

## **COUNCIL ON FINANCE AND ADMINISTRATION**

### 2017 Stewardship Report to Annual Conference

The Council on Finance and Administration (CFA) makes our report this year with an ongoing appreciation for the faithfulness and dedication of local churches of the Baltimore-Washington Conference. We stand together as a connectional church such that both causes for celebration and the challenges that face us are shared across the connection. Our mutual accountability aids us in our quest to carry out the vision we share.

There is more good news to share than can be reported here. It is good news that our conference continued to see record high apportionment giving in 2016. Our collection rate of 92.1% beat our budget, which was set at 92% for 2016. A highlight, both financially and otherwise, is the outstanding income and program performance of Retreat and Camping Ministries.

We celebrate the opportunities we have to work in partnership and look forward to increasing these. As an example of productive partnership, the Finance Office is working successfully with VANCO to encourage more of our local churches to utilize the option of electronic giving. It is important to be able to offer forms of electronic giving as a dimension of our radical hospitality, aiding people to express the financial dimension of their ministry.

The 2018 proposed budget does not stand alone. It is a reflection of strategic initiatives previously undertaken as well as an indicator of the strength of this Conference's commitment to build upon emerging vision.

#### **2016 Financial Results (Pre-Audit):**

##### **Income**

The apportionment income in 2016 was \$14,343,308 with an overall collection rate of 92.08%. For the third straight year, the Conference has set a new record high for the collection rate. Our budget for the year was based on a collection rate of 92.0% and the resulting variance was greater than budget by \$12,481 (0.1%). The apportionment giving was \$215,000 (1.5%) higher than the prior year.

The collection rates recorded in recent years are as follows:

2016: 92.08%	2011: 90.46%
2015: 91.66%	2010: 90.51%
2014: 90.77%	2009: 89.24%
2013: 89.84%	2008: 87.00%
2012: 89.10%	2007: 87.69%

The number of churches contributing 100% towards their apportionments remained consistently high with 84% of our local churches meeting that standard. The number of churches giving 100% of their apportionments was 83% in 2015, 82% in 2014, and 82% in 2013.

The non-apportionment income in 2016 was \$3.0 million which was \$181,000 (6.4%) better than budget. The good non-apportionment income performance was driven primarily by Retreat and Camping Ministry revenues that exceeded their budget by \$177,000. Summer camps had a 2.7% increase in residential camp participants and

an 11% increase in day camp initiatives in Baltimore City and West Virginia. These results were also joined by a 21.5% overall increase in retreat guests which was a combined effort by Camp Manidokan up 20% and Camp Harmison up 74%. Overall, the non-apportionment income was \$42,000 less than the prior year and the total income variance that was \$193,905 (1.1%) greater than budget.

## **Expenses**

The total expenses in 2016 were \$17.1 million which was \$90,200 (0.5%) less than budget and \$113,000 (0.7%) less than the prior year. The most significant financial pressures were benefit expenses that exceeded budget by \$75,000 and annual conference expenses that exceeded total income by \$116,000. These were offset by under budget performance in legal expenses at \$81,000 and retiree medical claims that were \$353,000 under budget.

Overall, the resulting net income prior to audit was a positive \$284,123 which is 1.7% of budget. This continues a turn-around performance for the Conference where prior net incomes were reported as \$0 in 2015, \$300,000 negative in 2014, and \$177,000 negative in 2013.

## **BWC Apportionment Base:**

The expenses of a local church as they are reported in the annual collection of statistical data, minus dollars that are spent on mission, outreach, debt service and capital projects comprise what is known as the apportionment base for a church. The apportionment for a local church is derived by multiplying the apportionment base by the Benevolence Factor that is established by the Annual Conference when the budget is approved. Using this method, our current Benevolence Factor of 17.75% yields an apportionment that is most commonly in the range of 9-12% of total local church expenses or income.

The apportionment base for the Conference is an accumulated total of the apportionment base that is calculated for each local church. The reported base increased by 0.43% in 2016. The apportionment base trends with the year-over-year changes are as follows:

2016:	\$ 87,449,322 (+0.4%)
2015:	\$ 87,072,403 (-0.8%)
2014:	\$ 87,780,638 (+1.1%)
2013:	\$ 86,835,908 (+0.8%)
2012:	\$ 86,169,509 (-1.3%)
2011:	\$ 87,341,343 (-2.1%)
2010:	\$ 89,250,232 (+6.1% vs. 2008)
2009:	<i>Not Applicable – Kept the prior year's base and budget</i>
2008:	\$ 84,095,541 (+3.0%)
2007:	\$ 81,646,157 (+3.8%)
2006:	\$ 78,672,464

## **2018 Budget:**

The proposed budget for 2018 builds on the strategic initiatives that were introduced in the 2017 budget. These initiatives include:

### 1. Increase Level of CFA Reserves

The 2017 budget included funds to replenish the 10% apportionment reserve and establish a \$200,000 legal reserve. Building on these efforts, the CFA voted in February 2017 to increase the apportionment reserves from 10% to 15% of the annual apportionment budget. The Council took this step as a precautionary measure during a time in which local church incomes and the BWC apportionment base have remained stagnant over the past 5 years. The benchmarking of other conferences also showed BWC's level of 10% reserves was significantly lower than most conferences of similar size. The 2018 budget includes \$350,000 towards the increased level of CFA reserves.

### 2. Accelerate Payment of Conference Debt

The consolidated loan for the West River Dining Hall and the Mission Center will be reduced to a balance of \$3.1 million with the proposed 2018 budget that includes \$500,000 towards accelerated debt payments. The loan balance stood at \$5.2 million at the end of 2016 prior to starting the accelerated payments. The 2018 budget keeps the Conference on pace to pay off the loan in 2022 which will be 6 years ahead of schedule with \$1.0 million total savings in interest payments.

### 3. Fund Retiree Medical Benefits from Reserves

Retiree medical benefits will continue to be funded from the Board of Pension reserves without any additional funding coming from apportionments. The retiree medical funding in 2018 is set at \$1,635,000 which is a \$203,000 reduction in the line item based on the current expense trends for this benefit.

The 2018 budget also includes a reduction of the Benevolence Factor from 17.75% down to 17.725%. This is the first reduction in the Benevolence Factor since it was reduced from 19.5% during the course of the 2012 and 2013 budgets. The reduction in the Benevolence Factor is consistent with the CFA's multi-year plan to keep making progress towards the goal that the average church's apportionments be no more than 10% of their overall income. That level is currently calculated at 11.2% based on the 2016 stats using last year's Benevolence Factor of 17.75%. The 2018 budget is estimated to reduce that number to 11.0% on average. These numbers are down from 12.3% in 2011.

Overall, the budget proposal consists of an apportionment income of \$14,260,361 which is an increase of \$41,438 or 0.3% from the prior year. The budget assumes a 92.0% collection rate for the apportionments which matches the actual results for 2016. The non-apportionment income is reduced by \$207,000 to \$4,203,775 which is driven almost entirely by the reduction in the retiree medical benefits mentioned previously.

The expense budget shows an increase in discipleship and mission programs by 1.2% from \$10,986,493 to \$11,120,426. The stewardship and administrative programs will be reduced by 3.8% from \$7,200,963 to \$6,926,192. The budget incorporates a 2.5% increase in salary and a 5% increase in benefits for staff. The

budget also includes a budget neutral shift in funding from the Unified Funding budget to make full-time the Hispanic Ministries position on staff.

Other line items of significance include:

- The General Conference apportionments will remain essentially the same at \$3,571,610 which is a slight decrease of \$2,775.
- The Mission Center mortgage is reduced by \$39,000 as a result of the accelerated payments that started in 2017.
- Camping revenues are projected to grow an additional 4.2% in 2018.

### **Other Programs/Initiatives:**

- We are pleased that the General Council on Finance and Administrations (GCFA) Shared Services Office has won the contract to provide IT services for the staff. The service and technical offerings are being provided at a very professional level and at a price that was 30% less than our previous contract.

- We are encouraged that United Methodist Insurance (UMI) is now representing more than 115 of our local churches in the Conference. In connection with GCFA, UMI started to underwrite policies in BWC starting in 2014. We are pleased that they are providing one more option for churches to consider as they evaluate the property and casualty coverage for their ministries.

### **Summary**

The future continues to unfold and we will continue to rise to meet our financial challenges, strengthened by a willingness to operate in ways both traditional and innovative. We will continue to strengthen communications about our connectional ministries and how apportionments are used throughout the connection. We are blessed as a conference by financial stability and by the resources we have in terms of partnerships, both realized and envisioned.

The Baltimore-Washington Conference continues to develop its stewardship so that vital and vibrant communities can be born and prosper, so that our connections at both local and global levels can be strengthened and increased, and so that all local churches can experience the benefits of the connectional system of which we are all a part. We recognize God's presence at work through it all and thank God as well as appreciate the uniqueness of each local church.

CFA continues to do its work in a spirit that we pray is cooperative, well-focused, and in keeping with the Baltimore-Washington vision to "become fully alive in Christ and make a difference in a diverse and every-changing world." We work together for the greater good of which we are all a part, keeping in mind that all that we have and all that we are is from God.

Respectfully Submitted,

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