



Lutheran Church *of the*
REFORMATION

2024 Budget Memo
November 14, 2023

Dear Congregation Members,

The Council recommends the proposed 2024 Budget for your approval at the Annual Meeting on Sunday, November 19, at 12:15pm. The meeting will take place in person and via Zoom

You can download the 2024 Budget Packet at <https://lcor.info/AnnualMeeting2023>. There are five documents:

1. 2024 Budget Memo (this document)
2. 2024 Budget Summary – the budget document on which the Congregation will vote.
3. Estimated Staff Compensation – this document breaks out the estimated salary and benefits for each staff member. After the Congregation approves the budget, the Council will set the specific compensation based upon the recommendation of the Personnel Committee and the Senior Pastor
4. Detailed Line Items – this document shows all the figures that the committees, staff, and Council used to create the budget
5. Special Funds, Investments, and Anniversary Campaign funds as of September 30, 2023

Income (Sources of Funds): We are focusing on growing our income in 2024 through increased giving resulting from our Stewardship Campaign, expanding our Space Use contributions through intentional promotion of our space, and renting out the Upper 220 apartment.

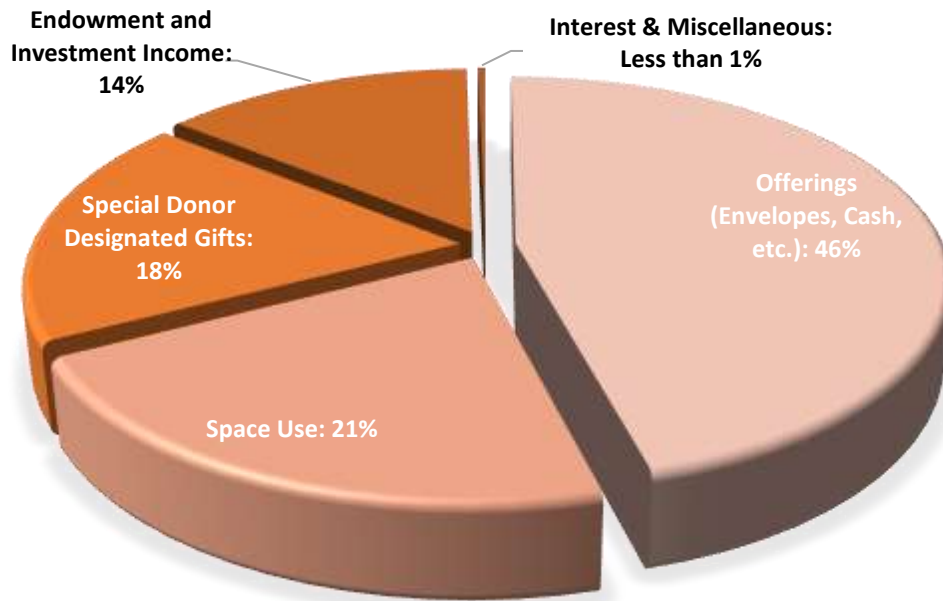
Reformation has four main sources of Income: Offerings (unrestricted gifts from members and friends), Space Use Contributions (also unrestricted), Special Donor Designated Gifts (restricted gifts for flowers, food pantry, choir section leaders, etc.), and Investment / Endowment Income (primarily donor-restricted funds where we can use the interest)

- Reformation's 2023 **Offerings** have been strong after falling off a bit in 2022 during the pastoral transition. We remain on track to finish the year with over \$420K in offerings, nearly 2% above budget and our highest level of giving since at least 2016.
- While intention cards are still coming in for our Stewardship Campaign, the cards we have received so far indicate that our goal of \$460K in Member General Fund giving is attainable, so we have set our 2024 Budget at that level

- **Space Use** contributions have also been strong so far in 2023 and remain on track to finish the year right around our aggressive 2023 Budget which reflected a 16% increase over 2022 contributions. This growth has occurred without any intentional advertising of our space. In 2024 we intend to promote our space more actively, so have budgeted 10% growth in our typical Space Use budget. Additionally, we intend to rent out the Upper 220 apartment to further supplement our income
- **Special Donor Designated Gifts** will make up nearly \$14K less of the 2024 Budget than they did the 2023 Budget, and \$45K less than they did the 2022 Budget
 - The impact of these reductions to the overall budget was minimal as the main drivers of the reductions were an \$8K reduction to Food Pantry funds to bring the budget in line with expected spend and a \$6K reduction in General Memorial funds which were used for Pastor Kevin's transition expenses in 2023
 - Prior to 2023 Special Donor Designated Gifts fully supported Choir Section Leads for worship services. Beginning in 2023 there was a significant reduction in these gifts after we lost some of our generous donors. The 2024 Budget relies on Offerings and Space Use contributions to support this lower amount of special funding
- The FEMA grant (\$150,000) for improvements to the safety of our campus has been moved into the 2024 Budget since the work will be completed next year
- Our three main **Investment and Endowment Funds** each lost around 20% of principal during the 2022 market downturn. The principal held steady in 2023, but we capped our draw rate for these funds at 5% in 2024 to ensure we don't see further reductions in principal and that these funds remain available to fund our future budgetary needs
- The 2024 Budget for these funds is \$43K less than the 2023 Budget primarily because the 2023 Budget relied heavily on funds rolled over from prior years
- Investment and Endowment Fund income also includes other Small Special Funds for things like musicians, pastoral staff, and service and justice. These funds make up around \$17K of the 2024 Budget. We increased the draw rate from 4% to 5% to bring it in line with the three main Investment and Endowment Funds

The total Sources of Funds in the 2024 Budget proposal is \$1,015,637. Offerings account for 46% of total Income. The remaining Income comes from Space Use (21%), Special Donor Designated Gifts (18%), Investment / Endowment Income (14%), and Other Miscellaneous Sources (less than 1%)

SOURCES OF ALL FUNDS



Expenses (Uses of Funds): We took a zero-based budgeting approach in 2024, building our expenses from the ground up. We were able to reallocate funds from areas that were underutilized to better support our ministry priorities

Reformation's Expenses are allocated to the six areas of ministry: Worship, Music, and Arts; Spiritual Growth (Education); Fellowship and Caring; Engagement and Communications; Service and Justice; and Stewardship, Property, and Finance

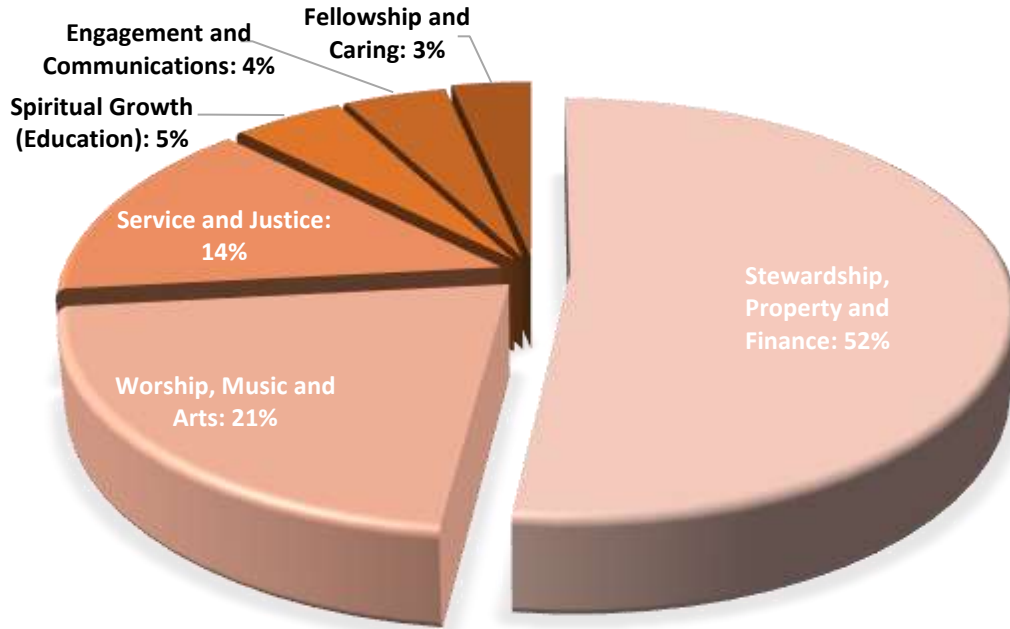
- The Worship, Music, and Arts budget remains approximately in line with 2023 levels. Some cuts were required to stay at this level to keep this budget flat while providing our Choir Leaders, Soloists, and Musicians with annual pay increases. These cuts included extending the summer choir break by one week and reducing costs for special music on Reformation Sunday and Christmas Eve. Additionally, this budget does not include any funds for our jazz service, Space for Grace. We hope to hold Space for Grace services monthly in 2024, which will cost nearly \$8K. Pastor Kevin has applied for a grant to fund this service
- We have realigned the Spiritual Growth budget to better reflect our ministry priorities. The overall budget reflects a 2% decrease from the 2023 Budget, but a 31% increase from our expected 2023 spend. The biggest increase is a return to two Nursery Attendants from one in the 2023 Budget. We have also funded the Children's

Choir and Acolyte Program while reducing historically unused or underused funds in areas such as Extra Education Events and College ministries

- We also made some adjustments to the Fellowship and Caring Ministries budget. We added funds for new member classes and Reformation Fest, while removing funds for Funeral Hospitality which have historically not been used
- The 2024 Engagement and Communications budget is \$2K less than the 2023 Budget while still including funds to improve our signage and fund our Halloween community outreach event
- Within Service and Justice, the Food Pantry budget was reduced \$16K to bring the 2024 Budget in line with expected 2023 spend levels. We increased the ELCA Mission Support funding 7% from the amount in the 2023 Budget. This ELCA Mission Support budget reflects 7.6% of Offerings, down from 8% of Offerings in 2023, an adjustment which was necessary to reduce our budget gap
- The 2024 Stewardship, Property and Finance budget (excluding Major Improvements) is up \$47K from the 2023 Budget. This increase is primarily driven by increased Property and HVAC Maintenance (\$27K) and Cleaning (\$19K) costs. Other movement includes increases in Insurance and Other Contract Services offset by reductions in Bookkeeping Expenses and Utilities
- The 2024 budget for Major Improvements is \$47K less than the 2023 budget. This is primarily because the 2023 Budget included funds for Parish Hall flooring improvements. The 2024 Budget does not include Major Improvements funds. Funding for these items, such as the elevator and HVAC, will be approved by the Council and Congregation as they arise
- Staffing: In general, staffing costs are allocated to the ministry areas based on the time that each staff member works in each ministry area
 - Based on recommendations from the Personnel Committee, Pastor Kevin and every staff member is expected to receive a cost-of-living increase of (4.2%)
 - The other major difference in 2024 vs. 2023 is 2023 included funds for Pastor Kevin's transition expenses which are not included in 2024

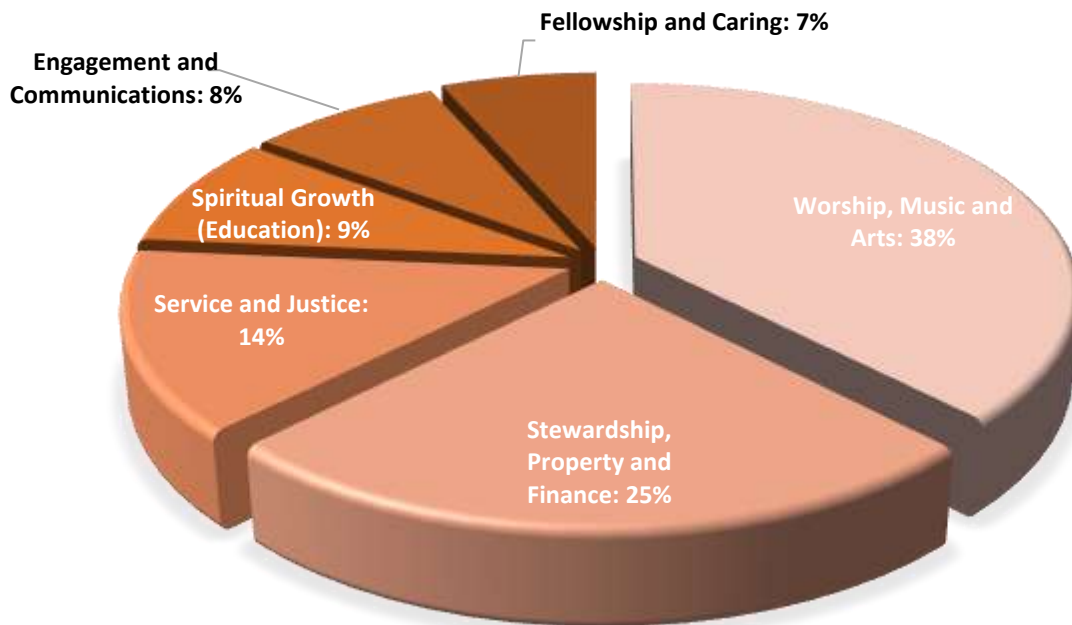
The total Uses of Funds in the 2024 Budget proposal is \$1,061,950. The Stewardship, Property, and Finance ministry area accounts for 52% of total Expenses. The remaining Expenses are allocated to Worship, Music, and Arts (21%); Service and Justice (14%); Spiritual Growth (5%); Engagement and Communications (4%); and Fellowship and Caring (3%)

USES OF ALL FUNDS



Many of our Expenses are paid using donor-designated or other restricted funds. Your general fund offerings and other unrestricted income is allocated to: Worship, Music, and Arts (36%); Spiritual Growth (7%); Fellowship and Caring (5%); Engagement and Communications (7%); Service and Justice (12%); and Stewardship, Property, and Finance (33%)

WHERE YOUR 2024 GENERAL FUND OFFERING GOES



Bottom Line (Net Surplus/Deficit): We have built a 2024 Budget that maximizes the use of continual funding sources, better realigns our expenses towards our ministry priorities, and puts us on a path to fully close our annual budget deficit by 2026, so we won't need to depend on undesignated bequests to break even

In addition to the Income summarized above, \$46K is allocated from Undesignated Bequests in support of the 2024 Budget. For context, this amount is slightly higher than budgeted or expected in 2023 (\$41K and \$44K respectively), but the 2023 Budget depended more heavily on one-time funding and was very light on Maintenance funds. The Undesignated bequests budget was \$55K in 2022 and the prior ten-year average was nearly \$75K. We expect to finish 2023 with approximately \$125K in the Undesignated Bequests fund

The 2024 Budget includes \$27K of Interest Payments on the Line of Credit. \$32K is the expected need to keep the Line of Credit balance flat. We determined that this \$5K reduction appropriately balances the desire to keep the Line of Credit from growing with the need to minimize our budget deficit. As of September 30th, the balance on the Line of Credit is \$326K

We expect to draw the \$50K budgeted in 2023, offset by additional interest rate payments during the fourth quarter of 2023.

The 2024 Budget proposal is break even after allocating Undesignated Bequests. This budget funds the Congregation's ministry priorities for the next year and provides flexibility as we continue to work to close the budget deficit and transition our budget to invest more heavily in our ministry priorities