

This year is just different.

That's quite an understatement. We all know this year is different. As we heard in the Treasurer's Report, those differences have affected both the operations and the finances of the Section Meeting. The COVID pandemic has forced an end to travel, has required staff to work from home for their safety, has required the Traveling Ministry Corps to go virtual, and has required the Section of the Americas to adapt in some very creative ways.

The Finance Committee, along with the staff, have been challenged by the task of preparing a Proposed Budget for the upcoming Fiscal Year (FY2022, May 1, 2021 – April 30, 2022). Who knows what the future will bring, when it will be safe to travel, the impact on contributions, and so on?

Under usual circumstances, the Finance Committee would be presenting a budget for the upcoming TWO years, FY 2022 and FY 2023. This proved to be a challenging task because of many unknowns related to the COVID pandemic and the possibility or impossibility of future travel.

The budget subcommittee was tasked with preparing proposed budgets for various scenarios:

- If travel becomes possible;
- If travel remains impossible;
- If we proceed with a capital campaign;
- If we don't proceed with a capital campaign.

This year is just different.

The budget subcommittee along with the office staff settled on a proposed budget for the upcoming fiscal year only, FY 2022 (May 1, 2021, through April 30, 2022), comprised of

- One budget for the first six months of the fiscal year, which includes no travel, because we know travel will be imprudent for that time;
- Two separate budgets for the second six months, a travel version and a no travel version.

The committee knows that it remains very important to continue to plan for FY 2023; but that budget process will need to be ongoing as world events evolve. It will be necessary to propose and approve that budget as well at some point in the future.

Key points to understand

Our proposed budget is for Unrestricted / Undesignated funds only. We do have a number of funds that are "board designated," or are "temporarily restricted" by the donors. For example, they may exist for a certain purpose only, or we can only use the interest and not the principal. Any changes in these are reflected in the budget under Other Income, 5935 Transfer from/to Reserve Funds.

There are Restricted / Designated funds specifically for travel, and in the case that travel resumes, those will be used for that, in keeping with the given restrictions.

The decision about whether or not there will be a capital campaign depends on the outcome of a planned feasibility study, which will take place at some point during FY 2022. It is important to remember that a capital campaign itself costs money, but is done with the thinking that it will bring in more money in the longer term.

Paycheck Protection Program (PPP) loans: In 2020, the U.S. Federal Government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which established the Paycheck Protection Program (or PPP) loan program. This was intended to help some businesses that qualified to continue paying their workers. Initially, it's a low-interest loan, but it may be partially or fully forgiven if the business keeps its employee counts and wages stable. At that point, it does not have to be repaid (essentially becoming a grant). We have received two of these PPP loans. We anticipate the first one will be forgiven within the current fiscal year so it does not show up on this proposed budget. We anticipate the second one will be forgiven in the first six months of FY2022.

Differences you will see

Inability to travel creates big changes in terms of both contributions AND expenses. No face-to-face Section Meeting; No fundraising-related travel; No travel by Traveling Ministry Corps.

Contributions have held fairly steady in FY2021, but before COVID we had anticipated and planned for increases that did not happen.

In the event that travel can resume in the second half of FY 2022, this budget allows for one face-to-face meeting for the other committees and program groups that typically meet in person, and one Executive Committee meeting. There is also a virtual Section Meeting in the budget for March of FY 2022, in case it's needed.

This budget reflects reduced office expenses by \$10,000. This is because of both general conservation and also the impacts of COVID (not sending materials to Yearly Meetings for their gatherings, for example).

Here you see three columns, one Proposed Budget for the first six months with no travel; one for the second six months with no travel; and the third for the second six months with travel.

Income

The inability to travel affects both income and expenses. Contributions can increase as people feel more connected through face-to-face contact and we won't have that the first six months of this year. However, the second six months' contributions often tend to increase anyway for a number of reasons, and that is reflected on this line. We actually expect contributions to increase this year overall through the efforts of Development Staff and the Development Working Group.

Participant fees is income from events, such as the Section Meeting. This proposed budget reflects no events over the summer, and there will not be an in-person Section Meeting in the coming fiscal year, but it allows for the possibility of a smaller virtual meeting if needed in the second six months of the year.

The Grants account includes a PPP (Paycheck Protection Program) loan that is part of the CARES Act. This is a loan that has a forgiveness process, and we expect it to be forgiven in the first half of the fiscal year. (PPP loans are explained above.)

As you can see, Unrestricted / Undesignated Investment Income remains steady.

Expenses.

These are “ordinary expenses,” again related to day-to-day operations.

Personnel costs are the costs of employing staff, salaries, etc.

Professional fees are paid to individuals not employed by the Section to accomplish other tasks. This can cover a wide range of activities, such as hiring a feasibility study for the possibility of a capital campaign, hiring a videographer for the new Representatives’ training program, though in that particular case some of those costs are covered by grants.

Committee Costs and Program Costs would typically be higher under a scenario in which there is travel. This is activities such as face-to-face committee meetings, for example, and travel costs related to program activities. Adjustments here include reducing the Executive Committee’s face-to-face meetings to one; allows for one meeting for each committee and program group that usually meets in person; and allows for re-evaluating some programs in regard to their travel activities. When travel resumes, we have some restricted / designated funds that are limited to specific travel parameters, and those will be used as able.

We expect General Office expenses to continue to be down this fiscal year. The staff has been diligent about cutting costs where they were able, and other expenses are not present in the current COVID scenario (mailing supplies to Yearly Meeting sessions, for example).

We have certain financial obligations to the World Office. This fluctuates due to a number of factors, but mostly related to our income. We give 25% of our unrestricted contributions to the WO to support FWCC globally, so that is directly tied in to donation projections. This is the anticipated obligation for the coming year.

Net Income / Loss.

There are other income and expenses as well that are not “ordinary,” in that they are not related to daily operations, but they must be counted as well. Other income is transfers to or from reserve funds; and other expense is a depreciation expense. This slide shows the net income for two six-month periods, the first six months with no travel, and the second six months under both possible scenarios (travel and no travel).

That gives us two possible outcomes if we look at the whole year: a year of twelve months with no travel at all; and a year consisting of six months of no travel and six months in which travel is possible. Either way, you can see we anticipate operating at a loss for Fiscal Year 2022.

Going Forward, or Impacts on 2023

This budget makes no staffing changes for FY2022. There may be some in FY2023, depending on whether or not there is a capital campaign.

This budget assumes that contributions will increase during FY2022 to be more in line with what we had originally hoped for FY2021, based on consultations with the Development Working Group and development staff.

The current fiscal year, FY2021, is very likely to end a bit negative, even with the PPP loans and forgiveness. Part of this is related to accrual of pension obligations.

FY2022, in every current given scenario, is showing a projected negative balance in the \$7,000-\$21,000 range, depending on the scenario.

Recommendations

The current fiscal year, FY2021, is likely to end a bit negative. FY2022, in every current given scenario, is showing a projected negative balance in the \$7,000-\$21,000 range, depending on the scenario. Although we have been diligent in looking for ways to trim costs, we have accumulated reserve funds for a rainy day, and they are there for use in service to our program. We feel their use at this time is appropriate.

The Budget Subcommittee, in concert with the Finance Committee, recommends this Proposed Budget, and recommends that we tap the Founders Fund to cover deficits in this range for the current year and FY2022.

A proposed budget is always a “best guess.” This is why you have a finance committee, to examine the possibilities as thoroughly as they can with the information they have at the time.