

Finance Committee Meeting  
September 7, 2021

Daryl Ackerman, Chair, called the meeting to order at 6:35 PM with prayer. Others in attendance included: Mike Berney, Mike Akers, Judy Hunter, Frank Bertovich, Patti Shatto, Paul Hensel, Bob Frymoyer, Pastor Horner, Mary Haar, and Keith Huntzinger.

Dave Rupnik was excused for the evening. Matt Bingaman advised the chair he was unable to attend.

The minutes of the June 1, 2021 meeting were approved by Judy Hunter. Patti Shatto seconded, and the motion carried.

**Reports: Give, Serve, Lead** – Pastor Horner reported a meeting will be held next week, September 16.

**Capital Appeal** – Bob Frymoyer reported we are in good shape for the Capital Appeal. The picnic and follow-up phone calls helped to get parishioners further engaged. Currently there is \$90,000 outstanding in pledge money. We should be able to account for \$80,000 of that. Some of the larger pledgers we can depend on account for \$40,000 out of the \$80,000, due to personal phone calls from Bob Frymoyer and Lou Grammes. Bob Frymoyer would like to see the balance of the S&T loan principal below \$200,000 at the end of the year.

Bob Frymoyer noted \$10,000 was received from Ron Katzman's family.

**Chairman's report:**

The Chair submitted the following report via email to the committee members:

**Finance Chair report to September 7 Finance Committee Meeting**

- (1) The August financial reports (budget summary) show net receipts less expenses for the month of -\$13,754. Membership Envelopes for the month are over budget (by \$5,600), and there are few other receipts. Expenses for the month are under budget. For the year through August, actual net receipts less expenses are \$51,307. Receipts do not include the PPP loan, which is budgeted for December.
- (2) Honor Our Past, Plan Our Future has a balance of \$13,767, with August receipts of \$14,467. Average monthly receipts through July were \$20,554. August expenses totaled \$97,824 (Campbell \$44,629, furniture \$12,021, principal payments \$40,000, interest of \$1,174).
- (3) An additional \$10,000 principal payment to the S&T bank loan was made on September 2, making the current loan balance \$289,038. The S&T Bank loan (for the Capital Campaign project) is necessary to provide funds until such time as pledges are received from the Capital Campaign.
- (4) The MIRA balance is \$27,692.
- (5) Trinity received a memorial from the family of Ron Katzman in the amount of \$10,000 to further the ministry at Trinity.
- (6) I've projected, through the end of the year 2021 (and Dave Miller had the same estimate), that membership envelopes end up at \$1,170,300, with total receipts of \$1,292,050. With Fall activities beginning and staffing in place, expenses are expected to be at budget levels for the rest of the year, totaling \$1,244,550. This means year-end net receipts less expenses may be \$47,500.
- (7) While 2021 Membership Envelopes appear to be up over last year, we have averaged a 1.8% decrease per year over the last seven years. Projecting Membership Envelopes for 2022 based on the increase from 2020 yields an estimated \$1,197,200, while a continued 1.8% decrease would result in \$1,149,200. Estimating based on a return to 2019 levels of giving, other general fund receipts, and reimbursed expenses, total 2022 receipts are estimated at \$1,336,150 to \$1,384,150.
- (8) While projected budget expenses for 2022 will not be known until budgets are returned by teams and committees, it is necessary to attempt a projection to plan accordingly. An underlying assumption is that attendance and activities will return in 2022, to roughly 2019 levels. Considering staffing levels, pastors' salaries at the minimum Synod levels, and a salary increase, 2022 A&P expenses are estimated at \$909,800 (compared to 2019 expenses of \$947,100). Property expenses are expected to track 2021 budget levels (with additional

costs for grounds, telephone and internet, Market St. taxes and utilities, and inflation). Finance Committee expenses will include repayment of the Quasi-Endowment loan for 1959 Market St. Other team expenses are generally estimated at levels comparable to 2019. Total 2022 expenses are estimated at \$1,456,850.

(9) Based on the receipts and expenditure estimates, the net receipts less expenses for 2022 would be from - \$72,700 to -\$120,700. It appears important, therefore, to retain the budgeted \$120,857 from the PPP loan to balance the 2022 budget. After year-end receipts, pledges, and budgets are received, it may be possible to reduce this retained amount.

(10) S&T Bank expects a request from Trinity to reamortize the [current] \$289,038 loan on or before September 15 (to give us an opportunity to further pay down the loan principal). In light of the 2021 year-end operating fund estimates, I recommend we apply the General Operating Reserve (\$7,118), the unbudgeted remaining PPP loan funds of \$41,514 (\$162,371 – 120,857), and the Ron Katzman memorial (\$10,000) to the loan principal, with the provision that operating funds be paid back to the operating fund from Capital Appeal receipts as they become available. These payments would reduce the loan balance to \$230,406 for reamortization. The new loan payment is estimated at \$5,000 (compared to \$10,701 for the \$500,000 loan amount). We expect S&T Bank to accept the request and reamortize the loan, but it is dependent on the bank's Portfolio manager. Interest and principal on the reamortized loan would be paid from Capital Appeal receipts, until they become insufficient for that purpose, and then the debt service would need to be budgeted and borrowed from operating funds.

(11) We submitted the church review representation letter to the auditor upon review of the draft report for the year 2020. The final report will be sent to the committee upon receipt.

(12) It is time to provide advice to the teams and committees for 2022 budget planning. Please plan to provide input on this. **I have provided some thoughts on this below.**

(13) It may be a good time to visit Trinity's financial stability goals:

- (a) Quasi-endowment (as Operating Reserve): 25% of operating budget (2022 budget \$1,379,467) or \$344,867 (as of 8-31-21, Quasi is \$33,234)
- (b) Membership Giving – at +2% annually: through August, total Membership Giving is \$760,673 (vs. \$743,293 in August 2020, or +1.0%). Membership Envelopes over the past seven years has decreased 1.8% per year.
- (c) Endowment – equal to operating budget, or \$1,379,467: as of 7-31-21, Endowment balance is \$1,125,829
- (d) Capital Reserve (MIRA) -10% of operating budget, or \$137,947: as of 8-31-21, MIRA balance is \$27,692.
- (e) Debt: should be short-term within the church's ability to repay through a capital campaign. Debt at S&T Bank is short-term (5 years), and the ability to repay may require borrowing from the operating fund.

## **2022 Budget Process**

Underlying assumptions:

- (a) 2022 will be a year of continuing changes. There will be Trinity members who will want to return to in-person ministry and some who will not, and this will change as restrictions come and go.
- (b) New ministry models and new communication options are being and will continue to be developed. Responses to those new options will have to be evaluated and modified.
- (c) During the year, expenses will be difficult to predict. Expenses will continue to be tracked, and changes may need to be made during the year. A method of evaluation may be to determine if something being done advances Trinity's goals and objectives, not just if something is being done with excellence (and not contributing to the goals and objectives).
- (d) Adding all benevolence contributions to flow through the budget will make the amount of Trinity's and its member's benevolence contributions more clear to those who look to the budget as the plan and priorities of the church.

Budget and Preparation Process:

- (1) Request each committee and ministry team to prepare its budget for 2022 without restrictions. They should request what they believe is necessary for their part of Trinity's ministry in 2022.

(2) Each budget proposal submitted must contain an explanation at an overall level and with detail of what the funding will be spent for, what results they expect from those expenses, and how these results will enhance Trinity's "Worship, Connect, and Serve" goal. Any budget proposal without these details will be returned to the committee or team for that information.

(3) Add to the budget items currently in Designated Benevolence accounts, which is about \$35,000 per year. Specific lines for World Hunger, Lenten Special Offering, etc. will be added, and then a line item for all other designated contributions of lesser amounts. The amount sent to the organizations in this section would be limited to the amounts donated (even if the "budget" amount is not met).

(4) Expenses for the Lenten Special Offering, World Hunger emphasis offering, and similar special offerings would be paid for by the ministry team(s) requesting the offering (out of their budget or designated funds). For example, expenses for the Lenten Special Offering (envelopes, mailings, postage, etc.) would be split among the teams who request the offering and who designate where the contributions will be sent.

(5) Budget contributions for MIRA would be included in the Property budget. In addition to any budget line, at the end of the year any Property budget funds not spent could be transferred to MIRA, unless Finance Committee determines those funds are needed to balance the budget.

**Parsonage/1959 Market Street:** Dave Rupnik reported this came in below budget.

**MIRA:** Dave Rupnik reported there are no pending projects for MIRA.

**Director for Finance** – Paul Hensel reported we have a \$51,306 surplus of receipts less expenses through August. Things are looking good. Expenses are down, and giving has been good.

Forty five percent of the money coming in is through egiving.

The Honor Our Past, Plan Our Future Fund Balance as of August 31, 2021: \$13,767.

The \$400,000 that was placed in the additional investment fund with the ELCA Endowment. The current balance of the account is: \$403,597.

Paul Hensel confirmed people who are watching the streaming on-line are giving towards the budget.

**Lead Pastor's Report** – Pastor Horner reported he had a nice sabbatical.

The two new hired employees, Beth Bard, Building Use Coordinator, and Moses Kavishe, Director of Faith Formation, are getting acclimated to the church and their newly created positions. A discussion was held about the staff positions that will report to the Director of Faith Formation.

#### **New Business:**

**Suggestions to pay down S&T Bank Loan principal:** Bob Frymoyer move to approve the Chair's recommendation (below), but would like to add an amendment to get the balance under \$200,000 by 2022 for the amortization schedule. A handful of pledgers will be making the \$35,000 difference from the Chair's amount to bring it under \$200,000. The \$35,000 will be borrowed from operating funds, to be repaid first as Capital Appeal funds become available. A discussion followed.

[The Chair's recommendation, from the report, follows]

S&T Bank expects a request from Trinity to reamortize the [current] \$289,038 loan on or before September 15 (to give us an opportunity to further pay down the loan principal). In light of the 2021 year-end operating fund estimates, I recommend we apply the General Operating Reserve (\$7,118), the unbudgeted remaining PPP loan funds of \$41,514 (\$162,371 – 120,857), and the Ron Katzman memorial (\$10,000) to the loan principal, with the provision that operating funds be paid back to the operating fund from Capital Appeal receipts as they become available. These payments would reduce the loan balance to \$230,406 for reamortization. The new loan payment is estimated at \$5,000 (compared to \$10,701 for the \$500,000 loan amount). We expect S&T Bank to accept the request and reamortize the loan, but it is dependent on the bank's Portfolio manager. Interest and principal on the reamortized loan would be paid from Capital Appeal receipts, until they become insufficient for that purpose, and then the debt service would need to be budgeted and borrowed from operating funds.

The motion as amended would reduce the loan balance to \$195,406, and the debt service payments to about \$4,200. The motion passed with Mike Berney & Mike Akers opposing.

**Advice/process regarding 2022 budget process:**

The following was part of the Chair's report:

**Budget and Preparation Process:**

- (1) Request each committee and ministry team to prepare its budget for 2022 without restrictions. They should request what they believe is necessary for their part of Trinity's ministry in 2022.
- (2) Each budget proposal submitted must contain an explanation at an overall level and with detail of what the funding will be spent for, what results they expect from those expenses, and how these results will enhance Trinity's "Worship, Connect, and Serve" goal. Any budget proposal without these details will be returned to the committee or team for that information.
- (3) Add to the budget items currently in Designated Benevolence accounts, which is about \$35,000 per year. Specific lines for World Hunger, Lenten Special Offering, etc. will be added, and then a line item for all other designated contributions of lesser amounts. The amount sent to the organizations in this section would be limited to the amounts donated (even if the "budget" amount is not met).
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- (5) Budget contributions for MIRA would be included in the Property budget. In addition to any budget line, at the end of the year any Property budget funds not spent could be transferred to MIRA, unless Finance Committee determines those funds are needed to balance the budget.

Pastor Horner moved to approve lines 1-5 above. It would give the teams and committees freedom to create their budgets and provide further scrutiny of funds. It would give Chairs and Facilitators voice into resetting budget lines. Bob Frymoyer seconded. The motion carried.

Judy Hunter noted Synodical giving and the Synod using our facilities needs to be considered. According to Pastor Horner, Paul Hensel, and the Chair, this was part of the agreement the church came to for 1959 Market Street. A discussion followed.

**Notes for Good of the Order:** Mike Berney acknowledged the hard work and dedication the members of this committee and the staff have towards the church.

Adjourned with the Lord's Prayer at 7:45 PM.

The next meeting will be Tuesday, October 5, at 6:30 PM.

Respectfully submitted,  
Mary Haar, Committee Secretary and Daryl Ackerman, Chair