

IOWA CONFERENCE TREASURER REPORT TO ANNUAL CONFERENCE 2019

It is a pleasure to speak to you today and to serve as your Treasurer for the Iowa Conference. The Iowa Annual Conference is an amazing organization to behold. I'd like to acknowledge and thank the many committed staff persons, board members, clergy and lay persons who I have worked with this past year. Their dedication is remarkable. Yes, everyone has a different opinion on the issues before us, but I believe all have at heart what's best for our local churches, our Conference, and our denomination. The Iowa Annual Conference really is an amazing place to be.

The items we'd like to focus on today are Statistics and the 2020 Proposed Budget. Jon Disburg, President of the Conference Council on Finance and Administration will discuss Apportionments Received and What's Our Current Reality.

Part of my responsibilities as Treasurer is to present to you each year the statistical information regarding our Conference. I've chosen to review the same statistical categories as last year so we may see consistent information. All slides presented will be showing you 2013 through 2018 data and will be available on the website for you to view later.

Worship: Average attendance at all weekly worship services has gone from 53,262 in 2013 to 44,453 in 2018, a decline of 8,809 worshippers.

Evangelism: Members received on Profession of Faith through confirmation and other than confirmation has gone from 2,234 in 2013 to 1,885 in 2018. A reduction of 349 members.

Spiritual Formation: This is participants in Sunday School, youth and young adult groups, other adult groups, support groups, and classes short term and long term. There has been a sharp decline since 2016 of 7,654 participants. Since 2013, the drop is 11,039 participants.

Mission Engagement: This is UMVIM teams and persons serving in mission and community ministries. A rather positive highlight for our stats going from 17,932 in 2013 to 27,012 persons in 2018, just a slight decrease from a year ago.

Stewardship: This category of stats includes apportionments paid, district askings, Special Sundays, Advance Specials and more. It was sort of holding steady through 2014-2016 but has declined from \$20M in 2013 to \$13M in 2018, a decrease of \$6.7M.

Next, I'll talk about the 2020 Proposed Budget that is before this Annual Conference. You can find it on page 15 of the Pre-Conference Manual. There are three sections of the budget, General Church Apportionments are at the top marked with a #1. I'll be referring to section #2 Conference Ministries which is split into two. Section #3 are the Conference Missions. In my opinion, the 2020 Budget was viewed under the microscope more than budgets have in the past.

Most of you may know that a Budget Team was formed out of the Bishop's Operational Team whose mission was to find a million dollars or more in savings but do so in line with our Mission, Vision, and Strategic Priorities in mind. The Budget Team recommendation was tweaked a little bit after receiving feedback from the eight Listening Sessions held throughout the district.

The recommended budget was then reviewed by the Bishop's Operational Team, approved by Conference Connectional Ministries Council (CCMC) and finally Council on Finance and Administration (CFA) which is before you today. In other words, I want you to know that this budget has gone through extensive evaluation and assessment to try and bring a smaller and more Mission/Vision-focused budget to this Annual Conference.

I'll first go over the Conference Ministries budget changes. This is marked as #2 on your budget and consists of Connectional Resources and Clergy & Congregational Support.

We found when looking back at the size of staff, the Conference had 52 full time equivalents (FTE) in year 2013. It is currently at 38 FTE, a reduction of 14 which is a 25% reduction of staff. We have been making strides. (This excludes camp personnel and other Conference ministries)

The most recent restructuring efforts have most affected the Episcopal Office, the Treasurer's Office, the Office of Ministry Directors, and the District Offices. However, all staff have been affected – some with a change in their responsibilities; some with additional responsibilities.

We are in the process of reducing the number of district offices. Still with eight offices and eight district superintendents but two DS's are partnering in one location, sharing one District Administrative Assistant (DAA), copier, equipment, etc. This restructuring is taking time but should be a savings of approximately \$600,000 to \$700,000.

On the Conference Missions budget changes, the third section of the budget, below are the areas of greatest change:

The Board of Camps & Retreat Ministries was reduced by \$70,000. You may have reviewed the Board of Camps Ministry Plan. They have made plans to reduce their dependence on Conference apportionments.

The Board of Global Ministries Community & Institutional Ministries (CIM) was reduced by \$150,000.

The Board of Higher Education was reduced by \$345,000.

Total reduction in these three Conference Missions programs is \$565,000.

As part of this restructuring that has occurred on the Conference level, there has been some shifting of resources. One shift is funding the Cash Reserves Replenishment Fund which serves as cash flow for the Central Treasury. You'll see a \$250,000 amount for that.

For 2018, because of the drop in apportionment payments, there was a shortfall of about \$1M. Guided by our Mission, Vision, and Strategic Priorities, the Conference has been engaged in a long-term process of restructuring to focus on our priorities as well as lowering costs. Many of these changes took effect during 2018. Also, there were some boards and agencies who did not spend their total budget which allowed for some cushion against the reduced payment of apportionments. The effect was about a

\$300,000 drop in our Working Capital Reserve. This leaves our Cash Reserve at \$2.9M which is enough cash flow to last about 60 days if all revenue sources ceased.

The last budget year that any apportionments were directed to our Working Capital Reserve was 2016 and that request was cut in half. In this 2020 budget, CFA is recommending that it include a line item of \$250,000 to start replenishing this fund.

In line with our Mission and Vision was the need for more care and attention to the immigrant ministries. The need identified has been for two quarter time associates. One of those associates is currently in place. This is within the Episcopal Funds area marked (other).

The biggest shift is in the area of the Cabinet and the District Offices. Streamlining some of their important work by having a position within Cabinet for an Executive Secretary is expected to more efficiently care for such things as appointment-making, clergy moves and keeping an up-to-date database on clergy and local churches.

Next, Jon Disburg, President of CF&A will talk with you about amount of apportionments received and what our current reality looks like.

Maggie Biggs
Treasurer

Bishop, Members of the Iowa Annual Conference and friends: I'd like to help us take a closer look at our present reality beginning with Apportionment receipts and the PROJECTED apportionment receipts for the current year 2019 based on the January through May receipts.

Slide 14 we see the total apportionment receipts for 2015 through 2018. From 15 to 18 apportionment receipts dropped from \$12.5 Million to 10.7 MM. That's a drop of 14%. The last figure of 9.5MM is the projected income as of the end of the 1st quarter. However, through May, the projection has dropped to 9.4MM or a 13.8% drop of income in just one year. Our most current projection shows we will likely receive only 66.1% of apportionments by year end. Last year we paid 74.2%. In 2016, we paid 81.6%. Dropping so suddenly to 66% is a significant decline that will decrease significantly our cash reserves.

Let me move next to a closer look at the Conference apportioned budget; beginning with how much of a local church's income goes to the Conference budget and what percentage of the budget goes to each area of the budget. Again, it will be helpful to have page 15 open before you.

What percentage of local church income is apportioned? This chart shows that in 2011, 19.36% of local church income went to apportionments. Through a series of listening post organized by the Treasurer's office and CFA several years ago, the feedback showed that a goal of 15% for apportionments was a consensus figure. Since then CFA has endeavored to reduce apportionments to attain that 15% figure represented by the yellow horizontal line. This year – 2019 – the apportionment total projected out to be a 17.3% figure of projected local church income. However, as 2019 has unfolded, a hard winter, floods, low commodity prices and tariffs have probably left our projection too high.

The budget that is before you is an attempt to reduce apportionments to 16% of projected local church income. In doing so, we present a 2020 budget that is \$1.16 million less than the 2019 budget we are currently operating under and 1.6MM less than the 2018 budget.

Though this chart for many might look encouraging, there is a troubling reality behind these numbers. In 2015 you can see the apportionment rate was 19% of apportionable income of the local church. Total apportionments that year was \$16MM – which means local church income was \$84.2MM. The proposed budget is \$13.1MM and we project that will be 16% of local church income of 81.9MM – or 2.4MM less income at the local church level over 5 years.

Slide 17 is keyed to the major divisions you'll see in the proposed 2020 budget as seen on page 15 of the preconference manual. Our 2020 budget proposes that 21% of our budget be used to pay our General Church apportionments. You can see the categories on your proposed budget: Episcopal fund, Ministerial Education Fund, General Church Administration, North Central Jurisdiction administration, Interdenominational, World Service, Black College and Africa University Funds. You'll also notice that General Church apportionments are \$162K in 2020 than this year – a 1.7% decrease.

Under Conference Ministries you'll see two divisions. The first is Connectional resources. This includes Trustees, Archives, Administrative committees, Episcopal office, CFA, and a cash replenishment fund. All these represent 27% of the apportioned budget.

The largest share of apportionments are found under the next division: Clergy and Congregational Support. These funds – 35% of the budget – more than 1/3 of the budget - directly impact all clergy and local churches. These monies fund the Board of Ordained Ministries for credentialing and training clergy; Equitable Compensation to fund clergy salaries during difficult times; the office of pastoral care and counseling, an important resource available to all clergy; District/Cabinet and other funds administered by the Episcopal office and all forms of clergy support.

It is not an understatement to say that severe underfunding in this area would be immediately felt by many local churches and pastors; and, over time, would be felt by all clergy and churches.

The final category is Conference Missions. You can see this supports 6 Boards: Camps, church and society, discipleship, global ministries, higher education and campus ministries, and laity; 2 commissions: religion and race and the status and role of women; as well as the district councils on ministry and the Matthew 25 fund. 17% of the proposed budget is earmarked for Conference missions.

The following several slides are based upon work done by Norlan Hinke, CFA vice president and banker. In 2018, 473 of roughly 750 churches paid some apportionments in the 1st quarter. This year that number dropped to 445 of 750.

It's not surprising then that 1st quarter apportionment receipts were \$280K lower in 19 than 18. That represents a 13% decrease in income. As of the end of May, we now have received 600K less than last year.

Slide 20 we see that 4 more churches than last year paid 100% of their apportionments before March 31

Slide 21 we see again the 2019 first quarter lagged behind 2018 by 280K; again, the current number is 600K.

The number of churches in the 20-80% paid is 26 churches less than last year, representing \$156K less revenue

The number of churches paying ½% to 20% raised by 4 but represents 134K less than last year

Slide 24 we see that as of March 31, 302 churches paid nothing; however, that number is now down to 222 churches – that's a number you want to see go down!

Finally, on behalf of CFA, I want to thank Maggie Biggs, Tim Horsch and the rest of the staff in the Treasurer's office. This has been a difficult year and they have answered numerous questions and provided many, many statistical analyses that were invaluable in forming this 2020 budget.

With that, Bishop and members of the Iowa Annual Conference, I move the Proposed 2020 Iowa Annual conference Budget on page 15 of the Pre-Conference Manual.

Jon Disburg
President, CFA