

TREASURER'S REPORT TO THE 2016 MNO SYNOD CONVENTION

This is my final report as Synod Treasurer. Looking back on my two terms, it has been a very active time for the Synod. We have weathered some storms, and we have accomplished some great things. All in all, I have great confidence that the church will find a way to thrive, no matter the circumstances. Having served for two full terms, it is time for you to select another pair of capable hands to accept the responsibility of helping the Synod advance its mission. Thank you for allowing me to serve the church in this capacity for these last 8 years.

There are 3 parts to this treasurer's report:

1. **Overview**, where I comment on the broad sweep of things since 2008 and into the future. It's important to always keep the long view in mind, both forward and back.
2. **2015 Discussion and Analysis**, where I comment in detail on the Synod's 2015 financial results, comparison to budget, etc. Even if you're not especially interested in the numbers, I hope you'll read through this section of the report, just to get a sense of the broad array of mission and ministry that the Synod undertakes. The Synod supports a tremendous amount of work, and the range is both deep and wide. Nearly all of it gets mentioned in the financial statements.
3. **2015 Financial Statements (Audited for the Synod, Reviewed for the Foundation)**. This is for the serious number crunchers in the crowd.

OVERVIEW

The Synod lives with the same financial circumstances that affect most congregations: declining financial resources. Congregational benevolence has declined by over 17% since 2008. For the Synod, that's about \$103,000 less per year – about the cost of 1 ½ rostered staff. We don't mope around about it – we use the resources we're blessed with to the limits of our ability. We face our reality head on, and the choices have not been easy: staff reductions, wage freezes, reductions to mission partners, and programming cuts have all been part of the process over the years.

We have been determined to stay ahead of the decline in revenue, and we have succeeded. In spite of declining benevolence, we have been able to build up our contingency reserve from a mere \$1,000 in 2008 up to nearly \$42,000 in 2015. This gives us much needed financial strength to handle the bumps in the road which undoubtedly lie ahead.

But that is not the real story of the Synod over these past few years. We are not just grimly marching forward, managing decline. The real story is one of tremendous successes in new mission and ministry areas, and the support the Synod has been able to give to MNO congregations to allow them to try new things. Congregations and individuals have donated over \$290,000 to the Synod's Mission as Hope Appeal since its inception in 2009. This has allowed the Synod to devote nearly \$111,000 to the Mission as Hope New Initiatives Fund. The beauty of this fund is that it allows the Synod to support new ideas and give them a chance to germinate, even in the face of declining financial resources. It forces us to look beyond the sterile idea of "funding what we have always funded, but always a little bit less." Mission as Hope has

fast become a cornerstone of the Synod's work with and for the congregations of the MNO Synod.

With God's help, the MNO congregations and the Synod share a bright future together, whether there is a little or a lot in the offering plate.

2015 DISCUSSION AND ANALYSIS

Introduction

If you want to see how much mission work is undertaken through the Synod Office, look at the financial statements.

That is a phrase I'll bet you never thought you'd hear. But there is something to it – every single dollar the Synod receives, spends, gives away, or retains shows up somewhere in the financial statements. We had expenses and/or distributions of about \$918,000 dollars in 2015. That funds a lot of work!

Unfortunately, financial statements are not always the easiest things to read. To help, I've written this Discussion and Analysis, based on figures from the financial statements of the Synod and the MNO Synod Foundation.

2015 Highlights

- Congregational Benevolence was \$18,255 below budget. That is a miss of about 3.5%, which doesn't sound like much, but consider that \$18,255 represents about 44% of our contingency reserve of \$41,771. If we were not taking the appropriate steps to match our expenditures to our revenue, we would be running out of funds in fairly short order. Rest assured that we take those steps, even when they are difficult to swallow. I have got to learn to stop mixing my metaphors!
- Budgeted Expenses were \$32,938 below budget, largely due to:
 - Reduced staff costs (\$14,160)
 - Reduced payments to Mission Partners (National Church, LTS, LUM, Luther Village) due to our failure to reach budgeted congregational benevolence (\$11,012)
 - Program Committee underspending (\$8,130)
- Overall operating surplus of \$11,979, compared to our (intentionally) budgeted deficit of (\$7,500). The surplus was allocated as follows:
 - To Mission as Hope New Initiatives Fund: \$8,968 (approximately 75%)
 - To Unrestricted Funds (our contingency reserve): \$3,011 (approximately 25%)
- Our unrestricted fund balance is now \$41,771. (Up from just \$1,071 in 2008)

Revenue

The starting point, of course, is revenue. Our 2015 operating budget revenue is as follows:

Line #		A 2015 Base Budget	B 2015 Additional Budget	2015 Total Budget	2015 Total Actual	2015 Total Variance
1	RECEIPTS					
2	BENEVOLENCE FROM CONGREGATIONS	480,000	20,000	500,000	481,745	(-18,255)
3	MISSION AS HOPE APPEAL	22,000	5,000	27,000	28,385	1,385
4	FOUNDATION INCOME GRANT	15,000	-	15,000	15,000	0
5	INTEREST INCOME	5,000	-	5,000	8,411	3,411
6	TOTAL RECEIPTS	522,000	25,000	547,000	533,541	(-13,459)

Congregational Benevolence was \$18,255 below budget. That is a miss of about 3.5%, which doesn't sound like much, but consider that \$18,255 represents about 44% of our contingency reserve of \$41,771. If we were not taking the appropriate steps to match our expenditures to our revenue, we would be running out of funds in fairly short order. One result of the shortfall is that the Synod's payments to National Church were lower than we had budgeted. We forward 26% of congregational benevolence directly to National Church, so their payment was \$4,747 lower than we budgeted for.

Budgeted Spending

Congregational benevolence provides the lion's share of the funding for our budgeted spending. Budgeted spending is the meat and potatoes of the Synod's work in the church. It includes:

- payroll for the Bishop and staff (Assistant to the Bishop, Executive Assistant, Communications Coordinator)
- National Church benevolence (The primary funding mechanism for the National Church Office is benevolence payments from the Synods)
- Direct Mission Support to our partners in mission (e.g. Lutheran Theological Seminary, Lutheran Urban Ministry, Luther Village, etc.)
- Program Committees
- Office costs, travel costs, etc.

So how did we spend all that money? We spent \$32,938 less than we budgeted for. This was largely due to:

- **Reduced Staff Costs** (\$14,160). These savings have arisen from the transition of Assistants to the Bishop that occurred during the year, as well as some savings from GSI on the health, dental, and long term disability benefits programs.

- **Program Committee underspending** (\$8,130). Notable items here are the savings by the Mission Committee, and the Church and Society committee, who each underspent their budgets by approximately \$3,000.
- **Reduced payments to National Church** (4,747). Due to our failure to reach budgeted congregational benevolence. We pay 26% of congregational benevolence directly to National Church, so when congregational benevolence came in \$18,255 below budget, our contribution to National Church was reduced by \$4,747 accordingly.
- **Reduced Payments to other Mission Partners** (\$6,265). Because we did not reach our full “Column B Additional Budget” revenue target, the Column B portion of the budgeted payments to our Mission Partners (Lutheran Theological Seminary, Lutheran Urban Ministry, and Luther Village) were all scaled back proportionally.

Here’s a look at the details:

Line #		A 2015 Base Budget	B 2015 Additional Budget	2015 Total Budget	2015 Total Actual	2015 Total Variance
7	EXPENSES					
8	DIRECT MISSION SUPPORT					
9	BENEVOLENCE TO NATIONAL CHURCH	124,800	5,200	130,000	125,253	(-4,747)
10	LUTHERAN THEOLOGICAL SEMINARY	32,250	7,750	40,000	37,091	(-2,909)
11	LUTHERAN URBAN MINISTRY	15,000	5,000	20,000	18,322	(-1,678)
12	LUTHER VILLAGE	15,000	5,000	20,000	18,322	(-1,678)
13	PROGRAM COMMITTEES					
14	MISSION	5,000		5,000	2,032	(-2,968)
15	CHURCH AND SOCIETY	5,500		5,500	2,192	(-3,308)
16	CANDIDACY	1,500		1,500	1,349	(-151)
17	YOUTH MINISTRY	3,700		3,700	2,481	(-1,219)
18	AD HOC COMMITTEES	500		500	16	(-484)
19	GENERAL EXPENSES					
20	SALARY COSTS	253,500		253,500	239,340	(-14,160)
21	OFFICE EXPENSES	36,250		36,250	33,473	(-2,777)
22	STAFF TRAVEL	20,000		20,000	20,857	857
23	SYNOD COUNCIL	4,600		4,600	5,664	1,064
24	CANADA LUTHERAN, MNO INSERT	4,500		4,500	4,304	(-196)
25	DEANS' MEETINGS	1,500		1,500	193	(-1,307)
26	STUDY CONFERENCE SUPPLEMENT			-	1,542	1,542
27	EXAMINATIONS COMMITTEE	1,000		1,000	553	(-447)
28	NOMINATIONS COMMITTEE	100		100	-	(-100)
29	CAR LOAN INTEREST	-	-	-	544	544
30	DEPRECIATION	6,850		6,850	8,034	1,184
31	TOTAL EXPENSES	531,550	22,950	554,500	521,562	(-32,938)

Restricted Fund Spending (Deferred Contributions and Internally Restricted Funds)

In addition to our regular budgeted spending, which is funded primarily by annual congregational benevolence donations, the Synod also maintains a number of restricted funds that have been designated for specific purposes. We track these funds separately from our general budget, and we show the activity in the audited financial statements.

Each fund may have an internally restricted component and/or an externally restricted component. If the use of a particular donation was designated by the donor, then it is called Externally Restricted. These are shown on the audited financial statements as “Deferred Revenue”. If the use of the funds was designated by Synod Council, then it is called Internally Restricted. The difference between Internal and External is that Synod Council can change its mind, and “re-purpose” Internally Restricted funds. However, no one, not even the donor, can change the purpose of an Externally Restricted Fund.

Here’s what we did with our restricted funds in 2015:

Restricted Fund	Opening Balance Dec 31/2014	Money Received in 2015	Money Disbursed in 2015	Closing Balance Dec 31, 2015
Church Extension Capital Fund	\$102,269	\$63,126	(\$34,652)	\$130,743
Our Saviours Winnipeg Closure	\$153,821		(\$27,664)	\$126,157
CECF - Acts of the MNO	\$0	\$100,000		\$100,000
Canadian Mission Development	\$66,400			\$66,400
Internships	\$21,784	\$17,294		\$39,078
Youth Ministries	\$50,889		(\$16,380)	\$34,509
Cameroon Appeal	\$34,726	\$7,285	(\$8,263)	\$33,748
First Call Program - Western Synods	\$44,934	\$16,500	(\$33,922)	\$27,512
Student Aid	\$21,857	\$427		\$22,284
Mission as Hope New Initiatives	\$42,652	\$8,968	(\$29,412)	\$22,208
Companion Synod	\$8,445			\$8,445
Young Adult Ministries	\$2,528	\$19,291	(\$15,413)	\$6,406
Brokenhead Shared Ministry	\$0	\$27,000	(\$20,786)	\$6,214
St. Johns Snow Lake Closure	\$4,196		(\$415)	\$3,781
Young Adult Ministries - the Plunge	\$0	\$3,000		\$3,000
Lay Ministry	\$0	\$2,823		\$2,823
Bishop's Discretionary	\$606	\$1,906		\$2,512
Beautiful Feet Initiative	\$0	\$1,320		\$1,320
Small and Struggling Congregations	\$493			\$493
Cameroon Mission - Women in Leadership, Canada Trip	\$713	\$5,000	(\$5,713)	\$0
Compassionate Justice Initiatives	\$0	\$5,449	(\$5,449)	\$0
Multiplying Ministries	\$2,713		(\$2,713)	\$0
Aboriginal Outreach	\$2,000		(\$2,000)	\$0
Youth Stewardship	\$1,832		(\$1,832)	\$0
Faith Winnipeg Mission	\$1,492		(\$1,492)	\$0
Sophia Fund	\$511		(\$511)	\$0
Total	\$564,861	\$279,389	(\$206,617)	\$637,633

Some funds that warrant further explanation:

- **Church Extension Capital Fund.** This fund is for regional CECF expenditures. Money is transferred into this fund from the National CECF fund, based on the interest earned by the National CECF fund. The regional expenditures are administered by the Synod's Mission Committee based on program guidelines from the National CECF fund.
- **CECF – Acts of the MNO.** In 2015 the ELCIC National Church Council approved a gift of \$200,000 over 2 years to each synod to “imagine a future” in a changed context, living out God's will in new ways. These funds are to be used for activities that are experimental in spirit and genuinely seek to explore what it means to participate in God's mission in the world today. You can read more about this initiative in the Staff Report.
- **Mission as Hope New Initiatives Fund.** Mission as Hope is the banner under which we have undertaken much of our new mission work. It began in 2009 with the Mission as Hope Appeal. This replaced the former “Consolidated Synod Appeal”. It was meant to provide funding for a combination of new and existing ministries. The Mission as Hope Appeal has been hugely successful, raising approximately \$260,000 since its inception. This is well ahead of the performance of the old Consolidated Synod Appeal. Clearly, the “new mission” aspect of the Mission as Hope Appeal has struck a chord with congregations and members. The success of the Mission as Hope Appeal has allowed the Synod to create the Mission as Hope New Initiatives Fund. \$110,762 has been designated to this fund since its inception in 2009. \$93,638 has already been allocated to specific new ministries, leaving \$17,124 still available to fund new projects. Each year, we transfer 75% of our operating surplus to the Fund (\$8,968 in 2015.)
- **First Call Program.** This fund is administered by the MNO Synod on behalf of all of the Western Synods. It is funded by congregations who have called newly ordained/ consecrated ministers.
- **Our Saviour's Winnipeg Closure and St. John's Snow Lake Closure.** These funds arise from the closure of these congregations. The funds are being held in restricted funds pending a decision by Synod Council on the distribution and use of the funds.

Flow-Through Donations (Directed Income)

This is where congregations forward us money specifically to be forwarded directly along to other mission partners. The best known example is probably Canadian Lutheran World Relief, but there are a host of others. The Synod passes these donations along dollar for dollar:

Mission Partner	Donated in 2015	Donated in 2014
Canadian Lutheran World Relief	100,509	87,669
Lutheran Urban Mission ("the Urban")	36,561	33,307
World Missions (ELCIC)	14,587	21,211
Lutheran Association of Missionary Pilots (LAMP)	12,551	7,496
Luther Village	7,320	7,018
ELCIC Praise Appeal	4,400	4,691
ELCIC Reformation Challenge	2,244	-
Lutheran Theological Seminary	1,799	2,115
Other Donations	2,143	3,748
Total	182,114	167,255

It is nice to see a modest increase in these flow through donations year over year. It shows that even in times of financial stress, congregations rise to the occasion of need.

MNO Synod Foundation

On top of all of the activity described above, we must not forget the MNO Synod Foundation. The purpose of the Foundation is to receive and manage planned gifts (such as bequests) on behalf of the Synod. These assets are then used to support the mission and ministry of the Synod.

As of Dec 31, 2015, the Foundation had \$410,837 in assets. These assets are allocated as follows:

Foundation Fund	Dec 31, 2015
Unrestricted Funds	337,002
Youth	72,089
Other Liabilities	1,746
Total	410,837

In 2015, the Foundation awarded a Synod Income Grant of \$15,000 to the Synod. The purpose of the Synod Income Grant is to avoid further cuts in mission and/or programming that would otherwise be required in the face of declining revenues. This grant is funded from the investment income of the Foundation. The Foundation has committed to extending this annual grant through 2018.

So, what's our overall financial health like?

We have been making steady progress towards financial health over the past 7 years. We have run small surpluses each year, representing about 1% of congregational benevolence annually. We have been intentionally budgeting for modest surpluses as a way of slowly rebuilding our unrestricted fund balance to a reasonable level. This is becoming more difficult as time passes. In 2015, we budgeted for a modest deficit, although we finished the year with a modest surplus.

In 2016 through 2018, we continue to budget modest surpluses. But if congregational benevolence continues to come in at 2015 levels (or worse, if it continues to decline) it will be nearly impossible for the Synod to maintain balanced budgets without significant cuts to the Synod's work. The Synod remains committed to operating in a financially responsible way. We recognize that congregational funding is under stress, and therefore we will continue to scale our Synod expenditures to match the available funding.

The "bottom line" measure of our financial health is our unrestricted fund balance. This represents the contingency reserve we have available should we face unexpected expenses or revenue shortfalls. However, more is not necessarily better. Too low, and you risk having to renege on previous commitments if you have an unexpected expense or a revenue shortfall. Too high means that assets are sitting idle unnecessarily, instead of working.

So what's the right target size for our unrestricted funds? That's a judgement call. I think \$60,000 is about right for an organization of our size and scope. As of Dec 31, 2015, we had \$41,771. So, while we're not quite there yet, it is a big improvement over the mere \$1,071 we had as of Dec 31, 2008.

Questions?

If you have any questions about the financial statements, please feel free to contact Allan Francis, MNO Synod Treasurer. I can be reached on my mobile phone at 204-981-5080, or by e-mail at afrancis@empind.com.

MNO SYNOD
Income Statement
2015

For presentation to Synod Convention

April 21, 2016

Line #	A 2015 Base Budget	B 2015 Additional Budget	2015 Total Budget	2015 Total Actual	2015 Total Variance
7 EXPENSES					
8 DIRECT MISSION SUPPORT					
9 BENEVOLENCE TO NATIONAL CHURCH	124,800	5,200	130,000	125,253	(-4,747)
10 LUTHERAN THEOLOGICAL SEMINARY	32,250	7,750	40,000	37,091	(-2,909)
11 LUTHERAN URBAN MINISTRY	15,000	5,000	20,000	18,322	(-1,678)
12 LUTHER VILLAGE	15,000	5,000	20,000	18,322	(-1,678)
13 PROGRAM COMMITTEES					
14 MISSION	5,000		5,000	2,032	(-2,968)
15 CHURCH AND SOCIETY	5,500		5,500	2,192	(-3,308)
16 CANDIDACY	1,500		1,500	1,349	(-151)
17 YOUTH MINISTRY	3,700		3,700	2,481	(-1,219)
18 AD HOC COMMITTEES	500		500	16	(-484)
19 GENERAL EXPENSES					
20 SALARY COSTS	253,500		253,500	239,340	(-14,160)
21 OFFICE EXPENSES	36,250		36,250	33,473	(-2,777)
22 STAFF TRAVEL	20,000		20,000	20,857	857
23 SYNOD COUNCIL	4,600		4,600	5,664	1,064
24 CANADA LUTHERAN, MNO INSERT	4,500		4,500	4,304	(-196)
25 DEANS' MEETINGS	1,500		1,500	193	(-1,307)
26 STUDY CONFERENCE SUPPLEMENT			-	1,542	1,542
27 EXAMINATIONS COMMITTEE	1,000		1,000	553	(-447)
28 NOMINATIONS COMMITTEE	100		100	-	(-100)
29 CAR LOAN INTEREST	-	-	-	544	544
30 DEPRECIATION	6,850		6,850	8,034	1,184
31 TOTAL EXPENSES	531,550	22,950	554,500	521,562	(-32,938)
32 OPERATING SURPLUS (DEFICIT)	(-9,550)	2,050	(-7,500)	11,979	19,479
33 OPERATING SURPLUS TO BE DIVIDED AS FOLLOWS:					
34 TO MISSION AS HOPE NEW INITIATIVES			75% 0	8,968	8,968
35 TO CONTINENCY RESERVE			25% (-7,500)	3,011	10,511

Notes:

Column B payments would be made on a pro-rata basis up to the Total Budget maximums shown.

If congregational benevolence exceeds Total Budget, National Church will receive 26% of this excess until total National Church benevolence reaches \$150,000. Further National Church benevolence payments would be subject to Synod