

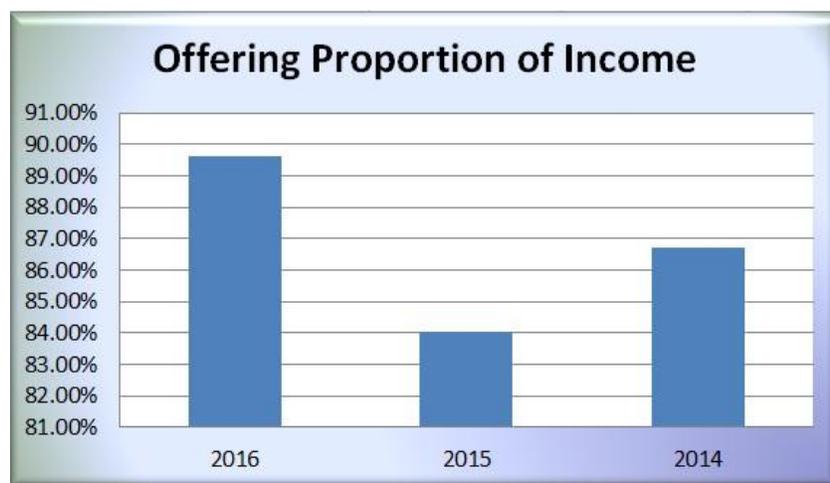
FINANCIAL REVIEW

Financial accounting in congregations can be complicated. Most congregations have unique ways of tracking its income and expenses and many tend to have a lot of “restricted” funds which can only be used for specific purposes. This section is intended to evaluate the financial strength of the congregation based on established norms observed from many congregations.

INCOME

We look first at the income sources to see where the income for supporting the congregation’s ministry comes from, and how much if at all, the church relies on outside sources of income.

The table below indicates the income sources for your church in relationship to congregational offerings. At the minimum, a congregation should support its expenses with at least 70% of its income coming from offerings. Congregations that rely too heavily on outside sources of income will often compromise their ministry for the needs of those who provide outside income. In the case of this congregation the offering proportion of income support ranges from 84 percent to almost 90 percent over the past three years. This is well above the 70 percent threshold. **Clearly this congregation is not very dependent on outside sources of income.**



And here is the overall income picture in more detail:

	Last Full Yr	Previous Yr	2 Yrs Ago
	2016	2015	2014
Operating Income			
Contributions	\$135,558	\$140,213	\$144,557
Memorials	\$35	\$1,038	\$25
Gifts & Bequests	\$50	\$0	\$5,310
Interest	\$4,211	\$13,092	\$7,252
Rental Income	\$2,735	\$3,190	\$3,933
Community Dinner	\$2,272	\$2,190	\$1,438
Fund Raisers	\$6,259	\$6,886	\$3,763
Coffee Hour	\$163	\$248	\$434
TOTAL INCOME	\$151,283	\$166,857	\$166,711

The large increase in Interest income in 2015 is responsible for the relative drop in income from contributions as a percentage of all income.

EXPENSE

The expenses of the congregation are grouped into four main categories: Salary Support, Building and Administration, Program Expenses, and Mission Giving.

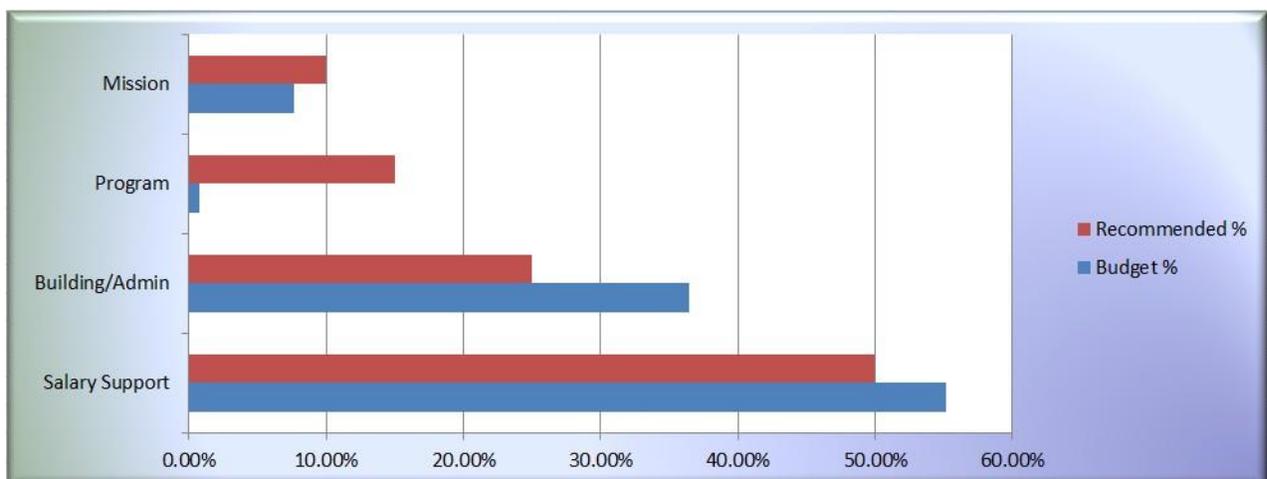
Salary Support includes the salaries and benefits for all persons employed by the church. It is typical for a congregation to spend about 50% of the budget on salary support.

Building and Administration includes the costs of running the church office, maintaining the building and the property and paying per capita. Typically a congregation will spend about 25% of their budget on this category.

Program Expenses include the costs of running programs, such as worship materials and choir music, curriculum for educational programs, and advertising. This is typically about 15% of the church's budget.

Mission Giving includes budgeted expenditures going to PC(USA) mission causes as well as mission causes chosen by the local congregation. It does not include individual giving through the church to special offerings and other mission causes that are not part of the budget. The starting point for mission giving is usually considered to be 10% of the budget.

The bar graph below shows this congregation's 2016 expenses (the blue bars) as presented in the 2016 Treasurer's Report. Each budgeted expense item was assigned to one of the four categories using the descriptions listed above. The red bars -- labeled "recommended %" -- show averages that are commonly put forward by experts in church development.



Typically when church budgets are tight, program expenses are the first to be cut followed by budgeted mission giving. In other words dollars that are oriented outward, like mission giving

and programs devoted to equipping participants to be “doers of mission” may be cut in order to sustain dollars that are oriented inward, like the building and staffing.

The blue bars in the above chart show that this congregation’s expenses are about 5 percent above the recommended level for Salary Support and about 10 percent above for Building/Administration. Spending for Mission is only about 2 percent under the recommended level; however, spending on Program is minimal at less than one percent. Most of the spending on program is for worship and music. Almost nothing is being spent on equipping people to be in mission.

In addition to the recurring sources of income, every congregation also has some investments or savings plus the estimated value of the property. This is outlined in the table below drawn from the Balance Sheet for December 31, 2016:

Assets and Investments		
Property Value		\$4,927,000
Investments		\$162,510
Savings/Reserve		\$31,102
Custody Account		\$174
Custody Account Capital Fund D		\$1,353
Checking		\$14,383
A/R from operating to capital		\$6,000
Unrealized Loss (Gain)		-\$50,312
TOTAL		\$5,092,210

The insured value of the property including the building at nearly 5 million dollars represents the overwhelming majority of this congregation’s assets.

FINANCIAL CAPACITY

In light of the financial information above, this congregation demonstrates **WEAK FINANCIAL CAPACITY**. Financial resources are not adequate for funding basic ministry at the recommended levels, given the current property, the current level of contributions and the current level of investments. The congregation’s assets include little more than its property. The congregation is providing financial support to missions, but virtually no money is being allocated to program areas (other than worship) which include the critical functions of making disciples, developing leadership, and equipping the people to be in mission. As a result of these factors, this congregation has limited ministry capacity.