

TREASURER'S REPORT TO MEMBERS

YEAR ENDED AUGUST 31, 2021

Hello Pathway Family,

At the upcoming Annual General Meeting I will be presenting the financial results for the fiscal year ended August 31, 2021 as well as the proposed budget for the new year (that we are already a couple of months into).

The past few years in my annual reports I have been raising some concerns with the trend of expenses climbing significantly while revenue has remained flat and /or been declining. We have still have had a surplus at the end of each year and the church has a significant savings reserve so there is no concern about the ability of the church to pay the bills now or in the foreseeable future, however these trends do have to be considered when we are budgeting to ensure we are being fiscally responsible. Through the first 10 months of the pandemic giving remained quite stable but in the last 10 months giving has dropped off enough that it needs to be considered in our budgeting.

Below you will find a financial update on the church:

GIVING

- Annual budget tithe giving \$475,460 (lowest year since 2017)
 - (-11.4% VS prior year)
 - (-10.6% VS prior 3 year avg)

- Online giving accounted for 86.9% of total giving for the full year (up from 67.1% prior year and 44.9% the year before)
 - Credit Union bill payment 63.2%
 - E-Transfer 18.3%
 - Pre-Authorized withdrawals 3.3%
 - PayPal 2.1%
 - Cash / Cheque 13.1%

ASSET REPORT

- Cash balances as at Aug 31st
 - Chequing \$20,381
 - Premium Savings (operating reserve) \$309,599
 - Platinum Savings (building fund) \$936,646
 - Total cash -11.8% fiscal YTD (due to office purchase)

- Current savings interest rates
 - Premium Savings - earning 0.30% based on daily closing balance
 - Business Platinum Savings - earning 0.85% based on monthly minimum balance
- No long term liabilities

BENEVOLENCE

- Fund balance ended the year at negative \$1,208; this means that all previously received designated donations for Benevolence have now been recognized as revenue and the amount we have spent on Congregational Care has exceeded the designated donations; for the next fiscal year this balance will be zeroed out and if designated donation revenues exceed expenses than a positive balance will start to accrue again
- Annual usage: Counseling sessions (\$4,773); Benevolence expenses (\$6,235)

YEAR ENDED OPERATING BUDGET RESULTS

(includes revenues & expenditures from daily operations including purchase of capital assets out of operating funds; excludes building fund & office purchase)

- *Revenue* is \$497,997 (total revenue is \$64,203 below budget; general income is \$59,676 below budget; designated income is \$4,527 below budget)
 - as compared to last year: 4 months up; 8 months down
- *Administration* Expenses are \$398,032 (\$62,968 below budget)
 - Insurance is \$497 over budget due to additional insurance required with office purchase
 - Sunday Service is \$677 over budget due to additional costs in putting on weekly services
 - Rent is 37,082 below budget due to rent concessions from Bergie
 - Salaries & Benefits are \$10,690 below budget
 - Pastoral & Staff expenses are \$11,159 below budget
 - Software Subscriptions are \$706 over budget
 - No other significant overspends
- *External Organization* Expenses are \$8,700 (on budget)
- *Missions* Expenses are \$37,028 (\$22,172 below budget)
 - Bible Giveaways \$649 over budget
 - No other overspends
- *Program* Expenses are \$35,340 (\$25,660 below budget)
 - Worship is \$2,830 below budget
 - Social Events is \$10,589 below budget
 - Men's Ministry is \$416 over budget (did not have an amount budgeted for the year)
 - Youth is \$3,322 below budget
 - Deacon Ministry, Cradle Roll, Leadership Pipeline & Leadership Training had no expenses
 - No other significant overspends
- *Capital Purchases* are \$16,950 (\$350 over budget)
 - Sound Team is \$2,509 under budget
 - Worship Team did not spend their budgeted amount

- Office Equipment is \$3,353 over budget (unbudgeted computer purchase approved by Lead Team)

- *Net operating cashflow* for the full year is positive \$1,945. In addition to this approx. \$13,000 in interest was earned on the building fund and those funds remain in the building fund.

2021-2022 BUDGET

The last few years in my reports at the AGM I have raised concerns about the trend of shrinking surpluses which are the result of flat and/or declines in giving combined with increasing operating expenses. The solution would be increased giving as the revenue in the church does not adequately support the size of the congregation. This has now reached a critical point and some hard decisions need to be made as a part of the proposed budget for the upcoming year.

With the prior year's income finalized, past practice of budgeting revenue for the upcoming year based on the prior year's actual revenue would give us a 2021-2022 budget of \$503,800 to work with.

Ministry budget requests for the upcoming year totaled \$685,100, leaving us with a projected deficit of \$181,300.

Declines in giving have made it very difficult to present a balanced budget. I have studied the year over year giving comparison by donor and have come up with the following results:

- Total number of active tithers in 2019-2020 was 196 and in 2020-2021 was 160 (net reduction of 18.4%)
- 53 donors (33.1%) tithed both years and increased their giving this past year
- 71 donors (44.4%) tithed both years and decreased their giving this past year
- 23 new donors received a donor # in 2020-2021
- 59 donors who tithed in 2019-2020 did not give at all in 2020-2021
- quite a few significant donors reduced or eliminated their giving in 2020-2021

If all budget lines were frozen at 2020-2021 actual spending levels we would be projecting a balanced budget. However 2020-2021 included substantial rent concession from Bergie that cannot be assumed to continue and with an accurate rent budget we would still be facing a \$60,000 deficit. The proposed 2021-2022 budget is essentially frozen at the prior year's spending, with exceptions made where maintaining the same level of expenditures will not be possible or commitments have already been made. This results in a proposed budget deficit of \$63,800.

It is recognized that this budget will significantly limit (and in some cases completely eliminate) the approved budget for numerous ministries. However approving all ministry spending requests would put us back to a proposed budget deficit of \$181,000 which would not be fiscally responsible and something I cannot recommend. As a result of this I have recommended to the Lead Team the creation of a Budget Management Team. This committee would be comprised of a Lead Team member (Daryl Klassen), a staff member (Andrew Sherman) and myself. When ministries are in need of additional funding (either because their annual budget is spent or because their ministry did not receive any funding in the budget) they would apply to this committee for approval. The committee would make a decision based on both the current financial situation of the church (the

hope is that revenue will bounce back to where it previously was making additional funding available) and the urgency of the request. When the size of the request would exceed a certain threshold then additional approval would be needed from the Lead Team. These significant cuts to the budget were not easy but something significant had to be done in order to present a fiscally responsible budget.

PROPERTY PURCHASES

At the last AGM in March the members approved purchase of both the current office building as well as land for a future church building.

The office was purchased in April, paid in full from the Building Fund.

The land purchase is on hold pending the subdivision completion by the seller and registration with Land Titles. That is expected to be completed in the near future. While the mortgage required to complete the purchase will put added stress on our already tight cash flow situation, the current offer from the seller would be hard to turn down. The attractive purchase price (well below appraised value) & seller's right of first refusal to repurchase at a 5% per year inflation both should make this purchase a good investment in any situation we find ourselves in the future.

Members previously approved a \$325,000 mortgage with Access Credit Union on the \$1,138,750 (plus closing costs) land purchase. We have learned as a part of the development agreement with the City of Winkler there will be approx. \$90,000 in fees due to the City. As a result of this there will be a motion at the AGM for the members to increase the mortgage approval to \$425,000.

Respectfully submitted,

Brian Derksen | T R E A S U R E R

REPORT WRITTEN: October 26, 2021

