

Budget and Finance Committee Report to the Southeastern Synod Council September 2020

The Budget and Finance Committee met by Zoom on August 24, along with the bishop, the treasurer, and members of the Synod staff, to review the Synod's financial situation at the mid-point of the fiscal year. The committee offers its observations and concerns for the Synod Council's consideration.

1. We reported to the Synod Council in January that mission support income has fallen short of covering the budget for the past ten years, and we have exhausted all the stopgap means of covering the shortfall. We repeated our urging that the Synod Council "accelerate mission interpretation and stewardship promotion initiatives in the Synod; ...assume a more deliberate role as the Synod's development arm; and begin discussing the bigger questions about how the nature of the Synod (and the denomination) may be changing in the ever-nearer future in response to downward trends in membership and financial support."

Unfortunately, the ministry crisis that resulted from this year's COVID-19 pandemic made it impossible for the Synod to follow through on mission interpretation and stewardship promotion. Also, the pandemic created financial uncertainty for congregations in the Synod and has reduced mission support even further. Therefore, both the short term and long term financial outlooks for the Synod are even more insecure than they were when the year began.

2. Through July, mission support income was well below what was anticipated in the spending plan for this year, and well below YTD income for the last two years. The shortfall for the year could possibly reach \$195,000. At the same time, the COVID-19 shutdown has produced savings in some budget areas, so the actual operating deficit was about \$24,000 at midyear.

We secured a Payroll Protection Program loan of about \$135,000, which we hope will be entirely forgiven, and will become extra operating income. This extra cash should cover our operating deficit for the year, barring any unforeseen events. There's no reason to expect a similar assistance program in 2021, however, so the Synod will need to fund next year's budget entirely with mission support income.

3. The chronic mission support deficit needs to be addressed. The Synod can probably absorb this year's shortfall, between COVID-related spending reductions and the PPP loan, but a similar shortfall in 2021-22 would not be absorbable. For next year, mission support needs to be increased dramatically, or major cuts will need to be made in the budget.

Without knowing what will happen in the second half of this fiscal year, the committee doesn't have any specific recommendations for Synod Council action. It is imperative, however, that the Council take some action to move in the direction we urged in observation #1 above (and repeatedly in the past.)

We encourage the Synod Council to increase efforts at mission interpretation and stewardship promotion, in hopes that mission support income will increase during the rest of this year and next year. Those efforts might include general communication by the Synod staff (which is

already underway), but should also include direct outreach to congregations by the staff and council members. Pastors and congregational leaders should be made aware of the Synod's financial need; they should also have the opportunity to share with Synod leadership their own financial situation, and any changes to their projected mission support in coming months. (Some congregations that have already been contacted have, in fact made significant catch-up contributions.)

The Council should also be prepared to revise next year's budget downward when it meets in January. The nature and amount of any cuts would depend on how much we can increase our mission support income but also on external factors, such as restructuring and staff reconfiguration by the churchwide office.

4. The Committee also received from Sandra Gustavson a detailed list of all the Synod's designated accounts, including information about the source and purpose of the funds in the accounts. Because the Synod's needs and ministries have changed over time, some of those funds are idle, and it is our hope that they can be consolidated and repurposed for more appropriate uses.

5. The Committee currently has three vacancies, and we discussed how we might fill those vacancies with Synod members who would help the committee expand its vision and oversight of the Synod's finances.

Pastor John Rossing
Chair