St. Mark's Lutheran Church

2022 Financial Update and 2023 Proposed Budget

Greetings to members and friends of St. Mark's. We thank you in advance for taking time to wade through the following document. Indeed, there is much information to be absorbed and processed. The last few years have been extremely challenging for most churches including St. Mark's. If COVID lockdowns and restrictions were not enough, we had to say good-bye to Pastor Rick, navigate the call process and welcome Pastor Zsófi as our new spiritual leader.

As you will learn from what follows, 2023 will bring new challenges for our congregation. We are hesitant to use the term "post-COVID" as we have likely not seen the last of the consequences of the pandemic. It does feel, though, that a degree of normality is returning to our community. The unanswered question is whether that normality will represent a return to what things were like prior to March 2020 or whether God is calling us to serve in new ways.

2022 Finances in a Nutshell

We now have complete financial statements up to the end of October and information about general offerings to the end of November. Based on this information, we anticipate ending 2022 with a small operating deficit of approximately $6,200.

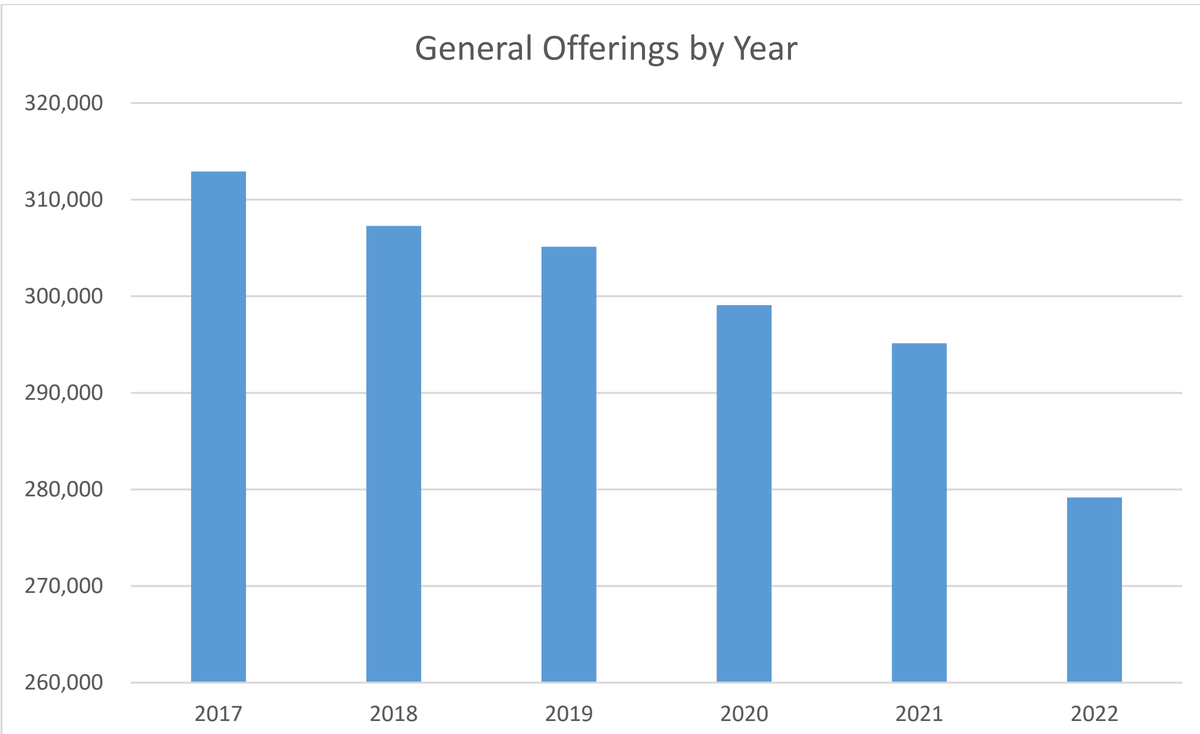
It is always hard to see a negative sign on the bottom line but for 2022, this was expected. We knew there would be large one-time expenses to cover (i.e., moving our new pastor to Winnipeg). As well, expenses associated with the reconciliation with indigenous peoples programming were paid out in 2022 but the grant money covering those expenses went into our books in 2021. Similarly, provincial grant monies received in 2021 were used to fund the 2022 salary of the Sunday School Ministry Coordinator.

It is reassuring to know that an operating deficit of this size can be easily managed given the surplus funds that have built up over the past few years. Indeed, in five of the past six years, we have had operating surpluses that when added up, come to just over $94,000. More than half of that pool of savings was realized in 2021 when we were without full-time pastoral care for five months.

What is concerning is the decline in general offerings in 2022. General offerings cover our operating expenses such as staff salaries, general administrative costs, the cost of heating, cooling, and maintaining our building, programming costs for worship, Sunday School, fellowship, youth and member outreach, and financial support we provide from our general budget to mission partners – the MNO Synod and Lutheran Urban Ministry.

Our projection for general giving this year is $279,000. This figure is based on known giving to the end of November plus the average amount received in December over the past four years ($47,000).

Compared to last year, projected offerings this year will be down almost $16,000. More concerning is the emergence of a multiple year trend of declining offerings. As the chart below shows, general offerings in 2017 were close to $313,000 or about $34,000 less than what we project for this year.



2023 Budget

As you might imagine, the downward trajectory in giving weighed heavily on your congregational council when it met in November to finalize a proposed budget for 2023. Historically, it has been the norm to present balanced budgets, that is, budgets in which projected income matches projected expenses.

Without doubt, our church's expenses continue to climb. Much of this is attributable to general inflationary pressure. But admittedly, expenses have also risen as tasks previously done by volunteers have shifted to staff (Sunday School coordinator, duty roster coordination) and contract work (sidewalk shovelling, spring and fall clean ups, bookkeeping).

The net result of these trends – rising costs and declining giving – is a proposed budget that shows an operating deficit of almost $39,000. Council will present that budget to the congregation for its approval with the following rationale.

- It would be unrealistic to inflate projected giving in 2023 beyond the 3% that is already built into the proposed budget to reach a balanced budget. Preliminary analysis suggests our donor base is shrinking but more work is needed to understand why giving is trending downward.
- While the budget could be balanced by making drastic cuts to staffing and programming, such reductions are seen as counter productive. For example, if the Sunday School program were to end, it would likely mean the loss of members with small children. The total programming budget is $20,000 cutting that in its entirely would not erase the deficit.
- While the budget could be brought closer to a balanced position with a significant reduction in support given to the MNO Synod, how could we continue to say we belong to a wider-church organizations if we are not willing to support it financially?
- Since we have financial reserves that will allow us to run an unusually large deficit, why not use them to help us weather the storm so-to-speak as we continue transitioning out of the COVID era. Council, though, is fully aware that our financial cushion can’t sustain deficits of this magnitude for much more than a year or so.
- A 2023 deficit budget must be coupled with an intentional campaign to engage members of the congregation in conversations around what the mission and ministry of the congregation should be like going forward and to what extent, our membership, including those who may have become less active during the last two years, is willing to support that work with both their time, talents, and financial resources.

The detailed 2023 budget is found on the following pages. Included are:

- Actual expenditures to the end of Quarter 3 (September 30, 2022)
- 2022 Budget. You may recall that the 2022 budget assumed a post-COVID environment for the full calendar year as well as full staffing costs. Neither turned out to be the case.
- Our best estimate as to how 2022 will end.
- The proposed 2023 budget. Note that we continue the practice initiated last year of showing total personnel costs as opposed to showing compensation for each staff position. The 2023 budget proposes a 3% increase for all staff positions.

Some further explanatory notes are appended to the document. The numbered commentary there refers to the index numbers shown in the far-right column of the detailed budget.

Again, thank you for taking time to read and study this document. We look forward to seeing you at the congregational meeting following the worship service on Sunday, December 11.

St. Marks Lutheran Church Inc
2023 Budget Proposed Budget

	Actual to End 3rd Qtr	2022 Budget	2022 Projected	2023 Proposed Budget	Notes
Income					
4000 General Offerings					
4000.1 Envelope Offerings	34,405.46	44,581.94			
4000.2 PAD Offerings	131,618.00	205,076.93			
4000.3 Electronic Transfers	17,945.00	56,265.48			
4000.4 Loose Offerings	190.40	1,537.31			
4000.5 Gifts of Securities	3,305.82				
Total 4000 General Offerings	**$ 187,464.68**	**$ 307,461.66**	**$ 279,166.00**	**$ 287,540.98**	1
4560 Gain/Loss - Investments	35.77				
4602 Interest Income	229.20	350.00	754.20	2,100.00	2
4603 Other Income	99.10		99.10		
4603.1 Facility Rentals	3,646.00	2,000.00	7,200.00	8,000.00	3
4603.2 Confirmation Fees		500.00			
Total 4603 Other Income	**$ 3,745.10**	**$ 2,500.00**	**$ 8,053.30**	**$ 10,100.00**	
4604 Restricted fund income					
4604.1 Memorial Fund Income	3,819.41	1,000.00	3,819.41	0	
Total 4604 Restricted fund income	**$ 3,819.41**	**$ 1,000.00**	**$ 3,819.41**	**$ 0.00**	
Total Income	**$ 195,294.16**	**$ 311,311.66**	**$ 291,038.71**	**$ 297,640.98**	
Expenses					
5000 Programming					
5002 Worship Committee					
5002.1 Resource Materials and Music	518.88	500.00		500	
5002.2 Communion Supplies	129.41	400.00		500	
5002.3 Flowers and Decorations	55.48	400.00		1,550	
5002.4 Licences and Subscriptions	1,798.53	2,158.00		2,400	
5002.5 Equipment Maintenance	516.24	650.00		650	
5002.6 Equipment Purchase	674.04	700.00		1,200	
Total 5002 Worship Committee	**$ 3,692.58**	**$ 4,808.00**	**$ 4,700.00**	**$ 6,800.00**	
5010 Confirmation Ministry					
5010.1 Confirmation Resources		100.00	400.00	250	
5010.2 Confirmation Hospitality		200.00		400	
5010.3 Confirmation Sunday Expenses		625.00		325	
5010.4 Thanksgiving Retreat		1,000.00		1000	
Total 5010 Confirmation Ministry	**$ 0.00**	**$ 1,925.00**	**$ 400.00**	**$ 1,975.00**	
5014 Sunday School Ministry					
5014.1 Curriculum Supplies	100.27	455.00		1000	
5014.2 Splash Program		120.00		450	
5014.3 Grade 5 Bibles	393.34	180.00		200	

5014.4 Special Events		425.00		425	
Total 5014 Sunday School Ministry	**$ 493.61**	**$ 1,180.00**	**$ 700.00**	**$ 2,075.00**	
5022 Adult Education					
5022.1 Curriculum Material				400	
5022.2 Hospitality		120.00		200	
Total 5022 Adult Education	**$ 0.00**	**$ 120.00**	**$ 120.00**	**$ 600.00**	
5026 Inreach/Outreach					
5026.1 Can Lutheran Congregational Subscription					
5026.1 Can Luth Subscription		25.00		25	
5026.2 Supplies	696.71	500.00		600	
5026.3 Postage	45.78	500.00		500	
Total 5026 Inreach/Outreach	**$ 742.49**	**$ 1,000.00**	**$ 1,000.00**	**$ 1,125.00**	
5030 Stewardship					
5030.1 Supplies		250.00		500.00	
5030.2 Postage				100.00	
Total 5030 Stewardship	**$ 0.00**	**$ 250.00**	**$ 0.00**	**$ 600.00**	
5036 Youth Committee					
5036.1 Assistant Youth Leader Honorium	500.00	500.00	500.00	700.00	4
5036.2 Local Programming	518.72	1,000.00	800.00	1,000.00	
5036.3 Event Expenses - leaders	0.00	300.00	100.00	300.00	
Total 5036 Youth Committee	**$ 1,018.72**	**$ 1,800.00**	**$ 1,400.00**	**$ 2,000.00**	
5040 Fellowship					
5040.1 Congregational Events	1,144.49	300.00	1,250.00	300.00	
5040.2 Coffee Hour Kitchen Supplies	261.77	1,600.00	450.00	1,600.00	
Total 5040 Fellowship	**$ 1,406.26**	**$ 1,900.00**	**$ 1,700.00**	**$ 1,900.00**	
5045 Social Ministry					
5045.1 Programming	1,000.00	500.00	1,000.00	2,600.00	5
5045.2 Local Emergency Relief		300.00	300.00	300.00	
Total 5045 Social Ministry	**$ 1,000.00**	**$ 800.00**	**$ 1,300.00**	**$ 2,900.00**	
Total 5000 Programming	**$ 8,353.66**	**$ 13,783.00**	**$ 11,320.00**	**$ 19,975.00**	
5038 Synodical/National Events					
5038.1 Synod Convention Fee		880.00	880.00	900	
5038.2 CLAY Gathering		5,000.00		5,000	6
5038.3 Other events	291.40	1,800.00	291.00	1,800	
Total 5038 Synodical/National Events	**$ 291.40**	**$ 7,680.00**	**$ 1,171.00**	**$ 7,700.00**	
5046 Council/Governance					
5046.1 Council Meeting Expenses	174.82	100.00	175.00	125	
5046.2 Staff / Volunteer recognition		350.00	350.00	350	
Total 5046 Council/Governance	**$ 174.82**	**$ 450.00**	**$ 525.00**	**$ 475.00**	
5070 Administration Expenses					
5074 Office Expenses					
5074.1 Stationery and Misc. Supplies	715.14	1,600.00	1,200.00	1,200.00	
5074.2 Postage	679.51	900.00	900.00	500.00	7

5074.3 Photocopier lease		710.18		1,476.00		1,100.00		1,476.00	
5074.4 Photocopier Operating Expenses		347.95		1,300.00		525.00		600.00	
5074.5 Software Expenses		1,326.57		1,400.00		1,500.00		1,550.00	8
5074.7 Office Equipment Purchases		164.24		200.00		165.00		200.00	
5074.8 Corporations Return		40.00		40.00		40.00		40.00	
Total 5074 Office Expenses	**$**	**3,983.59**	**$**	**6,916.00**	**$**	**5,430.00**	**$**	**5,566.00**	
5079 Technology									
5079.1 Internet Service		1,602.78		1,500.00		1,900.00		1,200	9
Total 5079 Technology	**$**	**1,602.78**	**$**	**1,500.00**	**$**	**1,900.00**	**$**	**1,200.00**	
5080 Bank charges									
5080.2 EFT Billing		522.36		780.00		720.00		720.00	
5080.3 Other bank fees		538.31		200.00		540.00		100.00	
Total 5080 Bank charges	**$**	**1,060.67**	**$**	**980.00**	**$**	**1,260.00**	**$**	**820.00**	
5088 Telephone Expenses									
5088.1 Telephone Lease		923.36		1,236.00		1,236.00		1236	
5088.2 Telephone Monthly Bill		764.80		1,140.00		1,065.00		1320	
5088.3 Telephone Service Plan		200.72		300.00		300.00		300	
Total 5088 Telephone Expenses	**$**	**1,888.88**	**$**	**2,676.00**	**$**	**2,601.00**	**$**	**2,856.00**	
Total 5070 Administration Expenses	**$**	**8,535.92**	**$**	**12,072.00**	**$**	**11,191.00**	**$**	**10,442.00**	
5090 Property Expenses									
5091 Utilities									
5091.1 Gas		3,922.27		6,000.00		6,500.00		7200	10
5091.2 Electricity		4,724.23		7,550.00		6,600.00		6800	11
5091.3 Water		265.36		650.00		600.00		650	
5091.4 Alarm		853.75		240.00		1,200.00		850	
Total 5091 Utilities	**$**	**9,765.61**	**$**	**14,440.00**	**$**	**14,900.00**	**$**	**15,500.00**	
5092 Furnishings and Equipment									
5092.1 Computer Hardware & Accessories		5,606.93		1,800.00		5,606.93		-	
5092.2 Furniture		1,224.42				2,000.00		-	
5092.3 - Other Equipment & Accessories								-	
5092.4 Maintenance Office/Electronics								500.00	
Total 5092 Furnishings and Equipment	**$**	**6,831.35**	**$**	**1,800.00**	**$**	**7,606.93**	**$**	**500.00**	
5098 Insurance and Taxes									
5098.1 Insurance		5,696.50		8,132.88		10,000.00		10,685.00	12
5098.2 Property Taxes		1,206.80		1,300.00		1,206.00		1,250.00	
Total 5098 Insurance and Taxes	**$**	**6,903.30**	**$**	**9,432.88**	**$**	**11,206.00**	**$**	**11,935.00**	
5100 Property Committee									
5100.1 Interior Maintenance and Repair		2,572.51		5,000.00		4,000.00		5,000.00	
5100.2 Custodial Supplies		247.51		600.00		500.00		600.00	
5100.3 Misc Interior Property Expenses		50.03							
5100.4 Snow Clearance		2,423.35		3,300.00		3,203.35		3,400.00	13
5100.5 Lawn Care		292.85		800.00		525.00		800.00	14
5100.6 Misc Outdoor Property Expenses		742.32		1,000.00		750.00		1,000.00	
5100.7 Professional fees		25.00		300.00		25.00		-	
Total 5100 Property Committee	**$**	**6,353.57**	**$**	**11,000.00**	**$**	**9,003.35**	**$**	**10,800.00**	

Total 5090 Property Expenses	$	29,853.83	$	36,672.88	$	42,716.28	$	38,735.00	
5115 Personnel Expenses									
5116 Staff Expenses									
5116.1 Mileage		120.36		2,360.00		300.00		2440	
5116.2 Parking Expenses				200.00		0.00		200	
5116.3 Pastor's Miscellaneous		120.92		250.00		250.00		250	
5116.4 Pastors Book Allowance		79.89		500.00		500.00		500	
5116.5 Director of Music Cont Education		408.00		550.00		408.00		550	
5116.7 Pastor Cell Phone Allowance				600.00					
Total 5116 Staff Expenses	$	729.17	$	4,460.00	$	1,458.00	$	3,940.00	
5145 Payroll Expenses									
5145.1 Wages		90,312.58		159,124.58		136,420.00		166,171.81	
5145.2 Benefits		15,077.98		27,655.81		21,774.00		27,808.33	
5145.3 CPP Employer Paid		4,349.59		6,493.38		6,466.31		9,016.19	
5145.4 EI Employer Paid		1,997.66		3,988.13		2,915.00		3,289.97	
5145.5 Payworks Fees		756.04		840.00		950.00		950	
Total 5145 Payroll Expenses	$	112,493.85	$	198,101.90	$	168,525.31	$	207,236.30	15
Total 5115 Personnel Expenses	$	113,223.02	$	202,561.90	$	169,983.31	$	211,176.30	
5150 Other HR Costs									
5150.1 Supply Pastor		3,510.00		860.00		3,510.00		1290	16
5150.2 Supply Musicians		650.00		650.00		650.00		750	
5150.3 Supply Pastoral Care				400.00		0.00		400	
5150.4 VPP Record Checks				500.00		500.00		1100	
5150.5 Bookkeeping Services		1,950.00		2,400.00		2,750.00		2400	
5150.6 Miscellaneous HR Costs		11,090.32		20,000.00		11,090.32		0	17
Total 5150 Other HR Costs	$	17,200.32	$	24,810.00	$	18,500.32	$	5,940.00	
5151.5 Bookkeeping Services		0.00							
5301 Mission Partner Support									
5301.1 MNO Synod		25,000.00		40,000.00		40,000.00		40,000.00	18
5301.2 Lutheran Urban Mission				1,700.00		1,700.00		1,700.00	19
5301.3 Other partners		132.73		100.00		132.00		140.00	20
Total 5301 Mission Partner Support	$	25,132.73	$	41,800.00	$	41,832.00	$	41,840.00	
Total Expenses	$	204,092.59	$	339,829.78	$	297,238.91	$	336,283.30	
Net Operating Income	-$	8,798.43	-$	28,518.12	-$	6,200.20	-$	38,642.32	

Explanatory Notes to 2023 Proposed Budget

1. Projected General Offerings is based on actual giving to end of November plus December offering of $47,000. The estimated December giving is the average of December giving in the last four years.

   Project giving for 2023 includes a 3% increase to what we expect to receive in 2022.

2. Assumes an average interest rate of 3% on invested savings.

3. Assumes our Archimedes Math, Village Green Dances and Sisters of the Holy Rock are retained and that maintain a full schedule of activities.

4. Assistant youth leader honorariums are being increased to compensate leaders for use of personal vehicles to transport youth to events.

5. Increase reflects commitment to programming related to reconciliation with indigenous peoples. The committee will be applying for funding to the MNO Synod which, if successful, will reduce the impact on our budget.

6. Represents the congregation’s collective support for youth who will attend the Canadian Lutheran Anglican Youth gathering (CLAY) to be held in Waterloo in August, 2023.

7. Reduction in expected postage costs reflects a transfer of these costs to aspects of our programming that regularly uses Canada Post to deliver materials to members (i.e., Splash program, outreach to shut-ins, birthday cards to seniors).

8. Monthly subscriptions to software including Zoom, QuickBooks, MS Office package, Church Watch. The latter is used to record giving by individual members and to issue charitable receipts for tax purposes.

9. Reduction in 2023 results from migrating all phone and internet service to Shaw.

10. Natural gas pricing continues to be extremely volatile. To be on safe side, we are budgeting for a 10% increase.

11. Recent announcements indicate increases in hydro rates next year will be held to 3%.

12. Significant jump in 2022 actual cost resulted from revising the insured value of our building and its contents. We are anticipating a 6% increase in 2023 as insurance companies are under pressure from a high volume of claims in the aftermath of severe weather events.

13. Includes plowing of parking lot and shovelling of sidewalks.

14. Includes contracting out of spring and fall clean-ups of the church yard.

15. Personnel costs will come in under budget in 2022 mostly due to the absence of a full-time pastor for the first four months of the year. The employer contribution rate for Canada Pension Plan is increasing in 2023 as are some of the premiums for benefits delivered through Group Services Inc (GSI). Currently, our Pastor, Music Director and Office Administrator qualify for

enrollment in GSI plans. The proposed budget includes a 3% increase in salaries and wages for all staff members.

16. Additional supply pastor costs were incurred in the first four months of 2022 while were without a full-time pastor. We are anticipating the need for pastoral supply on six Sundays in 2023. The remuneration rate prescribed by the Synod is $215 per service.

17. 2022 actual represents costs incurred in to bring Pastor Schmiedge to Winnipeg for an interview and the costs of moving her and her family to Winnipeg.

18. Our ability to fulfil our budgeted commitment to the MNO Synod will be dependent on December giving. In 2022, we have been sending $2500 per month to the Synod with the hope that the shortfall in benevolence transfers could be made up before we close the books on 2022.

19. Represents our collective congregational gift to Lutheran Urban Ministry (LUM). Each year, we forward additional monies to LUM that represent directed gifts of members. Additional support to LUM comes through the Urban Meals Program which is funded entirely through directed giving.

20 Contribution to Reconciling in Christ organization.