

Mission Giving and Operating Deficit

For the 12 months of calendar year 2011, mission giving declined by \$140,000 from \$1,566,000 received in 2010 to \$1,426,000. There was a net operating deficit of \$43,500. Adjusting for the budget subsidy of \$92,000 from the Church Development Fund, the cash loss for the calendar 2011 was \$135,500.

General Fund

At the end of 2011, the general fund has a balance of \$27,000—which is the Presbytery’s unrestricted working capital—and the cash reserve fund has a balance of \$133,000.

\$27,000 is an insufficient amount of working capital for operations in 2012 as there are months during the year in which \$80,000 or \$90,000 of mission giving is collected whereas monthly expenses average \$130,000. Due to the seasonal variability of receipts, the difference between cash expended and cash received can accumulate to \$100,000 or more. Consequently, any shortfall in working capital will have to be compensated for by using restricted funds (eg, Church Development if the shortfall were temporary or by drawing on the investments in the cash reserve fund if the shortfall becomes permanent).

At a minimum, the balance for working capital should be equal to one month of income received the Presbytery, or about \$130,000.

History of Mission Giving, Operating Deficits and Negative Cash Flow

A summary of mission giving, operating deficits and the total negative cash flow in the Presbytery’s operating budget for the preceding five calendar years is:

	Mission Giving	Operating (Deficit) Profit	Church Fund Subsidy	Negative Cash Flow	
2007	2,114,000	(76,000)	(98,000)	(174,000)	
2008	2,072,000	0	(99,000)	(99,000)	
2009	1,722,000	(66,000)	(103,000)	(169,000)	
2010	1,566,000	(23,700)	(152,000)	(175,700)	
1-9/2011	1,034,000	(128,500)	(69,000)	(197,500)	
10-12/2011	392,000 *	85,000	(23,000)	62,000	*4Q '10 = 520,000
		<u>(209,200)</u>	<u>(544,000)</u>	<u>(753,200)</u>	

The Presbytery has burnt through \$209,200 of its working capital (leaving a balance of \$27,000 at the end of 2011) and used \$544,000 of Church Development funds to subsidize its operations. And, the total negative cash flow from operations is \$753,200.

\$753,200 is a sizeable negative cash flow.

Concerns going into 2012

1. \$1,420,000 of mission giving has been budgeted for the current year. That approximates the amount of mission giving received in calendar year 2011. It is possible that mission giving may decline \$50,000 to \$100,000 during FY 2012. Any decline in mission giving would translate directly into operating deficit absent adjustments to budgeted spending.
2. An operating deficit of \$27,000 or greater in FY 2012 would completely erode the working capital of the Presbytery, causing either cash reserve or restricted funds to be used to pay operating expenses.
3. There is insufficient working capital to cover quarterly fluctuations in the receipt of mission giving.
4. The general fund and cash reserve total \$160,000 at December 31, 2011. Significant operating deficits in FY 2012 and/or FYI 2013 could cause our auditors to question the status of the Presbytery as a 'going concern' (having the capacity to pay expenses from operating funds leading to an adverse audit opinion).
5. The sale of Cornerstone may as much as \$200,000 or \$300,000 for the Church Development fund later in FY 2012; however, the use of the Church Development fund as a subsidy for operations may need to be reconsidered.