

Finance Update – October 2020

We included the current year's General Fund budget in the July 2020 finance update with last year's forecasted data prior to closing the year. At that time, we indicated that we would adopt some shorter planning/budget time periods for the current year and plan to readjust both the income and expenses every three months — this enables us to remain nimble and react to changes in this odd year with potential volatility. The following report is an update since that time, including adjustments to income and new expense trends looking ahead into the second quarter.

Restrictions due to the coronavirus on ministry activity and resulting finances certainly remain unpredictable and well outside of historical trends, which is what enables us to plan forward. As mentioned in the last report, projecting the direction the virus will take us over the next few weeks, let alone the next eight months, remains difficult, so remaining flexible seems to be a wise approach as we look ahead.

First quarter review

Our current fiscal year began July 1, 2020. As indicated in the July update, our first quarter General Fund budget accounted for an expected reduction in offerings that seemed to reflect the trending at the end of last year. Throughout July and August, offerings did in fact trend lower although not to the same levels that we anticipated. **Regular offerings** trended down 11% over last year and **special offerings (one-time larger gifts)** were off 51% from last summer.

There was a shift in giving though in September. While **regular offerings** declined further, down 24% over last year, the number of **special gifts** increased significantly. Last year's **special gifts** in September were \$18,000 whereas this year they were \$90,000. As we experienced in the fourth quarter of last year, it appears that increases from our current and new donors and special one-time gifts (that we had not received before) have made up the difference from the decline in **regular offerings**. The net result of this shift in our donor base activity enabled us to close our first quarter 6.8% ahead of our budget.

Our first quarter expenses ended up being below budgeted spending, primarily from the restrictions to ministry during the summer at a staff level and ministry line. Please see below for further explanations of the current year's provisions for our budget and adjustments after the first quarter.

Q2 budget adjustments and considerations

1. As communicated previously, given the significant change to ministry over the past months, **we have brought our staff expenses down** to a level where they fit well with current income and ministry needs.
2. Even though our Q1 income is higher than anticipated, we still feel **a more conservative approach to offering expectations would be wise for the unforeseeable future**. For more details around expectations, see note 1 below.
3. The **Ministry Development Reserve** line was introduced in this year's budget as a means to fund ministry development ideas during this season of coronavirus restrictions where normal ministry activity isn't possible. Since the beginning of Q1, **this line has been drawn down by our ministries** and parishes to provide for innovative ways that require funding beyond their initial budget provisions.
4. Changes in current restrictions from the coronavirus still make it difficult to get a clear view of when any larger gatherings will be allowed. This budget revision still has provisions for supporting some Home Church rentals and some limited number of larger gatherings, all as outlined in note 11 below. While our plans include only online services and online gatherings, **we are developing plans to re-engage Sunday morning gathering opportunities when the time is right. This budget allows for some resources to begin.**
5. **Our Compassion and Go Funds have seen a decline in offerings**, and this budget provides for intentional transfers to these funds at year-end, providing the fund balance allows. In this Q2 budget revision, the Go transfer

has been added to support innovative plans at the parish and Home Church level for reaching out into local communities beyond historical ways.

- As mentioned in July's report, due to the uncertainties that we face, **we have purposefully increased our fund balance in the General Fund** and will continue to do so looking ahead in the coming months. This will allow a greater provision for fluctuations in offerings that could come about as the economic impacts force our donors to adjust their financial support.

2020 - 2021 GENERAL FUND BUDGET with Q2 REVISIONS

	Actual 2020	Budget 2020	Budget 2021
INCOME			
Regular offerings	8,776,312	8,922,180	6,713,030
Special offerings			568,670
Total general fund offerings	8,776,312	8,922,180	7,281,700
Resource Centres – net	3,220	2,500	0
Interest & Other Income	44,798	12,000	12,000
BIC Lease Income – discounted in 2021 Budget	13,767	16,520	0
Net Rentals Income	250,434	350,000	150,000
Total General Fund Income	9,088,531	9,303,200	7,433,700
EXPENSES			
BIC Co-operative Ministries	332,700	340,720	325,500
Kidmax	439,061	473,760	236,850
Youth	537,163	655,990	374,100
Adult & Young Adult Ministries	2,334,841	2,482,240	2,382,600
Ministry Development Reserve			150,600
Communications	595,314	619,650	741,450
Weekend Service/Music	839,812	1,016,685	496,250
Shared Ministry/Leadership Expense	527,047	546,640	485,200
Total Ministry Costs	5,273,237	5,794,965	4,867,050
Administration & IT	757,378	777,200	752,050
Facilities & Rentals	652,547	742,320	480,850
Parish Rent	751,119	1,075,000	273,230
Sunday Gathering Re-opening			140,000
Mortgage Interest	160,845	159,865	150,195
Mortgage Principal	262,412	268,092	273,065
Equipment Purchases, Building Repairs	22,678	75,000	50,000
Transfer to Property Fund	70,000	70,000	100,000
Transfer to Compassion Fund			100,000
Transfer to Go Fund			50,000
Total General Fund Expenses	8,282,917	9,303,162	7,561,940
NET GENERAL CASH FLOW	805,614	38	(118,240)
General Fund Balance at Beginning of Year	1,119,846	805,144	1,925,460
General Fund Balance at End of Year/Period	1,925,460	805,182	1,807,220

General Fund Budget Notes:

- There was a slight decline to “regular” offerings last year, and we felt that we should be conservative and plan for a lower trend in 2020-2021 as our congregation continues to feel the financial impacts that our economists forecast as we head into the next season of this pandemic. “Special” or larger, one-time donations were more

noteworthy last year, but we felt they could decline more significantly this year. Our decision therefore was to plan for a potential 12.4% decline in regular offerings and a 47% reduction of special offerings over last year's actuals. **The net result is an offering plan for 2020-2021 of \$7,281,700, which represents a decrease of 17% over last year's year-end.**

2. BIC Lease income will end this year as they have decided to shift their employees to home offices on a permanent basis.
3. Rental of the Bristol Circle facility in Oakville ended the year with a net profit much lower than planned due to no rentals for the last four months of the year. We continue to budget conservatively for this year as booking possibilities will be very slim due to coronavirus restrictions.
4. BIC Co-operative Ministries is a percentage of our offerings that we donate to our denomination to help fund their work in Canada and throughout the world.
5. Total expenses ended last year significantly under budget. This was due to immediate cutbacks in March to respond to ministry moving to only online. Site rentals stopped at that time and several staff roles that only supported weekend services were laid off. Overall budget cuts continue into the first part of this year as our ministry remains online. As we move further into the year, we will monitor the trends of provincial restrictions and ministry opportunities in light of offering levels and adjust accordingly.
6. Kidmax and Youth Ministry expenses include staff that serve in these ministries as well as limited supplies that facilitate online ministry only.
7. Adult Ministries allows our pastors and support staff to serve our adult community. Costs would cover leadership development, training our elders, and providing general pastoral care.
8. Communications includes the costs to capture and produce Sunday service teaching, video, and other resource developments that provide support for all our ministries and promote The Meeting House externally.
9. Weekend Service costs for this year have been reduced significantly to only provide for support that facilitates online ministry. Support for meetings (Sundays or otherwise) has been significantly reduced with minor provisions if provincial restrictions are reduced.
10. Administration and IT costs include such things as insurance, our IT infrastructure, telephone, professional fees, and general office expenses, supporting all ministries.
11. Facilities and parish rent costs typically include operating and staffing of the Oakville production facility, local site rental costs for Sunday services, midweek youth program locations, music rehearsal space, truck and trailer parking during the week, as well as any special ministry space requirements at all our parishes throughout the year. The budget provided this year is significantly reduced and only provides for limited regathering spaces should restrictions allow and health experts suggest it is safe to meet indoors. This line will be evaluated regularly and adjusted as the opportunities arise and as finances allow for increased costs.
12. Equipment purchases cover the costs for minor equipment purchases as required.
13. The transfer to the Property Fund is planned to cover anticipated costs for repair/replacement of significant building components, major production equipment, trucks/trailers, etc. The actual value may vary depending on the actual year-end net cash flow to provide a targeted fund balance of \$1,800,000 (see note 15).
14. We are aware that giving to the Compassion Fund has been reduced as some donors have needed to reduce their offerings. We want to increase our ability to provide to those who have increased needs resulting from this pandemic. The transfer to the Compassion Fund is a budgeted allocation to provide further support to this fund at this time.
15. As indicated above, the transfer to the Go Fund had been added to support innovative plans at the parish and Home Church level for reaching out into local communities beyond historical ways.

16. The General Fund balance is held to allow for fluctuations in cash flow throughout the year and as an emergency fund for unforeseen events. Seasonal fluctuation within this fund is normative. Our cash balances are naturally the highest around the Christmas season and lowest through the summer. A balance in this fund on the June statements would typically be around \$900,000 — this level ensures we have enough cash on hand for expenses throughout the summer months. Due to the uncertainty of this time, we have planned to increase the level of this provision to \$1,800,000 to allow for increased uncertainty. (Note: the balances in the other funds are restricted and cannot be used for General Fund needs.)

2020 - 2021 COMPASSION FUND PLAN

INCOME Actual

2020 Plan

2020 Plan

2021

Offerings

Peacemakers Donations

Interest & Other Income 788,675

209,131

16,932 800,000

225,000

3,000 750,000

225,000

3,000

Total Income 1,014,738 1,028,000 978,000

EXPENSES

Global Compassion

MCC Peacemakers, Program Support

World Vision Support

BIC Global Ministry & Compassion Support

Extended Partner Support & Learning Teams

Ministry Oversight & Communication

255,907

100,000

105,000

35,932

167,889

270,500

100,000

105,000

44,000

174,200

Compassion Fund Notes

1. Donations to the Compassion Fund were slightly lower than planned, primarily due to the effects of the coronavirus impact.
2. The Peacemakers donations were just under planned, but we were able to transfer the full amount to Mennonite Central Committee (MCC) and made up the difference from a positive variance within the Compassion Fund balance.
3. Global Compassion supports partner agencies and mission workers in global relief and development and evangelistic work.
4. Local Compassion provides funding to the various agencies we partner with at each of our sites. It also provides support for Canadian mission workers, local mission trips, parish level compassion initiatives, and benevolence needs in our local communities. This year we were able to distribute over \$317,000 to partner agencies by bringing forward spending plans from this fall to last June to support those agencies that experienced more financial pressures due to the coronavirus effects on their ministries.
5. The effects of the coronavirus on overall giving potential remains challenging to foresee ahead. We have intentionally planned to transfer \$100,000 from the General Fund into the Compassion Fund at year-end this year to provide the continued level of support to the agencies that have come to rely on us.

Note: It is worthwhile highlighting that while our Compassion goal of donations flow through The Meeting House, in an effort to respond to COVID-19 we partnered with the Mushkegowuk Tribal Council, Windigo First Nations Council, and Mennonite Central Committee (MCC) to reduce the spread of the virus in remote First Nation Communities in Ontario. The initiative launched May 31, 2020 with a goal of raising \$24,000 across all our sites and closed June 14, 2020 with a total of **\$77,962** raised by 785 unique donations. All funds **were given directly through MCC**.

2020 - 2021 GO FUND PLAN

INCOME	Actual 2020	Plan 2020	Plan 2021
Offerings	1,066,109	580,000	941,000
Curriculum Donations/Income	17,146	25,000	48,475
Interest and Other Income	13,343	5,000	5,000
Total Income	1,096,598	610,000	994,475
EXPENSES			
Parish Expansion & Innovation	4,406	40,000	50,000
Jesus Collective	542,360	604,480	435,800
Curriculum	402,452	399,100	527,235
BIC Church Planting	75,000	75,000	0
Livestream & Website, Branding	235,077	140,000	30,600
Total Expenses	1,259,295	1,258,580	1,043,635
Net Cash Flow	(162,697)	(648,580)	(49,160)

Fund Balance at Beginning of Year/Period	949,757	877,196	787,060
Transfer from General Fund			50,000
Fund Balance at End of Year	787,060	228,616	787,900

Go Fund Notes

1. The original plan for the Growth Fund was formulated in the spring of 2019, prior to the Go vision being developed. The new Go vision was launched in November and the fund name was changed at that time. Donations to the Go Fund last year were well above the original Growth Fund plan due to increased offerings to support our renewed vision for the various elements within and our Go vision and strategy for the future.
2. The Go vision continues to develop and will roll out over the next five years. The above plan only represents anticipated spending on those initiatives which will be moving forward in the current fiscal year. Several other initiatives such as additional Home Church resources, TMHU, and Youth and Young Adult plans continue to form and will be brought into the spending plan when ready.
3. Parish Expansion and Innovation provides resources for birthing fresh expressions of local ministry at both our parishes and Home Churches. In order to support this endeavor early in the vision time period, we are adding support through the General Fund. See note 8 below.
4. Jesus Collective completed the pilot phase last year and is officially launching this year. Until that time, the Go Fund is handling the income and expenses related to the initiatives within. The above expenses are net of the anticipated income next year.
5. The ongoing development of our curriculum for kids and youth teaching will be completed this year and is transitioning over to a subscription model distribution through Jesus Collective, beyond our own internal use. The above difference between the income and related expenses represents contributions needed to make the changes necessary to refresh and make this product available for market.
6. Support for the BIC to assist with new church planting has been moved from Go into the General Fund starting this year.
7. Our new live streaming contributed to spending this allocation earlier in the Go vision to facilitate a quick response due to the coronavirus.
8. The effects of the coronavirus on overall giving potential remains challenging to foresee ahead. We have intentionally planned to transfer \$50,000 from the General Fund into the Go Fund at year-end to provide the continued level of support for all aspects of our vision and particularly the renewed focus on creative innovation endeavors.