

**Finance Committee of the Vestry
Saint Michael and All Angels Church**

Draft Minutes, September 18, 2012

Present: Steve Black, Bill Felder, Suzanne Lipscomb, Jim Smith, Matt Waller (Treasurer).

Ex-officio present: Rob Baber (Director of Accounting), Sheryl Wylie (Vestry Liaison)

Others present: Candace Thompson (Manager, Jubilee Community Outreach), Gayle Kesinger (Mission/Outreach Committee), Karen Pardoe (Mission/Outreach Committee), Sally Schupp (Mission/Outreach Committee), Randy Rekerdres (Mission/Outreach Committee).

Absent: Tracy Helms, Kathy Kelley, Randy Kob, Casey McManemin, Alan Pierce.

1. Approval of agenda and April minutes

The agenda and the May 15, 2012 minutes were unanimously approved.

2. Review of August 2012 YTD Income Statement and Balance Sheet

Mr. Baber reviewed the year-to-date results of operations for August 2012. Total year-to-date operating revenue was \$3,285,071 versus a budget of \$3,230,570 resulting in a positive variance of \$54,501. Total year to date operating expenses were \$2,828,383 versus a budget of \$2,937,998 resulting in expense savings to date of \$109,615. Mr. Baber noted, per conversation with the Senior Warden and Treasurer, an accrual of \$27K was made in the month of August which represents approximately 25% of the annual 5% pension contribution that was not included in the 2012 budget. A column was also added to the variance report for a 12/31/12 forecast variance by ministry area. At this time the anticipated year end expense variance is a positive \$79,500. The Finance Committee reviewed the balance sheet, and Mr. Baber entertained any related questions.

3. Stewardship Update

Mr. Waller updated the finance committee regarding the start of the 2013 stewardship campaign. The committee has set a goal of \$5.0m for the 2013 campaign. A soft launch was made during Homecoming on September 9th and \$215k in pledges has been received through 9/14. The committee is planning on 12 "Gatherings" inviting a targeted segment of the parishioners to each gathering anticipating attendance of 40-60 per event. The annual pledge mailing will be mailed on September 27th. Additionally, a heavy social media campaign with Facebook and Twitter updates focusing on Time, Talents and Treasures will be started at that time. The campaign has a budget of approximately \$40k which might exceed the 2012 budget by \$5k.

4. Fredericks Square Note Modification

Mr. Waller reviewed the terms of the Interest Rate Modification Agreement that was finalized on the mortgage on the Fredericks Square office building. The interest rate will be based on LIBOR plus 2.35% which would make the current rate 2.58%. An interest rate cap could be purchased for approximately \$25-\$30k which would cap the interest rate at 5.5 to 6.0%. This interest rate modification had a fee of \$3,750. At the current interest rates, this modification will save about \$100,000 in interest annually.

5. Auditor Management Letter

Mr. Baber reviewed the Management Comment Letter presented by the auditors in conjunction with the 2011 audit. A material weakness was noted regarding the treatment of prepaid pledges. This entry had a onetime effect on the financials increasing revenue by approximately \$760,000. Other deficiencies included the accounting controls over several checkbooks held by affiliates including the Altar Guild, Flower Fund, St. Mary's Guild, St. Dunstan's Choir Guild and the Women of Saint Michael. The Exchange is not included in this list because of the personnel and controls in place. Also noted were modifications in internal controls that were needed in addition to a Whistleblower and Conflict of Interest policies needed. Mr. Waller and Mr. Baber reviewed the changes that are taking place to address each one of the issues noted.

6. Forecast of Additional Expenses

Mr. Waller reviewed a draft of additional expenses for the parish over the next 3 years. These expenses include non-discretionary and discretionary expenses which the church is committed. These amounts total \$750k to \$1.2m annually over the next three years. A similar schedule will be presented to the Vestry.

7. Requests for fundraising, restricted funds and Foundation grant requests

The Finance Committee had several members of the Mission and Outreach committee in addition to the Jubilee Community Outreach Manager in attendance. A Fund Solicitation Request Form was presented to collect money and prizes for bingo games for the seniors at Jubilee. A solicitation bin would be out in February, May and August and would not conflict with any other planned giving campaigns. Announcements will also be in the Arch Angel and Sunday News. The anticipated amount of solicitations is \$250.00. The request was approved unanimously.