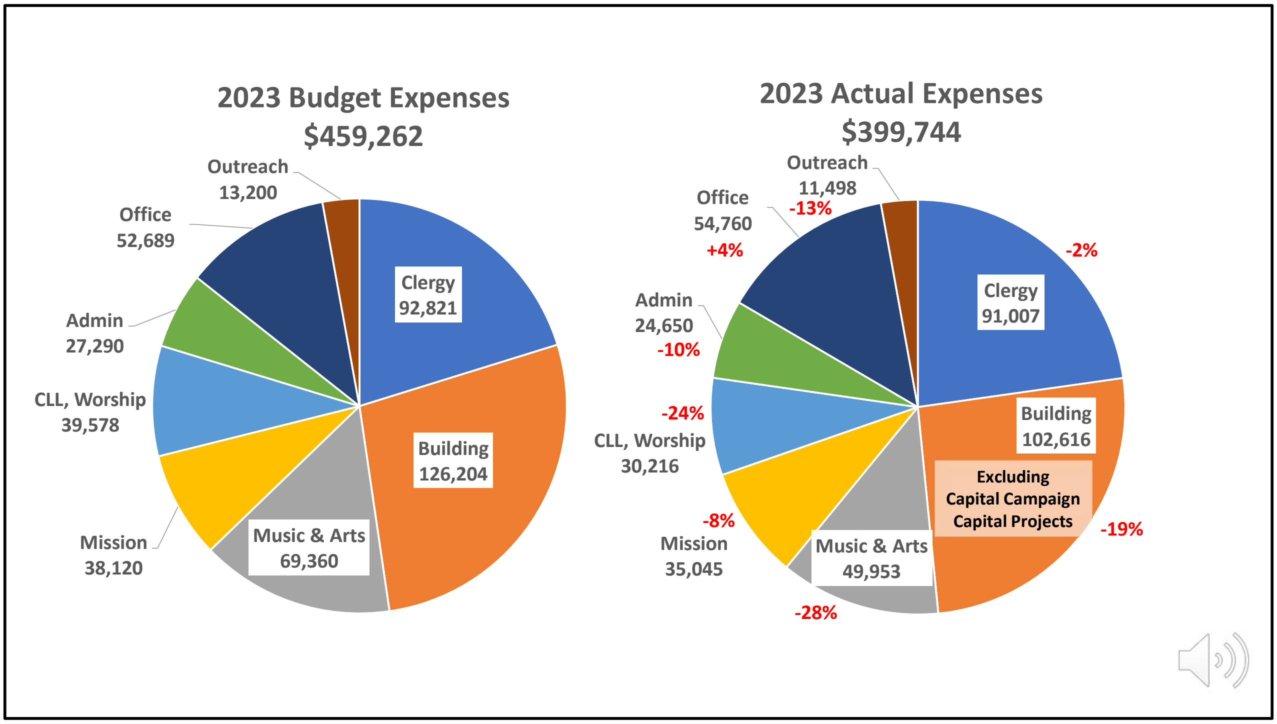
Westminster Presbyterian Church
Annual Meeting
Jan 28, 2024

Review of 2023 Finances:

Operating Budget
Restricted Funds
Long-term Investments

(Explanations contained in audio attachments)

Slide #1:
Hello. I’ve been asked to review church finances for 2023. There are several parts to our financial picture. The first part, for which we appeal to the membership once a year in the fall, supports most of our current operating expenses. Your pledges finance our personnel, office, administration, and communication expenses, our Christian Ed program, our music program, and a portion of our Mission programs both locally and abroad. The second part of our finances, separate from our Operating Budget, consists of a long list of Restricted Funds that may be used only for specific purposes. There are about 30 of these in all, including our recent Capital Campaign, many African Mission funds, a Youth fund, Memorial funds, and others, which are supported primarily by your voluntary contributions, including your response to annual appeals in support of our African Missions. The third part of our finances is our long-term investments, also called our endowment fund. These are managed by professionals at Merrill Lynch, within guidelines set by our own Investment committee. We extract from these investments an annual amount in support of the needs of our building in the Operating Budget. With good management we have in recent years been able to limit this extraction to under 6% per year of the investment fund balance, which in an average year leaves the principal balance untouched for future growth and financial support.



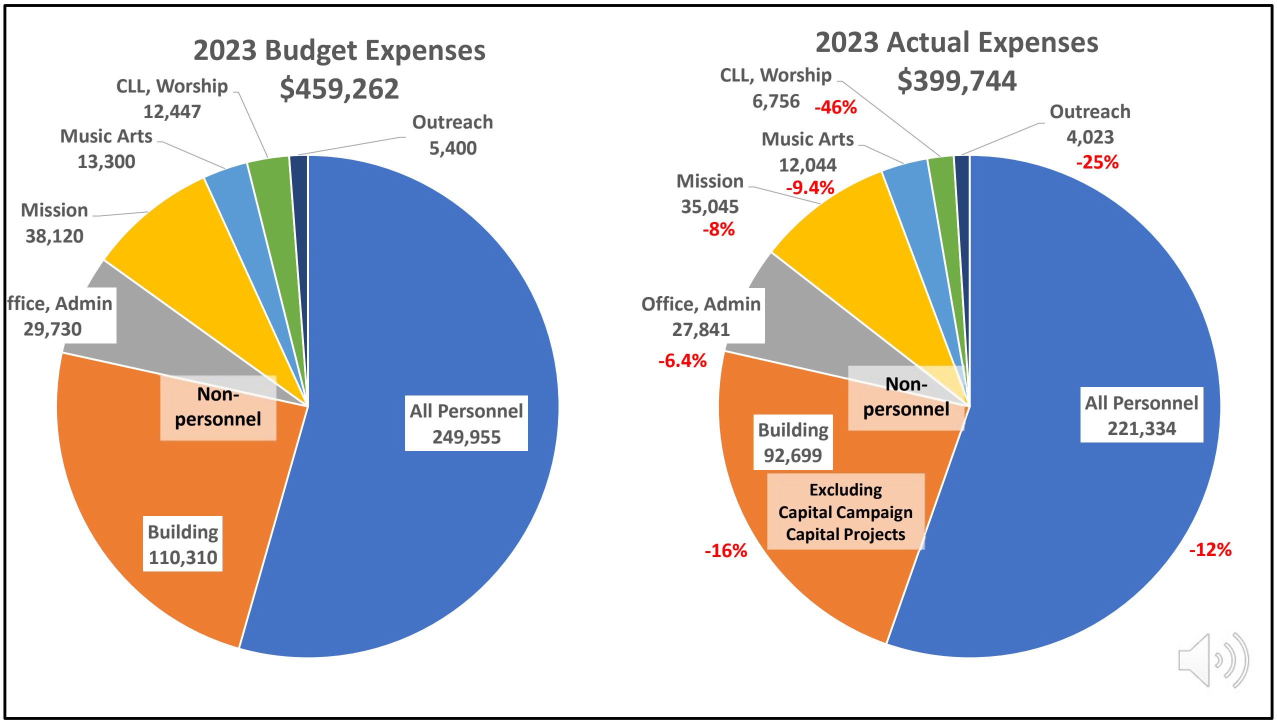
Slide #2:

I'll start with a review of our expenses for 2023. On the left is a pie chart of our planned expenses. On the right is the corresponding chart for our actual expenses: about 13% lower in total than planned, and also lower in nearly every budget sector. The over- or under-spending percentage is shown next to each sector. In actual dollar amounts, the 3 that stand out are Building at $23.6K, Music & Arts at $19.4K, and CL&L at $9.4K, which together account for over 90% of the total under-spending of nearly $60K, and budget surplus of $57K.

I'll come back to Building expenses in a moment. In the case of Music & Arts, nearly all the surplus is due to unexpended estimated staff salary allowances, which will not happen in 2024 now that staffing is complete. CL&L is low primarily because activity has not yet returned to pre-COVID levels. In other sectors, Office and Administration should really be examined together, and if you do that, they come out exactly on budget. Mission appears to be low, but that is due to unexpended local Mission funds that will be carried over to 2024 to supplement the 2024 allotment. Nearly all aspects of Communication and Outreach were low, except the Hospitality portion.

In the case of Building expenses, the underspending shown is misleading. Yes, the building portion of this budget is underspent in total. But that hides the fact that Supplies and Repairs were $9K over budget while Heating & Lighting was under by $12K; Insurance was $4K high while Contractual Services and all Personnel spending were low. The more important factor, however, is that many maintenance and upgrade projects are now financed from our Capital Projects Fund, outside the annual budget. And this year major renovations of the Assembly Room and restrooms were completed using the last of our former Capital Campaign funds. These will be shown later when discussing our Restricted Fund finances.

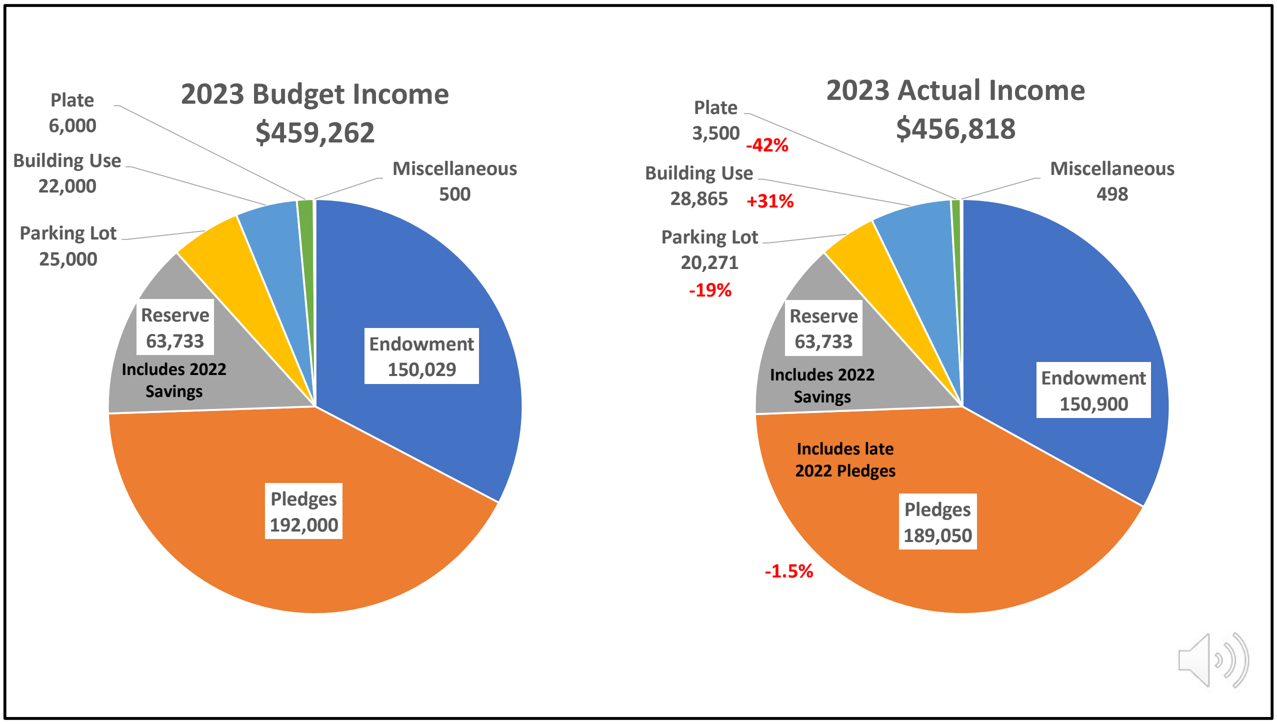
This chart is organized in a manner convenient to our budget planners and office administration. But it does not give a good picture of the largest portion of our finances: support for our personnel. Pieces of that are distributed throughout all budget sectors. But if I pull out all personnel expenses and assemble them together, our expenses look like this in the next slide:



Slide #3:

Here is the same expense data shown in the prior slide, again with budget on the left and actual expenses on the right, but with all personnel grouped together. Other pieces of the pie are the remaining expenses after removing personnel. More than half our budget, about $221K, supported personnel. Another ¼ of the budget, about $93K, covered remaining building expenses, not including Capital Maintenance portions. All other sectors share the last 20%.

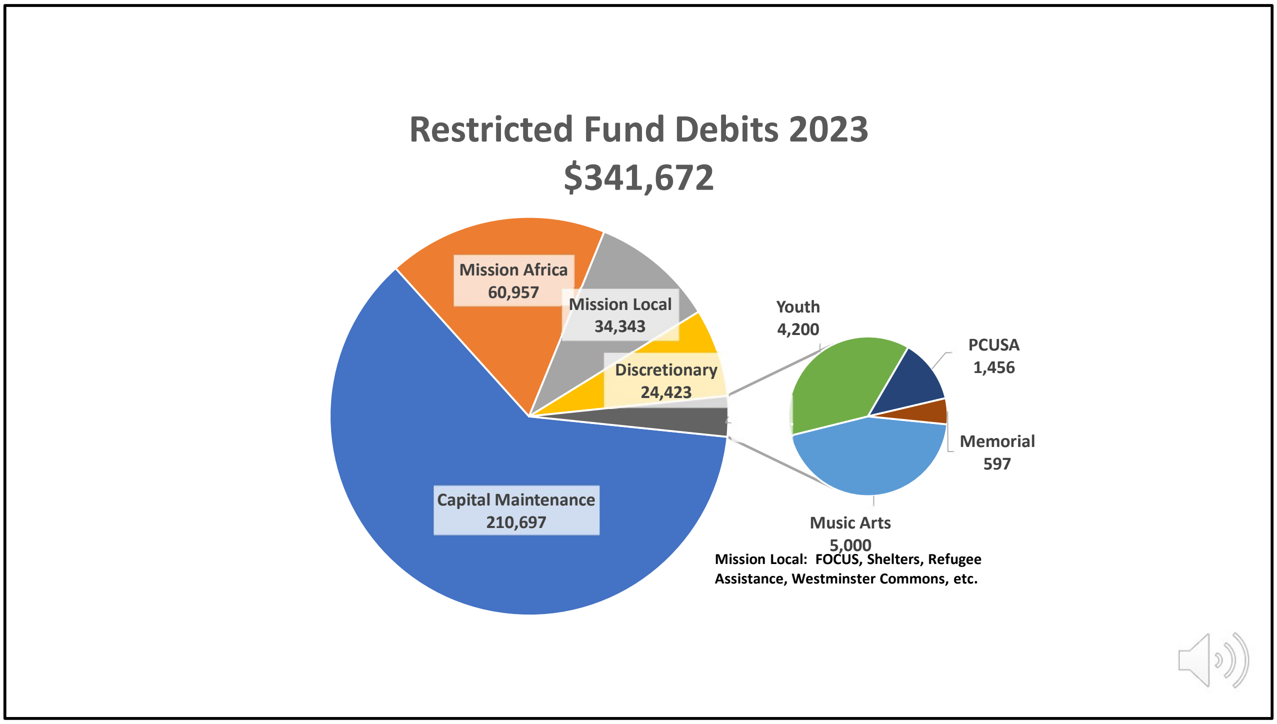
Over the last few years, the Stewardship & Budget committee has emphasized in our annual Stewardship appeal that your pledges support the living ministry of this church. In this chart, that includes all the small sectors plus some of the personnel. Support from prior members in the form of a monthly draw from our long-term investments supports the needs of our magnificent, but expensive, building. In this chart, that includes the building expenses and some of the personnel. Parking lot and building rental income supplement where needed.



Slide #4:

This slide shows our income in support of those expenses - estimated on the left, and actual on the right. The largest portion of each is support from our membership in the form of annual pledges. This supports the living ministry portion of our Operating Budget. The next largest portion is derived from our long-term investments, also called our Endowment. This supports the needs of our building. The third largest portion is from our own reserves, originally created from government support during COVID, and supplemented with budget surpluses since then. Our Budget committee manages this fund in coordination with generating the budget each year, adding any year-end surplus, and simultaneously drawing funds for the following year as needed. A year ago, this process drew down the Reserves by about $20K, leaving a balance of $63.8K. This year the 2023 surplus of $57K is about the same as our expected budget needs for 2024, resulting in zero net withdrawals from our Reserves – a considerable improvement, which extends the expected lifetime of those Reserves. That is a fortunate coincidence, but no guarantee for how long those Reserves will last.

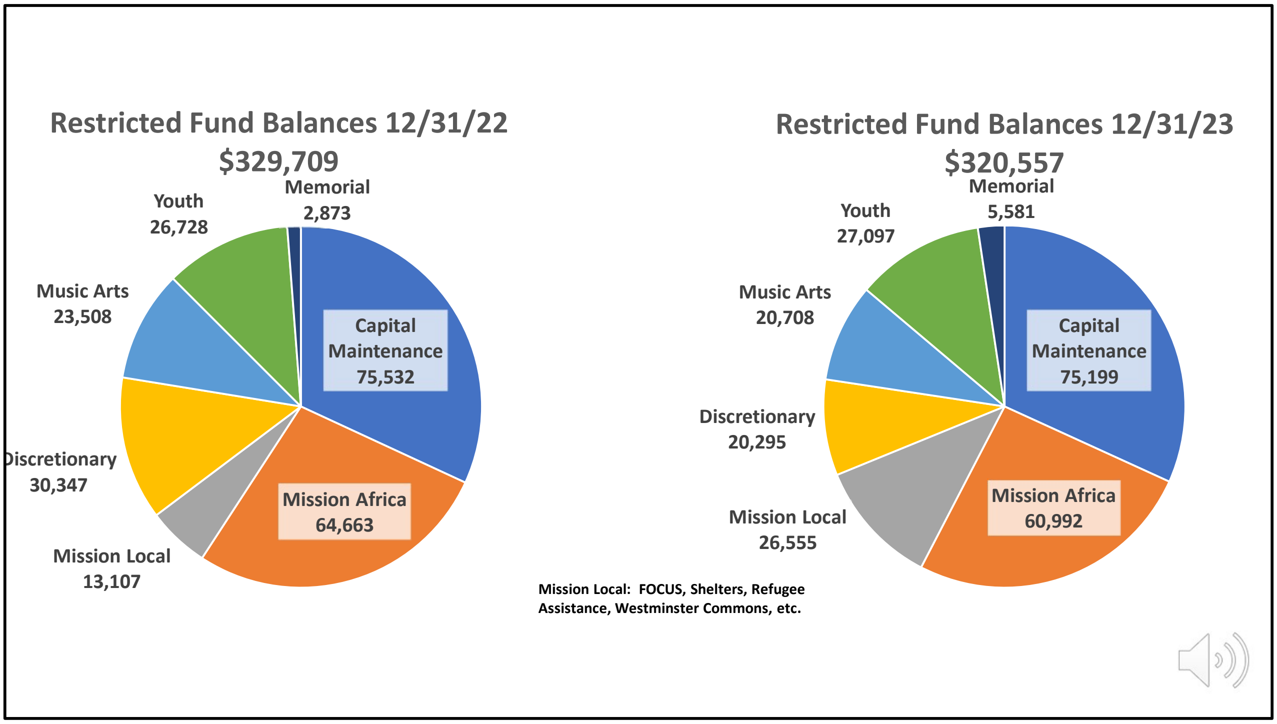
In the smaller budget sectors, Building usage continues to be the bright spot, exceeding budget this year by about 30% thanks to additional office rentals and the Cue Theater. Parking lot revenue is recovering slowly, but fell 20% short of budget due to vacancies. Plate collections are very small, not only due to minimal Sunday service donations but also reflecting preferences for donating on-line or via mail.



Slide #5:

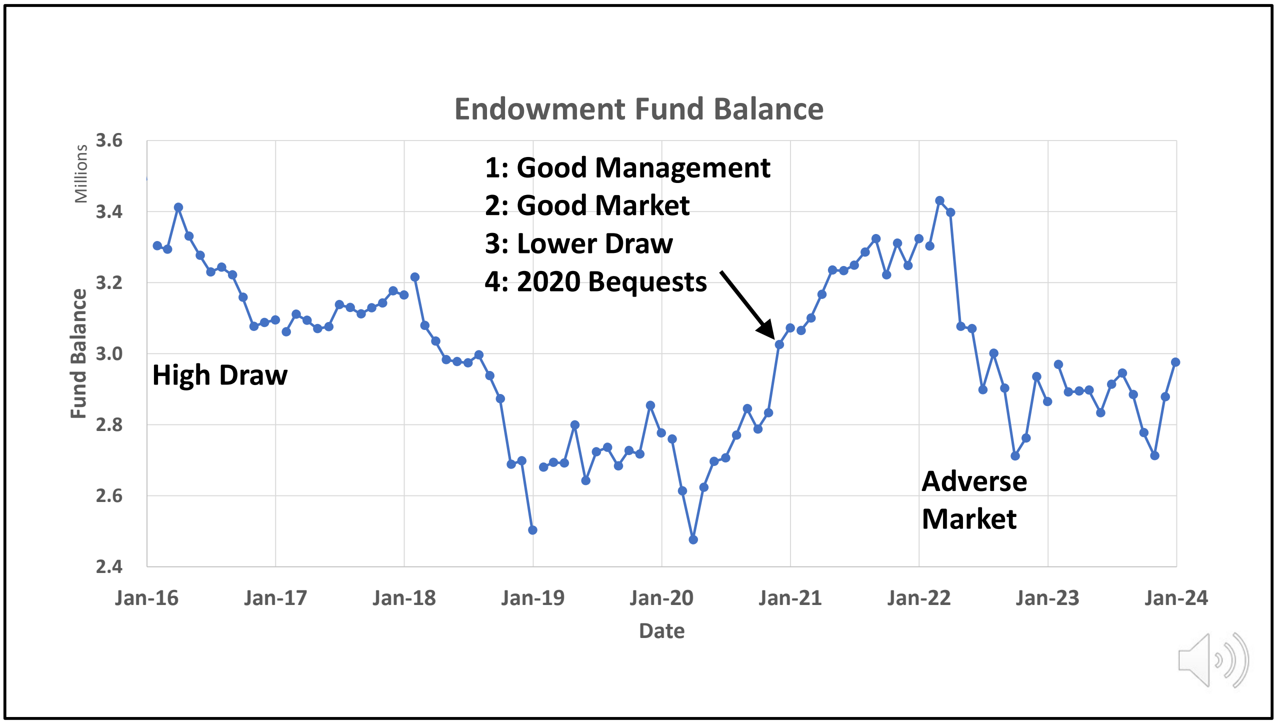
I turn now to a review of our Restricted Funds, which are separate from our Operating Budget. These funds carry over from year to year if not expended. There are about 30 of these, which is far too many to show individually. This slide has them grouped into categories, not including our Operating Reserves or those funds used strictly for internal fiscal management (such as pre-paid pledges and bequests). This represents funds going out the door, not moved internally. Total expenditures of nearly $342K is the equivalent of 85% of our total Operating Budget expenditures – a not inconsiderable sum. More than half of that this year was for Capital Maintenance, including the last of our Capital Campaign contributions plus our ongoing Capital Projects Fund. For 2024, that slice will be smaller as Capital Campaign funds are now fully expended.

The next largest portions are for Mission projects, both in Africa and locally, followed by discretionary spending and spending from specific funds for the music program, our youth, flowers or other memorials, and PCUSA donations.



Slide #6:

Total spending from our Restricted Funds is quite high compared to our Operating Budget, and in large part reflects our commitment to Mission and serving our community, in addition to maintaining our resources. But remarkably, despite these expenditures, fund balances at the end of the year are similar to those at the beginning of the year, thanks in large part to individual donations. But the building maintenance sector needed more than that. A year ago we were carrying a very large balance in our checking account – far more than needed for anticipated monthly usage. At the same time, our Capital Projects fund for such maintenance and improvements was nearly depleted, having just completed several major but essential projects the prior year, with more critical projects awaiting funding. Rather than fund these from additional special draws from our long-term investments, or put them on hold pending funding, we authorized drawing down the checking account balance by $100K for Capital Projects. This not only allowed these projects to proceed, but allowed the equivalent funds to remain in our long-term investments.



Slide #7:

The final slide I have in reviewing our 2023 finances shows the account balance over the last 8 years for our long-term investments, also called our Endowment balance. After many years of steady erosion, we have seen great improvement over the last few years, except briefly as COVID began, and during 2022 when market conditions generally deteriorated. This year the market was relatively stable, and our balance was slightly higher at the end. We attribute this improvement to many factors, including good management from our brokers at Merrill Lynch, and from our committee members who monitor these investments and set policy for which investments are acceptable. But perhaps most important for us, we have severely reduced our dependence on these investments to support our operating budget, our annual draw now being less than 1/3 of what it was in the past.

Never-the-less, although budget surpluses at the end of each year help balance finances for the following year, these are one-time savings, which cannot be depended upon every year. Without such surpluses, our Reserve fund – intended to last many years - would be quickly depleted, and we would return to difficult choices of cutting expenses, or raising income, or spending down our long-term investments.

This completes review of 2023 finances.