REPORT OF THE TREASURER

As I write this in late April, very little about the future (or even the present) seems clear, leading to some understandable frustration. The COVID-19 pandemic has thrown everything we know out of balance. However, there is one thing about which I am somewhat clear: the impact of some of the items you see here will almost certainly be different, perhaps substantially so by the time of the Synod Assembly.

Having said that, let’s get to what we DO know.

Fiscal 2019 Results
The synod achieved a fiscal 2019 operating fund surplus of $1,261. This was achieved despite a roughly $50,000 mission support reduction from 2018.

So what happened? Simple, the synod’s staff performed outstandingly in containing expenses. In the face of significant reduction in mission support, the staff worked cooperatively to eliminate unnecessary expenses and obtain additional revenue where possible. The result was a very small, yet gratifying, surplus.

Here is a chart of this historic net asset value of our operating fund. Since we had a very small 2019 surplus, the net asset value did not increase very much. But it also did not decrease, so we have that going for us. We would like to reach $100,000 in operating fund net assets (last reached in 2015), but that may have to wait until future years given current world events.
Fiscal Year 2019 Mission Support
2019 fiscal year mission support was $2,472,478 or about $50,000 less than the budgeted support of $2.550 million. The chart below shows 2019 mission support reduction as simply a continuation of a multi-year trend (2017 excepted).

![Congregational Mission Support Chart]

Fiscal Year 2020 Mission Support
During this challenging time, we are anticipating a financial “trickle up” issue. Congregations are not holding in-person services, so their giving will probably be below what is normally anticipated (and some of their members may be without jobs). As congregation revenue declines, that leaves less money to be sent to the synod to continue its mission. Likewise, as the synod receives less mission support, less money is available to be sent to ELCA churchwide organization.

Below is the fiscal year 2020 mission support forecast, almost certain to need revision. February through April results are now in.

![2020 Mission Support by Month Chart]

April mission support came in at both 78% of forecast and 78% of April 2019 actual. This is a slightly better percentage than we anticipated, but still not a great result. A reasonable assumption is that we will need to reduce May through July forecast support by about 20%. That would translate to a 2020 forecast May-July mission support reduction of about $125,000. We cannot really project with any accuracy beyond that, but it’s increasingly possible that we may need to reduce the mission support forecast for months beyond July.
**Investments (Legacy Fund)**

Through April 30, our investments were valued at $2,208,511, a $173,401 (7.3%) decrease from the fiscal year 2019 year-end balance of $2,381,912. This is after withdrawing $125,801 for the annual Legacy Fund distribution and investment management fees but also after a deposit of $35,909 from the estate of Christine Mummert to be used for Christian Education. The chart below shows year-end balances for the past five years and the 2020 year to date balance.

![Legacy Fund Fiscal Year-End Balances](chart.png)

Keep in mind that our Legacy Fund balance was as low as $1.837 million in mid-March 2020, so this is a very substantial recovery.

**Sales Tax Exemption**

Here is another COVID-19 impact. The Pennsylvania sales tax exemption renewal for the synod and 230 congregations under our umbrella was approved by the commonwealth in early January. Congregations were to have received new sales tax exemption certificates the week of March 15. But then Pennsylvania’s Department of Revenue closed for physical distancing. Fortunately, on March 26 we received an exemption extension letter to be presented along with an existing exemption certificate to continue a congregation’s sales tax exemption. We expect to receive new exemption certificates when the Pennsylvania Department of Revenue offices open again.

**Paycheck Protection Program**

On April 28 we were informed that our application for a forgivable loan of $234,127 from the Paycheck Protection Program (PPP) was approved. PPP is part of the CARES Act recently signed into law. The proceeds will be used for payroll, health and pension benefits, rent and utilities. As of this writing, the amount spent on those items within eight weeks of the loan initiation date will be forgiven by the Federal government. Any amounts not forgiven, for whatever reason, will incur a 1% interest rate. That is a rate which is difficult, if not impossible, to obtain anywhere else.

**Application for Line of Credit**

At the bishop’s direction, I contacted our financial institution, Members 1st Federal Credit Union, about obtaining a line of credit of $100,000 for the synod. The credit line would be used only if cash is temporarily running short. For example, we may know cash is coming at month-end, but we might have an immediate mid-month cash need.

**Audit**

The audit was conducted by RKL on March 12, 18, 19 and 31. Due to COVID-19, the March 18-19 portions were conducted remotely via email and uploading/downloading documents from the RKL server. It was an interesting process we had never before encountered but which appears to have been successful.

On April 2, we received a draft of the final audit report giving LSS financial reports a “clean” audit opinion. We need to review the report before submission to the Audit Committee. One item of note is that the synod spent 16.8% of total expenses on Management/Administrative and Fundraising. Anything under 25% is generally considered to be “efficient”. This is yet another testimony to the staff’s careful stewardship of funds.
**Accounting System**

In late March we could not access the MIP accounting system. The reason given by the vendor, NonProfit Technologies (NPT), is that they suffered a ransomware attack. This is where an outside party gains control of a system and demands payment, or ransom, to “give the system back”.

It took roughly **three weeks** before we could again access MIP. While communication from NPT began satisfactorily, it deteriorated to the point of us not knowing what was happening, no matter how many emails or direct phone calls we attempted.

As a result, I asked other synod treasurers what accounting systems they use. The overwhelming favorite was ACS, followed by Raiser’s Edge Donor Management Software and, of all things, Quickbooks. While we will contact other vendors to determine what their systems have to offer, we have **not** decided to actually change systems. And if we do decide to change systems, it will be a carefully planned process to ensure that our existing data remains intact. But rest assured nothing will happen next week, next month, or even in 2020.

**Always Being Made New (ABMN)**

ABMN was concluded in 2019. The remaining funds will be disbursed in 2020 on a “where needed most” basis.

**Activities and Goals Within the Treasurer’s Office**

The following sections detail the current challenges and activities within the treasurer’s office.

**Accounting Simplification**

This is still a goal we would like to achieve. A lot will be determined by any decision to change accounting systems. If we are going to a new system, we might as well clean up the chart of accounts.

**Automation**

We are still looking at email distribution of quarterly mission support reports. Bear with us as we navigate numerous other issues. But this is something we really want to accomplish.

**Congregational Treasurer Remittance Reports**

We eliminated the printing and mailing expense associated with the congregational treasurer remittance reports and went with online dissemination. I would like to thank the congregation treasurers for cooperating with this effort. It appears to have been a success, with minimal disruption.

**Other Activities Within the Treasurer’s Office**

- Monitored investment activity of the synod’s Legacy Fund.
- Consulted with congregations about accounting and reporting issues.

**Treasurer’s Office Staff**

I cannot say enough good things about Cathy Paul and Denise Ferguson, who make my life, and the lives of the synod staff, much easier. If people have questions, they are ready to provide answers. It is a true pleasure to work with them both.

**Conclusion**

We realize these are challenging times and will work together to navigate the synod’s activities through them. We are closely monitoring the synod’s financial status to ensure continued support for our mission.

We welcome questions relating to the synod’s finances. You can call Cathy Paul, Denise Ferguson or me at the synod office, or email me at jstepansky@lss-elca.org.

Joe Stepansky, **treasurer**