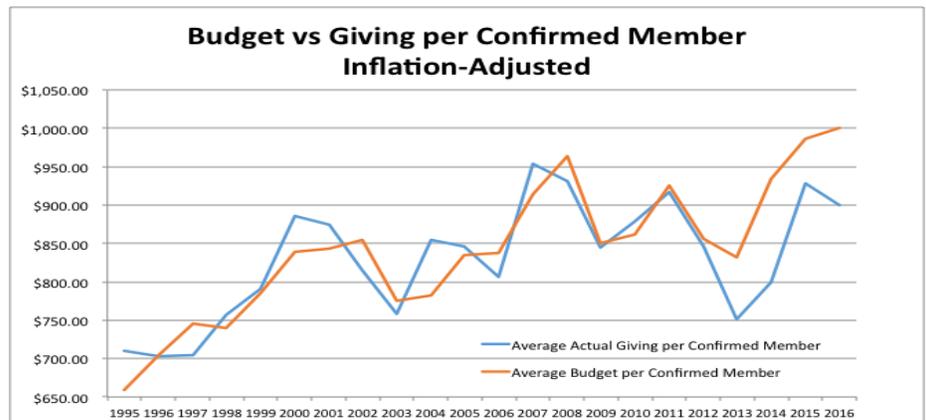
We currently have fewer Associate Pastor and one fewer faith formation leader than we had two years ago. Our Children and Families Ministry has felt the impact significantly.



Is the Budget Too Big?

Perhaps. The budget that we approved in January of 2016 may be too big for a congregation of our current size. When we compare our historical budget to giving, both inflation-adjusted, it is apparent that our budget has exceeded giving levels since 2013. That is true no matter which unit used to determine the averages: confirmed member, worship attendee or household.

But, we have to be careful about budget cuts. We cannot cut our way to success.



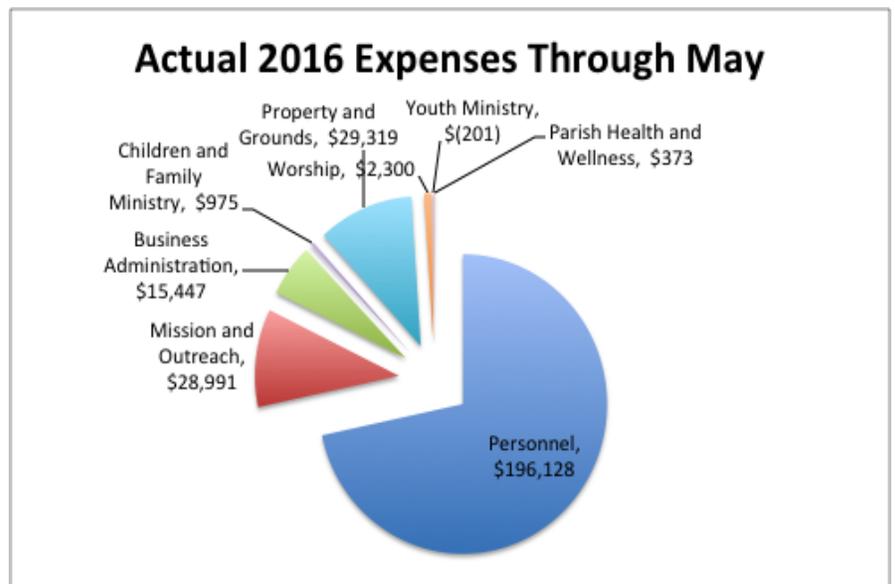
Summary of Financial Status

- While expenses are being managed within budgeted levels, giving is not keeping pace with spending. Clearly, our financial position is not good, and it is not sustainable. Action is required.
- Additional giving would sure help, but giving is already near historic highs when measured on a per person our household basis.
- Membership has fallen faster than our budget, and the result is a budget that either needs additional members to support it, or that has to be right-sized so that it is sustainable for our congregation.
- Steps already taken include:
 - Communication and giving appeal to the congregation
 - Engagement of the Giving Team
 - Prudent expense management
- Additional steps for consideration may include
 - Reach out and engage existing members who are not active. Just attending worship has an impact upon giving.
 - Make attracting new members a bigger part of what we do everyday. Recognize that summer is a time when many people consider church changes. We need to do what we can do to keep the folks we have, as well as to attract new ones. Summer programing is important.
 - Re-think and re-invent our Sunday School experience with a vision of making it more fun and exciting for children and families. Sunday School is one of the big draws for young families.
 - Make a mid-year change to the 2016 budget, prioritizing the places where we allocate remaining resources.

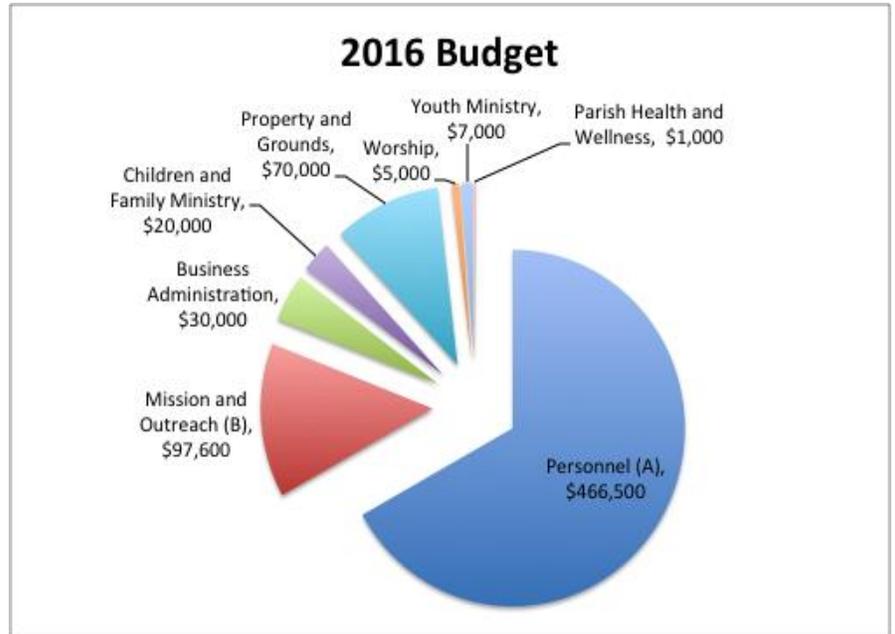
Where the money is going

A revised budget is essentially a way of prioritizing our resources. If we consider changes, we need to look at where the money now. The chart to the right represents our actual 2016 expenses through May, broken out by category. (Youth ministry shows a negative expense because it has fee income that had not yet been paid out.) Nevertheless, the largest expenses are those we would expect given our budget:

1. Personnel
2. Mission & Outreach
3. Property & Grounds
4. Business Administration



The next chart represents our 2016 Budget, approved in January at our Annual Meeting. The Personnel budget includes \$15,000 for a faith formation position that we do not intend to fill under current circumstances. The Mission & Outreach budget represents a 14% contribution, but is being made at a 12% rate presently.



Administrative Board Recommendations

1. Continue to communicate weekly giving relative to budget, and incorporate stories about the great things happening at Our Savior's.
2. Emphasize that gifts of time and talent are every bit as important as gifts of money. (We need member involvement and volunteerism!)
3. Continue to work with our Giving Team to encourage use of Simply Giving and to plan for Commitment Sunday.
4. Develop a plan to re-engage members who have been inactive. Even getting people to worship is a huge, positive step!
5. Create an Evangelism Committee to build a sustainable new member program.
6. Make budget changes by Friday July 15, that will result in a new 2016 budget target of \$627,300, a 10% reduction, targeting the following areas.
 - a. Personnel
 - b. Mission and Outreach
 - c. Property and Grounds
7. Instruct staff to confirm the current member count in our congregation, and reconfirm the count again in September. Kathy Newton may already be doing this.
8. Begin to distinguish worship service attendance counts of adults versus children. Confirmed members should be counted as adults.
9. Prepare to build a 2017 budget that is predicated upon a set amount of giving per confirmed member.