

NC Conference Financial Overview

June 10, 2010

Presented by Christine Dodson to
The NC Annual Conference

Financial Overview

- Economic Advisory Committee
- Leadership Summit – January 2010
 - Council on Finance and Administration
 - Connectional Table
 - Ministry Cabinet
 - Board of Ordained Ministry
- Cabinet and Connectional Table Discussion

Economic Advisory Committee

- Financial professionals, pastors, GCFA staff, annual conference
- Make recommendation for budget for 2012 General Conference budget
- Met over last two years
- Preliminary projection reported
- Factors
 - Financial, Statistical, Reality

EAC – Financial Factors

■ Projections to date:

- Economy in recovery in 2010
- Slower recovery than seen before
- Inflation low
- Unemployment high
- Some market recovery but not pre-08 levels

EAC – Statistical Factors

- Membership in US in decline
- Worship attendance in decline
- Local church expenses increased
- Giving per member increased - \$ and %
- Local giving increased
- Building spending increased
- Apportioned spending decreased by %

EAC – Reality Factors

- Benefit Plan Funding
- Local Church Spending
- Annual Conference Budget
- Local Church Demographics

EAC – Benefit Plan Funding

■ Pension Liabilities

- Additional bill - \$80M/year for 7 years
- CPP holiday
- Now - \$40M/year for 3 years and \$80M for 4 years

■ Next Issue – Retiree Health Insurance

- Maybe larger than pension
- Some ACs doing away with benefits

EAC – Local Ministries

- NACBA Survey:
 - 48% giving down
 - 47% frozen or cut compensation
 - 76% not cutting local mission spending
- Stat tables – increase in spending, decrease in apportioned spending
- Increase in building spending, now expect interest only, deferred maintenance

EAC – Annual Conference

- AC Squeeze In Between
- GCFA/GBOP survey (2009):
 - 84% pay out rate in 2008
 - Predicted 81% in 2009
 - Churches and ACs used reserves in 2008
 - Reserve levels down 25%
- ACs feel:
 - Pressure from local church to reduce apportionments
 - Encouragement from GC to pay out
- EAC predicts overall pay out not likely to increase over 84% and may decrease over next 6 years

EAC – Local Church Demographics

■ Potential Changes

- Hear a lot about churches with <100 AWA –

What does that mean to us?

■ In the US - ~34,000 local churches

- | | |
|----------------|-----|
| – <150 members | 62% |
| – <100 AWA | 76% |
| – <50 AWA | 50% |

Local Church Demographics

- In NC in 2009 – 813 local churches reporting

– <150 members	409	50%
– <100 AWA	604	74%
– <50 AWA	337	41%
– <25 AWA	137	17%
– <15 AWA	50	6%

- Average = 44% of membership in attendance

- Concern not based on cost to AC or GC but concern for viability

EAC – Local Church Demographics

- Also hear about 80/20 rule
- In NC, about 80% of churches pay about one third of budget
- Of those 80% of churches:
 - <100 AWA 90%
 - <50 AWA 50%

If concerned about viability and they close, what happens to the third of budget?

Can the other 20% of churches absorb?

EAC - Conclusions

- Annual Conference and local churches must decide what to pay:
 - Pensions?
 - Retiree health insurance?
 - Apportionments?
 - Local church missions?

With reduced reserves, decisions are harder.

Local Church Challenge

- Fewer congregations able to support full-time pastors
- Resulting alternatives:
 - Part-time clergy
 - Multi-point charges
 - Large funds in connectional support
- Pension and health insurance costs in budget

Changing Landscape

Changes over the last 25 years

	Then	Now	Change
# of clergy	~28,000	~28,000	Equal
# of retirees	~7,000	~18,000	~+2.5 times
Members	~10M	<8M	~-20%

Local Church Financial Pressures

- Health Insurance
- Local Church Debt
 - Sometimes rising as fast as health insurance
 - Corresponding principal and interest payments increase
- Debt has inverse relation to connectional giving
 - Apportionments paid 95% or more:
Average debt = \$476/attendee
 - Apportionments paid less than 95%:
Average debt = \$721/attendee
- Maintenance and operating costs

Local Church Demographics

- Professions of Faith – 2009
 - Total of 2,772
 - 386 churches report none (47% of churches)
 - 99 churches report one (10% of churches)
 - 80 churches report two (almost 10%)
 - Rest more than 2 up to high of 84

numbers revised very slightly since Annual Conference for final statistics report

from 2009 Statistical Table II, Question 2a

Local Church Demographics

■ Apportioned Giving

% Paid	2009	2008	2005
100%	85% (684)	86% (691)	88% (708)
>95%	87% (699)	89% (714)	94% (754)

55 churches - ~7%

Financial Best Practices

Key Metrics: Conferences, Churches

- Self-sustaining
- Healthy reserves
- Right sized
- Full apportionments
- Benefit levels
- Budgets: Realistic, forecasts, long-term
- Transparency: pensions, retiree medical

Bottom Line

Sustainable Churches

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Sustainable Conferences

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Sustainable United Methodist Church

Ministry Must Continue

- Leadership, energy and ingenuity
- Hard decisions
- Cross-boundary discussions
- Meaningful metrics

Address Financial Vulnerabilities

- Identify/support financially vulnerable
- Focus on asset development and long-term financial planning
- Identify and address systemic issues

Overview Discussion

- Leadership Concern
- Overarching Responsibility
- Big Picture of Relationships
- Goal Today – Begin to form total picture
- Procedure
 - Reports
 - Questions
 - Move Adoption

Reports

- Council on Finance and Administration
- Board of Pension
- Insurance Committee
- Task Force on Retiree Benefits
- Equitable Compensation Committee
- Joint Committee on Incapacity