



Bethlehem Lutheran Church Treasurer's Annual Report

2021 was my second year as your treasurer. Not quite as exciting as 2020, thanks be to God, but not without its challenges. I am pleased to share our 2021 financial results with you, which reflects Bethlehem's resilience, as well as our proposed 2022 budget, which reflects hope and prudence.

2021 Actual results compared to budget

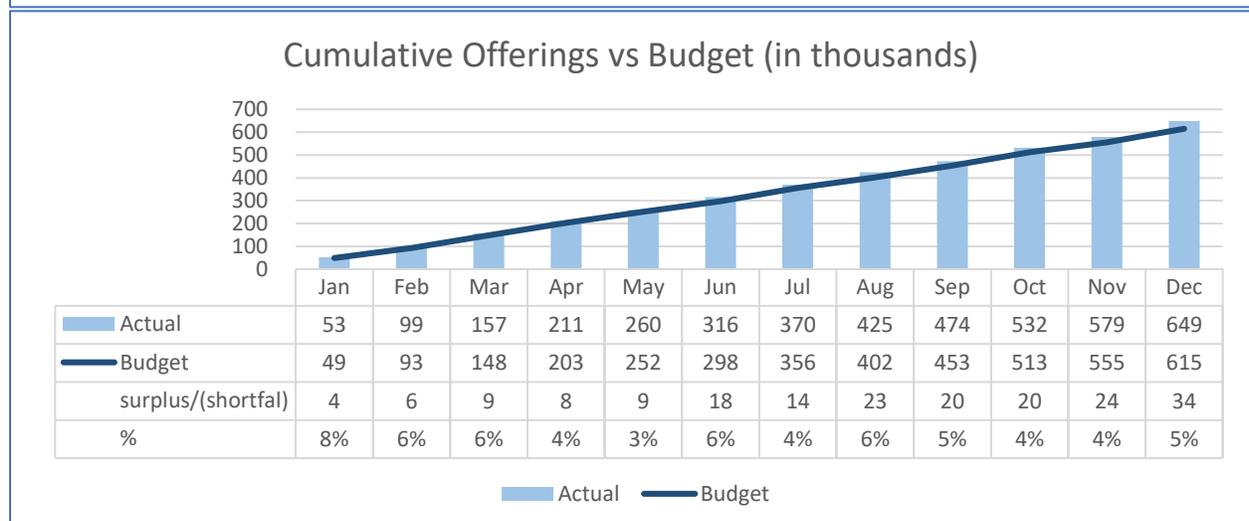
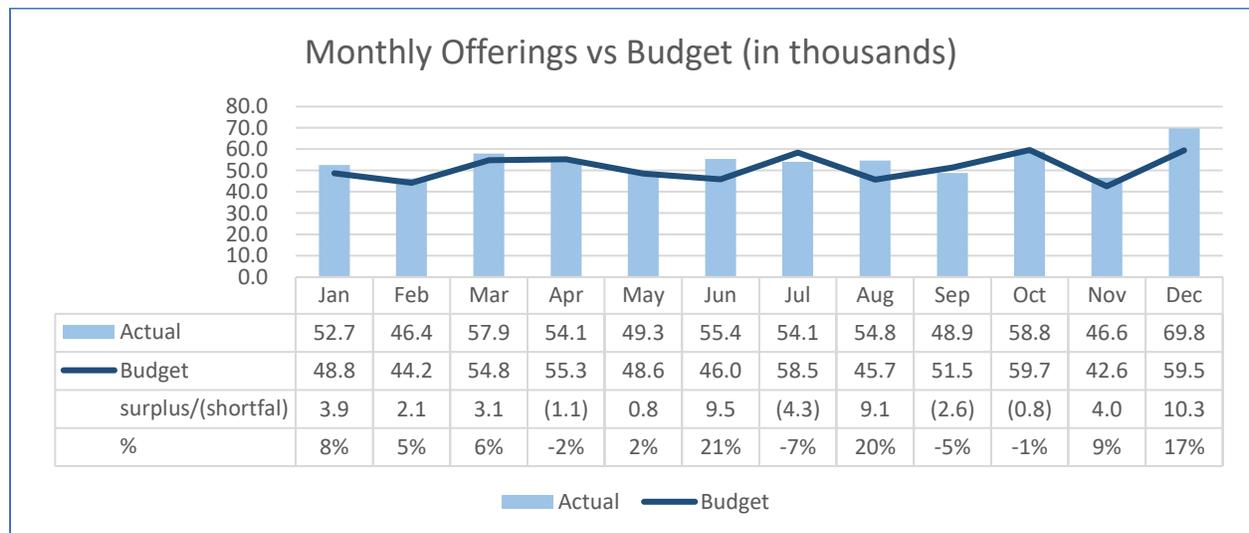
We started 2021 with cautious optimism and a budgeted shortfall of \$24,300, which we planned to cover with the 2020 surplus of \$37,623.

We ended 2021 favorable to budget with a shortfall of just \$13,650.

Offerings

Given the uncertainty we were facing at the beginning of the year, the 2021 budget was based on a conservative offerings estimate of \$615k, 4% less than 2020, but still higher than 2019.

Actual 2021 offerings were \$649k, which is \$34k or 5% favorable to the budget!



Expense

The 2021 expense budget included only a modest 2% increase in staffing and related costs but otherwise assumed expenses would be held flat or even reduced to the extent 2020 included non-recurring covid related costs. That said, we did have to increase the budget to replace a 3-month mortgage deferment in 2020 and library stipend previously funded with designated reserves.

Actual expenses in 2021 were \$27k over budget with higher spending across most discretionary categories. Note however that spending was monitored closely throughout the year and adjusted only when higher offerings created more room in the budget.

		2021 Actual vs Budget			
		Actual	Budget	Fav (Unfav)	
				\$	%
[1]	Offerings	648,817	615,000	33,817	5%
[2]	Other Income	4,251	-	4,251	
[3]	Shared cost reimbursement	169,704	169,704	-	0%
Income		\$ 822,773	\$ 784,704	\$ 38,069	5%
[4]	Staffing	453,941	454,528	587	0%
[5]	Music	11,900	7,557	(4,343)	-57%
[6]	Education / Library	2,308	500	(1,808)	-362%
[7]	Family Ministry	5,874	4,500	(1,374)	-31%
[8]	Worship	9,569	7,100	(2,469)	-35%
[9]	Outreach	55,185	55,647	462	1%
[10]	Office / Administrative	84,047	76,600	(7,447)	-10%
[11]	Property Maintenance	112,258	109,491	(2,767)	-3%
[12]	Property Mortgage, Taxes, Insurance	101,341	93,081	(8,260)	-9%
Total Expense		836,422	809,004	(27,419)	-3%
Net surplus (shortfall)		\$ (13,650)	\$ (24,300)	\$ 10,650	44%

[1]	Higher member, non-pledged offerings and special offerings
[2]	Includes \$3,750 from synod for hosting
[3]	Preschools resumed making full shared cost reimbursement payments
[4]	On target staffing and related costs
[5]	Guest musicians, supplies and piano/organ tuning
[6]	Conferences and literature
[7]	High school and confirmation expense
[8]	Outdoor and virtual worship equipment and tech support
[9]	ELCA benevolence was 8.1% of offerings - less than 8.6% budget due to higher offerings
[10]	New computers for pastors and higher than expected utilities
[11]	Increased rate on janitorial services (\$4.6k) off-set by lower repairs & maintenance
[12]	Mortgage refinance \$6.2k including a \$5.5 refinance fee, Ins/tax \$2k higher

Mortgage Refinance

In June of 2021 we refinanced our mortgage to eliminate a \$23,566 balloon payment that otherwise would have been due upon maturity.

The balloon payment was created last year when we opted to defer 3 months of mortgage payments given the uncertainty of the pandemic and shut down of the preschools. The overall impact of the deferment was additional interest of \$6,361, however it would have required a balloon payment of \$23,566 in February 2031 (\$17,205 in deferred payments plus the \$6,361 additional interest)

The terms of the refinance are as follows:

- 4% interest rate (vs 4.375% on original loan)
- Same maturity (February 2031)
- Monthly Payment: \$5,822 (\$87 higher than previous loan payment of \$5,735)
- Prepayment penalty - 2% thru June 2026 (same as original loan, but the 5-year clock reset)
- Total savings compared to original loan, post deferment - \$7,891
- Impact of 2020 deferment plus 2021 refinance compared to the original loan - savings of \$1,530

Unfortunately, we had to pay an upfront refinance fee of 1% or \$5,528. The council approved the refinance however, to alleviate the church from the burden of a future balloon payment.

Mortgage Payments

Year	Original Loan	Orig Loan w/deferment	vs Orig Loan	Refinanced Loan	vs Orig Loan w/deferment	vs Orig Loan
2020	68,820	51,615	(17,205)	51,615	-	(17,205)
2021	68,820	68,820	-	74,870	6,050	6,050
2022-2030	619,380	619,380	-	628,776	9,396	9,396
2031 (thru Feb)	11,393	34,959	23,566	11,622	(23,337)	229
Total	\$ 768,413	\$ 774,774	\$ 6,361	\$ 766,883	\$ (7,891)	\$ (1,530)

Covid Relief

As a reminder, in 2020 we received a PPP loan of \$267k. The loan was subsequently forgiven. In 2021 we continued to pursue covid relief available through the Employee Retention Credit program.

Mark Stauffer is leading this effort with great success. THANK YOU MARK! – for all your hard work, your strategic thinking and your commitment to Bethlehem. You are truly a blessing to our church.

Due to Mark's extensive research including reaching out to experts, we believe we are eligible for ERC credits in each of the 5 quarters Q2 2020 through Q2 2021 and have submitted claims for each.

In August we received \$145k relating to Q2 2021. This claim was submitted along with current tax filings which is likely why we received it first. Previous quarters were submitted as amendments. Although we are optimistic, it is still unclear if and when we will receive additional funds. The council has decided to put all funds in reserve until all claims are either received or denied. This way we will know the full amount available before making allocation decisions. ERC credits are not reflected in the 2022 budget.

2022 Proposed Operating Budget

Council is recommending that the congregation approve the 2022 budget with a \$12,615 shortfall, consistent with the actual 2021 shortfall, and more than covered by the balance of the 2020 surplus.

2020 surplus	\$ 37,623
2021 shortfall	(13,650)
2022 proposed shortfall	(12,615)
remaining surplus	\$ 11,358

Based on member pledges and other reasonable estimates we expect offerings to be about flat with 2021. We therefore cut or held flat most discretionary spend, except compensation. The proposed budget reflects the pastoral compensation committee's recommendation to pay our pastors at the 75th percentile, based on Synod guidelines. All other staff will receive a 3% increase.

The preschools will also increase their shared cost reimbursement by 9% bringing the allocation percentages back to 2019 levels.

					<u>2022 Budget vs 2021 Actual</u>					
					<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		
					<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>%</u>	<u>\$ Favorable</u>
					<u>(Unfavorable)</u>					
CHURCH										
[1]	Offerings	608,624	639,857	648,817	652,000	0.5%	3,183			
[2]	Other Income	9,466	9,835	4,251	5,000	17.6%	749			
[3]	<i>Shared cost reimbursement</i>	<i>169,809</i>	<i>76,367</i>	<i>169,704</i>	<i>185,005</i>	9.0%	15,301			
	<i>PPP funds allocated to church</i>	<i>-</i>	<i>93,337</i>	<i>-</i>			<i>-</i>			
	Income	\$ 787,899	\$ 819,396	\$ 822,773	\$ 842,005	2.3%	\$ 19,232			
[4]	Staffing	411,147	438,752	453,941	488,405	7.6%	(34,465)			
[5]	Music	13,002	7,557	11,900	12,935	8.7%	(1,035)			
[6]	Education / Library	2,710	886	2,308	2,494	8.1%	(186)			
[7]	Family Ministry	3,413	7,018	5,874	6,500	10.7%	(626)			
[8]	Worship	4,554	7,781	9,569	8,126	-15.1%	1,443			
[9]	Outreach	46,640	55,260	55,185	54,006	-2.1%	1,179			
[10]	Office / Administrative	76,752	80,412	86,200	77,790	-9.8%	8,409			
[11]	Property Maintenance	99,598	108,737	112,258	109,360	-2.6%	2,898			
[12]	Mortgage, Prop Tx, Ins	87,962	75,369	99,188	95,003	-4.2%	4,185			
	Total Expense	\$ 745,777	\$ 781,773	\$ 836,422	\$ 854,620	2.2%	\$ (18,198)			
	Net Income	\$ 42,122	\$ 37,623	\$ (13,650)	\$ (12,615)		\$ 1,035			
[1]	Offerings budget based on member pledges and reasonable estimates for non-pledge giving based on historical trends									
[2]	Other income is not specifically identified but may include facilities use income									
[3]	Increase in shared cost reimbursement reflects an increase pool costs and returning to 2019 allocation percentages									
[4]	Pastor compensation increased per committee recommendations. Benefits rates and coverage also increased.									
[5]	Music costs held flat to 2019 level									
[6]	Education held flat to 2019 for conferences and literature with miscellaneous expense cut by 50%									
[7]	Slight increase in Family Ministry to support on-site VPS and retreats									
[8]	Reduced worship budget reflects one-time expenses in 2021									
[9]	ELCA Benevolence held flat to prior year, about 8% of offerings									
[10]	Reduced office expense reflects computers purchased in 2021 and tightening of general expenses									
[11]	Reflects increases in contracts (8% janitorial and 3% grounds) off-set by reduced general maintenance (\$30k down to \$24k)									
[12]	Reduction reflects \$5.5k refinance fee in 2021, partially off-set by higher mortgage payments (\$87/month). Property taxes and insurance rates are also expected to increase									

Blessings,
Melissa Ontiveros
BLC Treasurer