

**Church of the Brethren**  
**Mission and Ministry Board**

Summer Meeting  
Zoom Video Conference  
June 30-July 1, 2020

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**Mission and Ministry Board – Minutes**

**Wednesday, July 1**

**Members present:** Patrick Starkey (chair), Carl Fike (chair-elect), Lauren Seganos Cohen, Thomas Dowdy, Lois Grove, Heather Gentry Hartwell, Dava Hensley, John Hoffman, Paul Liepelt, Diane Mason, John Mueller, Joel Peña, J. Roger Schrock, Paul Schrock, Colin Scott, Christina Singh, and Carol Yeazell

**General Secretary:** David Steele

**Recorders:** Nancy Miner

Due to the cancellation of Annual Conference 2020 and related activities because of the COVID-19 pandemic, the regular summer meeting of the Mission and Ministry Board was held via Zoom.

**Welcome and introductions**

Patrick Starkey, chair, called the meeting to order. He noted that two viruses – COVID-19 and racial injustice – continue to ravage lives and rearrange priorities. He added his hope that despite physical distances, the ways we relate to one another and the work we do will spread what C. S. Lewis called a “good infection” – the Good News of Christ.

David Steele explained to the board members that due to a technological issue, the meeting would not be live-streamed to staff, but that a recording of the meeting would be made available to them. Patrick thanked staff for their work, particularly as they have met the challenges of COVID-19.

Patrick noted the streamlined agenda for this “virtual” meeting, and the various activities that board members will miss by not meeting at Annual Conference. He then invited each person to name something that they have a new or renewed appreciation for during this time.

Thomas Dowdy led the opening devotions. Acknowledging the difficulty of singing hymns via Zoom, he read the first verse of “Blessed Assurance,” and stressed the words of the chorus, “This is my story.”

**Devotions**

Thomas titled his reflection, “A moment in time matters. This is our story.” He read Ecclesiastes 3:3, Matthew 22:37-38, and Matthew 28:19-20. Through personal stories, he illustrated that time is one of our most precious possessions. Yet, for the sake of our personal agenda, we often neglect those we care about, allowing the moment in time to slip away.

As a Black man, he has dealt with injustice his entire life – both in and out of the church. It is true that all lives matter. But at this moment in time, we must recognize that Black lives matter! As the church, we must care and move in the action of the time that is right now. Jesus dealt with issues of the moment, even while his friend Lazarus was dying. Jesus knew that all lives matter, but he dealt with them one at a time.

The church has an obligation to remain conscious of the time. As the board conducts its business, it must be sensitive to the Holy Spirit and spend time on what is appropriate for the moment and for the season.

Thomas summarized: Yes, there's a time for everything and a season for every activity – to love your neighbor as yourself. That includes all nations, in the name of the Father, the Son, and the Holy Spirit.

This is our story. This is what we are to do. All lives matter, but right now this matters.

Patrick Starkey presented the consent agenda:

**Consent agenda**

- Approve meeting agenda
- Approve MMB minutes
  - March 14-16, 2020, meeting
  - March 13, 2020 closed session notes
  - April 3, 2020, email action
  - April 24, 2020, videoconference
  - June 25, 2020 videoconference
  - April 6, 2020, EDF allocation action
  - April 23, 2020, EDF allocation action
  - May 15, 2020, EDF allocation action
  - June 3, 2020, EDF allocation action

He noted two slight changes to the meeting agenda: a later break for lunch and the fact that the 2020 revised budget would be an action item.

***The Mission and Ministry Board had consensus and affirmed the consent agenda as presented.***

***Affirmation***

David Steele, general secretary, responded to questions and comments related to his written report.

**General Secretary's  
report  
*Exhibit 1***

Q: Is the proposal for Country Advisory Teams internal, or does it require board approval?

A: It was a staff proposal for general secretary consideration.

Q: There is no reference in the report to the Covenant Brethren Church. Has this lessened in terms of demand on your time?

A: Some time is still being spent on it, but not as much as before.

Q: Looking at the various scenarios, is it safe to assume that we will not meet in person in October?

A: That is still to be determined, but don't book airline tickets yet. COVID is still prevalent in the Elgin community.

Patrick Starkey brought the report of the previous day's Executive Committee Zoom meeting.

**Executive Committee report**

- Approved minutes of March meeting in Greenville, April Zoom meeting, and action related to capital improvements to Room A at the General Offices
- Acted on three items on the board agenda
  - BSC Quasi-Endowment Working Group recommendation
  - Brethren Press asset management recommendation
  - 2021 budget parameter
- Reviewed communications policy adopted by the General Board in 1985 and had preliminary discussion about updating it
- Received updates from the general secretary on Human Resources matters

Patrick Starkey explained that the treasurer serves as an officer of the corporation and is appointed by the general secretary and confirmed by the board.

**Approval of Treasurer**

As had been previously shared with the board, David Steele has appointed Ed Woolf as treasurer. Ed has worked for the denomination for over 20 years. He became assistant treasurer and manager of gift operations in 2015 and was appointed interim treasurer in August 2019.

***The Mission and Ministry Board had consensus and affirmed the appointment of Ed Woolf as treasurer for the Church of the Brethren, Inc.***

***Affirmation***

After the board's affirmation of the treasurer, a question was raised about the difficulty in finding any Brethren interested in the CFO/treasurer position. David Steele responded that it is partly that people don't want to relocate to Elgin and also that as a non-profit church organization, we are unable to pay a corporate level salary that many are seeking.

Treasurer Ed Woolf provided pre-recorded presentations of the 2020 finance update and 2021 budget parameter for board members to review in advance of the meeting. Ed joined the meeting at this point and remained through the 2021 budget discussion.

**Financial update and audited financial statements**

#### 2019 audit report

Diane Mason (chair of Audit and Investment Committee) provided a brief update on the December 31, 2019, audited financial statements – in conjunction with Ed's pre-recorded presentation. She expressed appreciation for staff's work on the audited financial statements.

- Auditors continue to compliment staff on their work in preparation and in completion of the annual audits

- Church of the Brethren received a clean audit for the 2019 audited financial statements
- One minor adjustment pertaining to several split-interest agreements in which there are multiple beneficiaries other than the Church of the Brethren
  - Staff alerted auditors of this minor adjustment
- Church of the Brethren remains in a good financial position
  - 41 days of cash on hand
  - 30 months of expendable reserves (benchmark is 5 months)
- Audit and Investment Committee unanimously approved 2019 audited financial statements

David Steele noted that copies of the printed 2019 audited financial statements would be mailed to board members.

***The Mission and Ministry Board had consensus and received the 2019 audit report.***

***Affirmation***

*The following notes reflect Ed Woolf's pre-recorded presentation.*

***Exhibits 2&3***

2020 financial report

Ed Woolf, treasurer, reported on the December 31, 2019, audited financial statements:

- Church of the Brethren received a clean “unmodified” opinion; the statements are materially correct with generally accepted accounting principles
  - This is highest opinion auditors can give
  - There were no material weaknesses or significant deficiencies in internal controls
  - There were no audit adjustments; no proposed corrections to our general ledger
- There were two new accounting standard updates for 2019\*
  1. A revenue recognition standard update, which required the Church of the Brethren to re-evaluate its contracts
  2. A contributions received and contributions made standard update, which required the Church of the Brethren to evaluate its grant agreements

*\*The new accounting standards are not expected to have a material impact on the Church of the Brethren financials*
- 2019 contributions totaled \$6.5 million – down approximately \$827,000 from 2018 (due to Lilly grant being recorded in 2018)
- Total revenue for 2019 was \$15.8 million – up approximately \$6.9 million from 2018 (mostly due to investment gains)
- Total expenses for 2019 were \$11.3 million – down \$470,000 from 2018 (due to NYC expenses in 2018)
- Overall, we saw a \$4.5 million increase in net assets – mostly due to investment gains

Ed reviewed the dashboard handout:

### Net Assets

- At just over \$38 million, total net assets have decreased by approximately \$2.7 million since the beginning of the year
- Assets without donor restriction
  - Includes Core Ministries, LB&E, Self-Funding Ministries, and Designated Funds
  - The \$1.6 million decrease in assets without donor restrictions is primarily due to investment losses and the \$500,000 withdrawal in designated funds for COVID-19 response grants to the Brethren Homes
- Assets with donor restriction
  - Includes split-interest agreements, EDF, GFI, EGMF, and others like Haiti Medical and Ministry Assistance, as well as our Endowments and some Perpetual Trusts
  - The \$1.1 million decrease in assets with donor restrictions is primarily due to investment losses and EDF and GFI balances being lower than at year-end 2019; grants are still needed and donations have not been as plentiful
- Our balance sheet remains fairly liquid; 53% of net assets are without restriction
- We have approximately 30 months (or 2.5 years) of expendable reserves (i.e. the Church of the Brethren could go 30 months without relying on additional revenue); the benchmark is 5 months
- With no debt and a majority of our net assets held without restriction, the Church of the Brethren remains in a very healthy and favorable position regarding its net assets

Ed shared the good news that during this season of hardship, the church has responded with grants from the Ministry Assistance Fund, Emergency Disaster Fund, Global Food Initiative Fund, Brethren Faith in Action Fund, and other designated funds, providing much-needed support for the larger church, both domestically and internationally.

### Investment and Cash Balances

- At \$32.37 million, investments have decreased approximately \$2.16 million since year-end 2019
  - As of June 9, the S&P 500 had erased the 2020 losses and was up 1.2% for the year.
  - Fears of a second wave of the COVID-19 virus amid the economy trying to reopen have caused significant volatility in the market – down 6.5% from this time last year
- During this uncertain market, economists recommend a moderate stance and staying diversified with gradual rebalancing
  - The Church of the Brethren rebalances its portfolio in June and December; investment strategies are focused on long-term goals in considering risk assessment, spending, time horizon, and purpose of funds

- At just over \$700,000, our cash balance has decreased approx. \$514,000 since year-end 2019
  - In May, \$145,000 withdrawn from our account for workcamp, Annual Conference, and other event refunds
  - Cash balance is typically lower during summer months and may be even more so this summer with lower giving due to the pandemic
- There are no concerns from our auditors as Church of the Brethren continues to have good liquidity

### Total Donors

- 432 donor congregations through May 31
  - Lowest number over the last five years
  - Down significantly when compared to the 595 average over the last five years
  - Congregations have not been able to meet due to social distancing restrictions, instead focusing on meeting the needs of their members and local ministries
  - There are likely some congregations still holding back due to uncertainty in the larger church
- 1,184 individual donors through May 31
  - Highest number over the last five years
  - Up significantly from last year and up from the 1,077 average over the last five years
  - We have sent 4 appeals to date, with 12 total appeals planned for the year
  - Number of donors responding to appeals in 2020 is higher than at this point in 2019
- 1,616 total donors through May 31
  - Third highest total over the last five years
  - Very close to our 1,672 average over the last five years
- Donors continue to give generously and faithfully, even in the midst of the difficult circumstances.

### Core Ministries Giving

- At \$630,000, giving from congregations is down approx. \$97,000 from this time last year
  - Also down from the five-year average of \$775,600 received by this time of the year
- At \$145,000, giving from individuals is up approx. \$5,000 from this time last year
  - Highest giving total over the last five years
  - Also up from five-year average of \$124,000 received by this time of the year
  - Some individuals donated registration fees for cancelled events
  - Some are first-time donors or ones who have not given in a few years

- At \$775,000, total giving is down approx. \$92,000 from this time last year
  - Lowest giving total in the last five years
  - Also down from five-year average of \$899,600 received by this time of the year

Ed reported on the Giving Summary as of May (Exhibit #2):

### Congregational Giving

- At just over \$630,000, congregational giving to Core Ministries is down \$96,508 from 2019 and \$160,400 behind budget
- 366 congregations gave 761 gifts to Core Ministries (down 88 congregations and 190 fewer gifts from this time last year)
- Congregational giving to Restricted Funds totaled \$337,640 (down \$150,000 from this time last year)
- 122 donors contributed \$60,839 in response to the offerings (down approximately \$40,000 from last year)
- At \$968,000, total congregational giving is down \$246,186 from 2019
- Cancellation of all District disaster fundraisers for Brethren Disaster Ministries will impact congregational giving this year
  - This is major loss of income for Emergency Disaster Fund (avg. \$512,000 over the last 3 years)
  - Staff are considering virtual fundraisers

### Individual Giving

- At just over \$145,000, individual giving to Core Ministries is up \$4,800 from 2019 and \$20,700 ahead of budget
- 759 donors gave 1,151 gifts to Core Ministries (126 more donors and 108 more gifts than this time last year)
- Approximately \$10,000 of the individual giving total is donated registration fees from cancelled workcamps
- Individual giving to Restricted Funds totaled \$172,672 (down almost \$50,000 from 2019)
- Giving to Global Food Initiative Fund increased after various grants were highlighted on the COVID-19 page
  - Giving Tuesday campaign also highlighted Global Food Initiative Fund
- For 2020, we have received over \$56,000 in online giving – up from \$26,000 received at this time last year
- At \$434,000, total individual giving is down only \$37,000 from 2019 (primarily due to decrease in restricted gifts)
- Increasing numbers show the fruits of the labors of our Mission Advancement staff

## Bequests

Ed reminded the board that unrestricted bequests fund the Bequest Quasi-Endowment fund, from which 17% is transferred to Core for operations.

- At \$115,000, unrestricted bequests are up approximately \$10,000 from this time last year
- There are currently between 25-30 potential estates in process
- A \$180,000 bequest received in June brings our year-to-date total to over \$320,000 (\$25,000 of this is restricted)
- The Bequest Quasi-Endowment balance has been sustainable over the last ten years; our average bequest income (\$605,000) plus average market fluctuation (\$325,000) outpaces our average draw (\$908,000)
  - These numbers will be significantly impacted as the board considers the write-off of the Brethren Press deficit

## Combined Giving

- At just over \$775,000, total combined giving to Core Ministries is down \$92,000 from 2019 and \$140,000 short of budget (-15.3%)
- Combined giving to Restricted Funds totaled \$510,312 (down \$200,000 from 2019)
  - Decrease in Restricted Funds giving negatively impacts the Ministry Enablement Contribution (MEC) in support of Core Ministries
- Total combined giving is \$1,401,808 (down \$283,000 from 2019)

In response to the decline in congregational giving, Mission Advancement staff are developing a narrative budget to be sent to congregations and districts with this year's Self-Allocation forms. They are also working to identify congregations that have not given over the past five years, in an effort to begin having intentional conversations with those in leadership. They also continue to send words of gratitude to those congregations who continue to give, in an effort to strengthen relationships.

Staff are also reaching out to individuals to thank them for their support of Church of the Brethren ministries.

Ed reported on the Income and Expense Statements as of May (Exhibit #3):

## Core Ministries

- Congregational and individual giving are a combined \$134,000 behind budget
- MEC is \$62,000 behind budget due to decrease in restricted giving
- As of May, we have not used any of the budgeted \$121,000 transfer from Designated Funds
  - If necessary, a transfer will be made at year-end
- Total Core overhead income is more than \$211,000 behind budget
- Total director level expenses under budget by almost \$312,000
  - Due to the pandemic: staff not traveling, postponed events, and the cancellation of Annual Conference

- Brethren Volunteer Service is overspent because of loss of volunteer placement fees and workcamp registrations
- Finance and Global Mission and Service are underspent because of open positions for part of the year
- Building and Grounds Elgin budget variance: there will be an asset replacement transfer to LB&E fund of approx. \$25,000
  - This still leaves a variance of \$47,000 underspent
  - Postage, office supplies, electricity, and equipment maintenance are all underspent with fewer people in the building
  - Some additional expenses anticipated with preparation and extra safety measures for staff's return
- At the end of May, Core Ministries has a net deficit of close to (\$26,000) – more than \$100,000 ahead of budget
- Ending net asset balance of approximately \$1.67 million

#### Brethren Press

- With curriculum sales down and net sales under budget by \$13,000, Brethren Press has a net deficit of (\$16,495) as of May
  - Very close to the budgeted deficit of (\$16,410)
  - If costs for bulletins had been booked the same month as income, deficit would be (\$30,000)
- The effect of churches being closed since mid-March can be seen on sales across almost all product lines
  - We expect the pandemic to have a significant impact on Brethren Press sales for the remainder of the year
- Brethren Press and Shine staff have taken several emergency steps to help congregations use resources in new ways; two new Shine fall curriculum products being developed for use at home or online

#### Brethren Disaster Ministries

- BDM net asset balance of \$4,630 as of May 31 represents remaining grant funds for the South Carolina Hurricane Matthew response
- The three large district-run auctions that support BDM/EDF have all been canceled due to COVID-19
  - Donations typically total \$500,000 - \$600,000 for EDF
  - Staff are working on a fundraising plan to help offset the soft giving and cancelation of the auctions
- A good deal of positive feedback from partners and US Brethren about the COVID-19 grants to our global Brethren

#### Material Resources

- Material Resources did not operate for a while due to the pandemic and has seen a significant decline in service fee income, resulting in a net deficit of (\$98,745) as of May

- Trucking income usually received in the spring will not be received until September because of the pandemic
- Material Resources is hopeful that volunteers can return starting the end of July

#### Conference Office

- The Annual Conference office is currently showing a (\$11,082) deficit as of May 31
- In the process of refunding registration fees following the cancellation of the 2020 Conference
- Some congregations and individuals choosing to donate their fees
  - Approximately \$36,000 received to date
  - Despite these donations, there will be a significant deficit because of year-round expenses

#### Global Food Initiative

- Global Food Initiative operates on a break-even budget with support from the Global Food Initiative Fund
- Global Food Initiative Fund is at the lowest level in the last 8 years (\$57,183 at the end of May)
- Trips, seminars, and planning meetings cancelled due to the pandemic, each including volunteers and potential donors
- Continued decline in donations would greatly impact Global Food Initiative's ability to respond to grant requests

#### Summary

- All Church of the Brethren ministries as of the end of May:
  - Total net expense was (\$171,336)
  - Total net asset balance was \$1,466,416

Ed Woolf was available to respond to board member's questions, but there were none.

#### 2020 budget – COVID revisions

Patrick Starkey explained that because of the unusual circumstances and their effect on the budget, staff have revised the budget for the remainder of 2020.

He invited Ed Woolf to highlight the 2020 revised budget, comparing it to the original 2020 budget.

#### Core Ministries

- Total overhead income lowered by \$446,960
  - Congregational giving lowered by \$418,000
    - Calculation based on long-term trends; we typically receive 33% of our annual congregational giving by the end of April
    - As of the end of May, we are still on pace to receive the revised budget amount

*Exhibit 4*

- Direct gifts from individuals increased by \$49,000
  - Long-term trends indicate that we typically receive 19% of our yearly individual giving by the end of April
  - As of the end of May, individual giving is on pace to be over \$600,000
- Ministry Enablement Contribution lowered by \$45,820
  - Looking at the last five years, in consideration of the cancellation of the three disaster auctions
- Brethren Press gross sales contribution lowered by \$16,140
  - Calculation is based on Brethren Press' revised 2020 gross sales budget
- Annual Conference offering removed from budget
  - Lowers budgeted income by an additional \$16,000
- Total director level expenses lowered by \$339,850
  - Travel canceled – Annual Conference, district conferences, donor visitations, etc.
  - Events, conferences, orientations, and trainings canceled
  - Reduced income for projects, workcamps, and Messenger
  - Reduced expenses for professional growth, office supplies, and program supplies
- Changes result in a (\$107,110) deficit for 2020
- Ending net assets lowered to \$1,590,118
  - Still above the \$1.5 million net asset level requirement, thus avoiding an additional transfer from reserves to Core Ministries

#### Brethren Press

- Increasing budget from (\$39,390) deficit to break-even budget
- The new sales total of \$135,220 represents best predictions as uncertainty remains of when churches will gather in person
- There are very few places to reduce expenses
- General Secretary has asked for a revised business plan and will be working with Brethren Press on ways to address cash flow concerns
- With the proposed write-off recommendation and history of expense over income, Brethren Press is asked to manage a break-even budget going forward

#### Material Resources

- Material Resources estimating a change from \$22,840 surplus to (\$53,660) deficit
  - Revisions come from a reduction of service fee income and program supplies
- With these changes, Material Resources' net assets decrease from (\$20,191) to (\$96,691)

#### Conference Office

- With the cancellation of Annual Conference, Conference Office increasing deficit from (\$39,770) to (\$178,420)

### Brethren Disaster Ministries

- Brethren Disaster Ministries revised budget remains break-even
- Registration and product sales income reduced
- Annual Conference travel, program supplies, training expense, and professional growth reduced
- Increased grants for COVID-19 response
- As a result, transfer from the Emergency Disaster Fund will be decreased to \$1,821,200 (includes \$189,000 for MEC)

### Global Food Initiative

- Global Food Initiative revised budget remains break-even
- Travel expense reduced
- Transfer from Global Food Initiative Fund will also be reduced to \$263,900 (includes \$24,000 for MEC)

Ed summarized by explaining that the 2020 budget revision will help staff with reporting and will better reflect the current reality. He then responded to board members' questions.

***The Mission and Ministry Board had consensus and approved the revised budget as presented.***

***Affirmation***

Patrick Starkey introduced the recommendation originating from the BSC Quasi-Endowment Working Group. Members of the working group were Roger Schrock, Diane Mason, Paul Liepelt, and Ed Woolf.

**BSC Quasi-Endowment Working Group recommendation  
*Exhibit 5***

He reported that the Executive Committee reviewed the report and recommendation and made two revisions to Recommendation #1:

- Recommending an effective date of the 2022 budget-building process
  - This will not affect the 2021 budget recommendation, which includes an 8% draw
- Change wording from “should” to “will,” to state the expectation slightly stronger

### Revised recommendation

- 1. Effective with the 2022 budget-building process taking place in 2021, to ensure long term support for Board approved ministry programs, the percentage of the fund which may be used for an annual budget of the Mission and Ministry Board (Church of the Brethren, Inc.) will be limited to a range of 5-7%. If other income sources are available and the use of the draw is not needed this does not assume support from the fund must be used.***
- 2. If a bold new ministry emerges from the Compelling Vision Statement or the Strategic Planning Process, funds from the BSC Quasi-Endowment may be considered to augment other income sources, such as congregational or individual giving, for***

*start-up costs of that ministry. After the initial start-up phase, such ministries should be part of the annual budgeting process.*

*The Mission and Ministry Board had consensus and approved the recommendation regarding the use of BSC Quasi-Endowment fund as presented.*

*Affirmation*

Patrick Starkey introduced a recommendation related to debt accumulated over time by Brethren Press.

**Brethren Press asset  
balance  
recommendation  
*Exhibit 6***

Referring to background information provided in the exhibit, he noted that an accumulated debt was forgiven in 1999. The board had some discussion about the current debt at the October meeting. The auditors have not flagged it as a concern, but the general secretary and treasurer recommended that the debt be forgiven. The Bequest Quasi-Endowment fund was identified as the only realistic source for the funds.

Patrick reported that the Executive Committee reviewed the recommendation and made one revision:

- Add a third bullet point, stating that going forward Brethren Press will work from a break-even budget

**Revised recommendation**

*The Executive Committee is recommending the following to the Mission and Ministry Board:*

- *that funds from the Bequest Quasi Endowment be used to write-off the \$546,539 Brethren Press net deficit.*
- *and in an effort to reduce the impact on both the fund balance of the Bequest Quasi Endowment and the overall estimated income for the 2021 CORE budget, the write-off be split over a three-year period.*
- *going forward Brethren Press will work from a break-even budget.*

Board members discussed the recommendation. Key concerns include:

- Very uncomfortable writing off the amount until Brethren Press has submitted a business plan. Believe it should be tabled until October and a sustainable business plan has been submitted.

Q: With the 3-year write down, do we incur any interest expense?

A: No. By spreading it over three years, we preserve the balance, which in turn affects the draws that support Core ministries.

- Because we have written off the debt before, would like to see strategies from Brethren Press. We have heard what difficulties they face and would like to hear plans.

- A reminder that when Brethren Press comes with a plan, it would go to David, not the board. But would feel better if we know there is a plan.

Q: This would forgive the debt through 2019. But what about any accumulated debt in 2020?

A: David has asked for a break-even budget for 2020 in addition to a revised business plan.

Q: Are there teeth in the request for a break-even budget? Will there be ramifications and consequences?

A: There is a caveat around the strategic plan. How Brethren Press fits or does not fit in the goals of the plan will inform what the teeth look like.

- With the changing times, desire to put it off until Oct. to see what the plan is. We may need to move to doing more digital than we are currently doing. We are working with an old model.
- Putting faith in our leadership and believing that David is having the difficult conversations. Want to have Brethren Press, with the Brethren background and information, but we need to change the way we do things. Acknowledgement that it is very hard.
- There is a demographic in the church that is not digitally connected and needs hard copies. We need to be cautious.
- 2020, with its unique challenges, is a difficult year for them to achieve a balanced budget

Q: Are we moving funds or taking funds off the books?

A: We would move funds from the Quasi-Endowment to cover the deficit balance.

Patrick echoed that David is engaged in important and difficult conversations on this subject. With the strategic plan process, there will be conversations about current ministries' alignment with vision and plans, and the board will be a part of that.

***The Mission and Ministry Board did not have consensus and the recommendation to write off the Brethren Press debt was not approved.***

***Affirmation***

The board discussed next steps.

David shared that he, Patrick, and Carl will have conversation once the Brethren Press business plan has been submitted. David will continue to have conversation with staff and there will be more to share, likely at the October meeting.

*The following notes reflect Ed Woolf's pre-recorded presentation.*

**2021 Budget  
Parameter for Core  
Ministries  
Exhibit 7**

Ed Woolf reported on the 2021 budget parameter for Core Ministries.

**Income**

Congregational Giving

- Budgeting \$1,764,000 in congregational giving for 2021
  - Looked at three scenarios with different levels of giving for each scenario
  - The scenario chosen is based on 2019 actual giving and is \$230,000 lower than the 2020 budget
    - Based on continued decline in congregational giving
    - The three-year average of actual giving used in the past is no longer realistic
    - Difficult to determine how much of the 2020 decline in giving is trends, how much is uncertainty in the larger church, and how much is the pandemic
    - Using 2019 actuals because 2020 numbers will not be as helpful with this year's uncertainty

Direct Gifts from Individuals

- Budgeting \$533,000 in individual giving for 2021
  - Same three budget scenarios used for individuals as with congregations; chose individual giving numbers based on 2019 actual giving
  - Represents an increase of \$45,000 from the 2020 budget
  - Seeing a significant increase in individual giving so far in 2020
  - Hopeful that the increase we saw in 2019, coupled with the increase we have seen to date in 2020, will be a trend going forward
  - Grateful for the increased work of Mission Advancement staff as they continue to establish relationships with donors

Annual Conference Offerings

- Budgeting \$12,000 for Annual Conference offerings in 2021
  - Based on 2019 actual giving, when there were fewer offerings in support of Core Ministries
- Cancellation of this year's conference adds another level of uncertainty as to how many Annual Conference offerings will be used to support Core Ministries in the future

Service Fees and Other Income/(Expense)

- Budgeting \$100,000 for service fees and other income in 2021
  - Based on the 2019 actual results
  - Income includes a service fee rebate from the Brethren Foundation (\$148,000 average), bank fees and interest, misc. income and dividends, internal transfers, and liabilities for our annuities and endowments

### Savings Transfer

- Budgeting \$487,000 from the savings fund transfer
  - Based on a 5% draw from a five-year average of the Savings Fund balance
    - The draw was increased from 4% to 5% in 2020
  - Depending on cash flow issues throughout the year, projections may not be realized at this level

### Bequest Quasi-Endowment Transfer

- Budgeting \$749,000 from the Bequest Quasi-Endowment transfer
  - Based on a 17% draw from a five-year average of the Bequest Quasi-Endowment Fund balance
  - Includes a three-year write-off of the Brethren Press deficit as of 2019 at \$547,000
    - Bequest Quasi-Endowment balance will be reduced by \$200,000 in 2020, \$200,000 in 2021, and \$147,000 in 2022
    - Three-year write-off method was chosen to lower the impact on the Bequest Quasi-Endowment balance and the draws in support of Core Ministries
    - A one-year write-off would mean \$47,000 less in draws to Core Ministries over three years and would significantly reduce the overall Bequest Quasi-Endowment balance after three years
  - The Bequest Quasi-Endowment balance was approximately \$4.5 million as of June 23

### Endowment Transfer

- Budgeting \$400,000 from the Endowment earnings transfer for 2021
  - Based on a 5% draw from five-year average of the Endowment Fund balance
    - The draw was increased from 4% to 5% in 2020

### BSC Quasi-Endowment Transfer

- Budgeting \$281,000 from the BSC Quasi-Endowment transfer for 2021
  - Based on an 8% draw from the average balance of the Brethren Service Center Quasi-Endowment (this fund does not have five years of history yet)
    - Reminder that the draw could be impacted based on the BSC Quasi-Endowment Committee recommendation; if the draw were to be lowered to 7%, we would need to find an additional \$35,000 to support Core
  - The BSC Quasi-Endowment balance was approximately \$3.4 million as of June 23 (\$100,000 lower than the \$3.5 million balance at the beginning of the year)

### Gahagen Trust

- Budgeting \$148,000 from the Gahagen Trust for 2021
  - Based on the same amount of quarterly Gahagen Trust distributions received for the past several years
  - We have not been notified by the Trustee that these distributions will change any time soon

### Ministry Enablement and Brethren Press Gross Sales Contributions

- Budgeting \$313,000 from the MEC and the Brethren Press gross sales contribution
  - Based on a five-year average of contributions to the Emergency Disaster Fund and Global Food Initiative Fund (estimated at \$261,000) plus 9% of gross sales from Brethren Press (estimated at \$52,000)

### Use of Designated Funds

- Budgeting use of \$140,000 from designated funds for 2021
  - Currently \$140,000 available in redirected one-time designated funds (this is from Everence insurance funds)
  - To date, we have not used any of the \$121,000 budgeted transfer from designated funds for 2020, but will make the transfer at year-end, if needed
  - If a portion of the 2020 designated funds transfer are unused at the end of this year, they would be available for use in 2021
  - While we hope that we won't have to use the entire designated funds transfer amount (similar to the net income result in 2019), we must plan ahead with use of the entire budgeted amount in case the shortfall is not covered by other income

### Total Income Projection

- Recommending income budget parameter of \$4,927,000 in 2021 to support our Core ministries
  - A \$42,000 decrease from the 2020 budget parameter

### **Expense**

The 2021 expense budget will be adjusted down from the 2020 organizational base budget amount of \$4,969,000.

### Reduction in Expenses (Net)

- The net of new expense reductions is projected to be \$81,000
  - Asking each department to review their budgets for reductions of approximately 2% to meet this parameter
  - Reductions are not specified yet. Details will be presented as part of the 2021 budget packet for approval in October

### Projected Salary & Benefit Cost Increases

- No increase in hourly wages, salaries, and benefits planned for 2021
  - A 1% increase would cost an additional \$23,000

- Previous years: 1% increase in salaries and benefits in 2019 & 2020 and a 1.5% increase in 2017 & 2018

#### Projected Medical Insurance Cost Increases

- Budgeting a \$39,000 expense for medical cost increases in 2021
  - Based on an estimated 8% increase
    - We will learn the actual percentage increase closer to our October board meeting
    - Previous years: 12% increase in 2016, 9.3% in 2017, and 7% in 2018, no increase in 2019, and 4% increase in 2020

#### Net Surplus or (Deficit)

- Proposing balanced budget with transfers for 2021
  - Projected 2021 net asset balance of \$1.7 million is based on the original 2020 budget (not the revised numbers)
    - If actual results are as revised for 2020, the 2021 budgeted net asset balance would be approximately \$1.6 million, instead of \$1.7 million
  - This would still leave us approximately \$100,000 above the \$1.5 million net asset balance required by our financial policies and auditors, thus avoiding an additional transfer of reserves to Core Ministries

#### **Summary**

A break-even budget is proposed for 2021, with income and expense of \$4,927,000.

- Includes an 8% draw from the BSC Quasi-Endowment and a three-year write-off of the Brethren Press deficit with funds from the Bequest Quasi-Endowment
- Includes \$140,000 use of designated funds

Referring to the pre-recorded presentation as noted above, Patrick Starkey invited Ed Woolf to highlight the proposed budget parameter prior to the board's consideration of the recommendation.

Ed reported:

- With the action taken by the Board on the Brethren Press net deficit write-off recommendation, the 2021 budget parameter will *not* include the three-year write-off of the Brethren Press deficit at this point. This action changes the proposed 2021 budget parameter as follows:
  - Bequest Quasi-Endowment draw will increase \$7,000 from \$749,000 to \$756,000
  - Core Ministries income will increase \$7,000 from \$4,927,000 to \$4,934,000
  - Expense reductions will be lowered from \$81,000 to \$74,000

**Revised recommendation**

***Executive Committee previously had recommended adoption of the \$4,927,000 2021 income budget parameter as presented in Treasurer Ed Woolf’s prerecorded presentation. Subsequently, board action taken on the Brethren Press net deficit write-off recommendation resulted in a revised 2021 income budget parameter recommendation for Core Ministries:***

***2021 Budget Parameter***

Income	\$	4,934,000
Expense		<u>4,934,000</u>
Net Income/(Expense)	\$	<b>0</b>

***The Mission and Ministry Board had consensus and affirmed the adoption of the 2021 income budget parameter for Core Ministries as revised.***

***Affirmation***

Following the board’s action, a question was raised about this budget if in October the board acts to write off the Brethren Press debt. Ed Woolf reminded the board that staff will bring a line-item budget based on this parameter to the October meeting, at which point the necessary adjustments can be made if the board acts to write off the Brethren Press debt.

The Mission and Ministry Board called the following members to a one-year term on the board’s Executive Committee:

**Call of Executive Committee**

- Thomas Dowdy
- Lois Grove
- Colin Scott

These members will serve on the Executive Committee along with chair Patrick Starkey and chair-elect Carl Fike, effective immediately.

The board reconvened following a lunch break, and Christina Singh offered an opening prayer.

**Prayer**

Patrick Starkey called attention to the written Brethren Faith in Action grant committee report and thanked Diane Mason and the committee for their work.

The board met the previous week via Zoom with the Strategic Formation Team for a presentation of the proposed new strategic plan. Mission and Ministry Board members that served on the Strategic Formation Team were Carl Fike (convener), Paul Schrock, Lauren Seganos Cohen, and Colin Scott.

**Strategic Formation Team recommendation**

Patrick Starkey invited board members to offer comments and suggestions for the board’s discussion.

- It is a great plan. There is some heavy lifting in the foreground initiatives; we are being asked to do more than just read the words.
- Appreciate having short-term goals.
- A beautiful short-term plan of action.
- “Vision dripping is more important than vision casting.” How will we be dripping instead of casting?
  - It is about staying the course. Constant monitoring of progress on the shorter-term pieces.
  - Lauren noted that it is like water dripping against a rock. Over time it will change the course of the rock. The constant checking in will effect change.
- If adopted, this will be the strategic plan of the Mission and Ministry Board and would not need Annual Conference action.
- It bears a strong resemblance to the Compelling Vision, which will require Annual Conference action.
  - Carl noted that the Strategic Planning Team embraced the Compelling Vision and decided to “put some legs to it.”
  - Paul S. added that the Compelling Vision process provided an accurate temperature check of the church and provided a place to begin.

David Steele spoke in affirmation of the plan and the work of the formation team. He expressed excitement about the plan, agreeing that there is a lot to do and that the plan pushes us to keep it moving.

Board members expressed appreciation for the opportunity to review the plan over time before taking action on it.

***The Mission and Ministry Board had consensus and adopted the new strategic plan as presented.***

***Affirmation***

Patrick Starkey expressed his appreciation to the Strategic Planning Team for their work. He noted that board members serving on the team will continue to be involved in the next steps.

**Remarks from the board chair**

He also thanked Lois Grove and Paul Liepelt for agreeing to continue to serve on the board for an additional year due to the cancellation of Annual Conference and related elections.

Patrick opened the floor for board members to reflect on the meeting, the process, and things learned about meeting virtually.

**Meeting evaluation**

- Appreciation for the time frame being friendly to every time zone.
- It worked well. Consider having one or two meetings a year via Zoom to save cost.
- Without travel, is also resulted in time savings and allowed us to be with family.
- Noted the absence of ex officio members. With the introduction of the Strategic Plan, hoping we have a way to bring them on board.

- Ex officio members do not attend the summer meeting due to their own busy Annual Conference schedules. Even with the cancellation of Annual Conference, some had conflicts, so we proceeded with having the meeting in their absence.
- Appreciated Ed’s presentations being available ahead of time.
  - David is already considering doing this for all meetings.
  - Might be helpful to have agency reports pre-recorded to save time.
- Missed the fellowship time and games in the evenings.

Colin Scott and Lois Grove brought the governance monitor report. This was the final report for Lois, whose two-year term as Governance Monitor ended with this meeting.

**Governance Monitor report**

Colin shared:

- Continued to see participation across the board, moving conversations forward in a productive way
- Had materials well in advance of meetings, giving time to reflect and be ready to vote
- People abided by request of chair to stay muted except when talking

Lois shared:

- It was clear that people read the materials ahead of time
- People were attentive
- Good Zoom etiquette was displayed
- Thomas’ worship set the tone; helpful reminder to not be selfish in our decisions

*The meeting adjourned at 2:54 p.m.*

*Adjournment*

Following the meeting, the newly called Executive Committee met in closed session to make board committee assignments and to consult with the General Secretary.

Recorded by Nancy Miner

Approved and respectfully submitted by:

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James M. Beckwith  
Secretary

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Date