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# BC Conference Executive

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Date: November 2-4, 2017  
Status: Non-Confidential

**Title:** Budget 2018  
**Prepared By:** Doug Goodwin (Executive Secretary)  
**In Consultation With:** David Nanton, Finance Council  
**Related Documents:** Executive Secretary Monitoring; Consolidated Budget  
**Summary:** This report provides information to help the Executive determine whether the Executive Secretary is faithfully following the Budgeting Policy, and recommends a budget for 2018.

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## Proposed Decisions:

1. that the Budgeting Policy monitoring report be accepted.
  2. that the budget for 2018 as provided in the Budget 2018 report be adopted.
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## POLICY MONITORING: Budgeting

*Budgeting shall not deviate significantly from Board "Ends" priorities, risk fiscal jeopardy nor fail to show a generally acceptable level of foresight.*

1. *The Executive Secretary shall not fail to present a viable operating budget for the next fiscal year to the Conference Executive each year by the fall meeting of BC Conference Executive for approval.*

I am not aware of any violation of this policy item. I understand "viable" to mean a budget that is in compliance with the rest of the Budgeting Policy statements and with the decisions of the Executive over the past two years. The budget for 2018 meets the deadline by being presented at this fall meeting.

2. *The budget format shall not deviate from generally accepted accounting principles and practices.*

I am not aware of any violation of this policy item. We continue to use a format that clearly presents the various forms of income, expenditures and fund transfers used by the Conference in its Core Operations. As in the past, it separates the Conference Camps finances, Property Development Council, and Property Resource Team budgets from the Core Operating budget for clarity. A consolidated budget is also presented which reports the total financial life of the Conference against the Conference Executive Ends policies. As always, a more detailed management budget is available for information upon request; audited financial statements which use a different presentation format are also available.

3. *Budgets shall reflect a commitment to the long-range sustainability of the work of Conference.*

I am not aware of any violation of this policy item. I interpret long-range to be over five or six years. "Sustainability" means that the core functions of Conference in 2022 and beyond shall be fully supported financially on a level similar to or greater than the level presently being provided.

Changes in the financial structure of the church anticipated with the adoption of Remit 4 and beginning January 1, 2019 will seriously jeopardize this understanding of "sustainability" for BC Conference or its successor Region. At the present time we anticipate that the future Region will still have significant resources which will not put it in financial jeopardy (and thus will be "sustainable"). However, the goal of maintain the present level of service and ministry is in jeopardy.

For the 2018 budget we are using, as we have in the past six or seven years, an investment "spend rate" figure agreed upon by our investment agent and the Finance Council, which they regard as a prudent investment spending rate: 4.5%. The Finance Council is closely watching the markets and uses a professional investment company, Connor, Clark & Lunn.

The 2018 budget continues to reflect the decision of the Executive in November 2013 to provide a loan to the Centre at Naramata without asking for the immediate payment of interest. It has also committed to not call in the loan at least until the end of 2017. Although major, this loan is not seen as jeopardizing the long-range sustainability of the Conference although it significantly alters medium-term income projections. The 2018 budget also reflects the desire of the Executive expressed in December 2015 to spend more of its assets in order to provide a higher level of service. This is reflected in the deficit budget figure. The Conference has enough assets that this deficit could be maintained for a number of years without jeopardizing the Conference/Region.

4. *Budgets will neither jeopardize nor be inconsistent with the Conference's mission, long-term goals and strategies.*

I am not aware of any violation of this policy item. All budget expenditures are designed to support the Conference mission in a direct or indirect manner. Total expenditures (including staff) of the

consolidated work of the Conference (Core, Camping, Property, and ProVision) budgeted for 2018 (\$4,493,022) break down as follows:

Presbyteries	20%	\$ 894,419
• (Native Ministries, ProVision Grants, Staff, Travel)		
Non-Congregational Ministries	28%	1,272,948
• (Camping, Youth, Children, Embracing the Spirit, Naramata, Campus Ministry, Intercultural)		
Church Leadership	20%	910,000
• (Ministry Personnel Support, LeaderShift)		
United Church Participants	5%	243,544
• (Communications, Justice, Archives)		
Property	8%	364,500
• (Property Resource Team, PDC)		
Governance and Support	4%	196,600
• (General Meeting, Executive, Councils)		
Administration	14%	611,012
• (Management, Legal, Office, Programming)		

5. *Revenues and expenditures are not to be budgeted without reference to past experience and to realistic projections.*

I am not aware of any violation of this policy item. All income comes from known sources. Investment income is based upon a professional assessment of anticipated long-term investment returns with a determination of an appropriate "spend rate" (4.5%). Expenditures are based upon an analysis of budget requests from spending units, the estimated costs of new projects, past expenditures and other projected expenditures. Significant work has been done to ensure both budgeting and spending are realistic, well planned and prudent.

6. *No budget shall be presented where expenditures are greater than a combination of revenue and other funds available for use by the Conference's operating budget.*

I am not aware of any violation of this policy item. The 2018 budget anticipates balancing the operating costs of the Core Operations through the expenditure of some of our assets. The Conference Executive authorized at its November 2015 meeting the spending and/or risking of some of its assets to ensure Conference work is done. The budgeted deficit seems manageable and poses no risk to the long-term future of the Conference/Region at the present time. It will need constant monitoring going forward, however, since it is at a level that could seriously affect the long-term financial abilities of the Conference/Region should multiple years of a deficit at these levels be actually realized.

7. *Restricted funds will not be used for purposes other than those specified by the funds' terms of reference.*

I am not aware of any violation of this policy item.

8. *Budgets will not transfer revenues or expenditures from other funds if the terms of the funds disallow such transfers.*

I am not aware of any violation of this policy item. This might normally happen if one part of the budget needed to "borrow" from a fund not established for that purpose. This has not occurred.

9. *Information to the Conference Executive shall not lack sufficient detail to enable the Conference Executive to assess the viability of the budget, nor will it exclude an articulated list of planning assumptions.*

I am not aware of any violation of this policy item. This budget report is designed to provide adequate detail for a proper assessment without losing perspective by providing too much information. Additional background information is available upon request. A list of planning assumptions and decisions is part of the report.

## Budgeting Assumptions and Decisions: 2018

### Income

- The formula to calculate Presbytery allocations, based on Line 40 of the Year Book statistical report, remains unchanged.
- The rate for total Presbytery allocations (Core Operating, General Meeting, and Campus Ministry) is 3%.
- Presbyteries are billed based upon the allocation formula with accurate figures when they are received, not upon the budget amount, which is an estimate.
- Presbyteries are willing to support the Campus Ministry through allocations at the same level as previous years (\$72,500). The balance of the cost of supporting Campus Ministries (\$27,500) will be borne by the Operating Budget.
- The Presbytery allocation for General Meetings remains unchanged at \$115,000. This allocation allows two General Meetings to take place every three years. This will be the tenth year at this level. As anticipated, this amount is now proving to be inadequate and will need to be reassessed in order to adequately finance future meetings. Alternatively, the level of financial support the Conference provides for participants at General Meetings (meals, transportation, accommodation, child care, etc.) may have to be decreased. Becoming part of a Region in 2019 means the purpose and type of General Meeting can be reimagined at that time.
- The General Council grant was eliminated in 2017 and beyond. In 2014-2016 it was \$100,000, down from \$335,000 in 2013.
- The spending rate based upon income from investments is calculated at 4.5% (based on advice from our investment advisor and review by the Finance Council).
- Investment income distributed to funds is budgeted based on a 4.5% return. Fees are not charged to our administered funds (they were charged 1.5% previous to 2013).
- Approximately 80% of the Van Dusen Estate endowment income – \$108,000 of the projected \$130,000 to be received – is applied to the operating budget with the balance applied to the Conference ProVision Fund.
- Income from the Jardine Fund is estimated to be \$748,000. This is an increase from \$720,000 in 2017, \$645,000 in 2016 and \$450,000 in 2015. The increase is due to the completed sale of the Wilmar property. We have finally reached the income level which was first anticipated when the Jardine bequest was announced.
- The income from the RM Cherry Fund (held by the Vancouver Foundation) projected at \$24,000, be used as revenue for the operating budget, as in prior years.
- It is appropriate to charge the Property Development Council (PDC) for the additional staff costs of managing the work of the Property Resource Team which are calculated at \$47,000, up from \$38,000 in 2017 due to the increased work of establishing the affordable housing ministry. The salary of Terry Harrison is reflected in the Total Staff Salaries line.
- It is appropriate to charge the Camp Future funds for the additional staff costs of managing the Conference Camps which are calculated at \$22,000. This has been a decreasing amount, reflecting the decreasing need for Conference oversight of these ministries. In addition to this amount, however, is a contracted amount paid to Ian Fraser directly from the Conference Camps budget.

## Expenditures

- Overall expenditures increase from 2017 by 10% (\$252,900). This is primarily due to the fully funding the Children's Certificate and the Contemplative Justice initiatives (increase of \$199,500). Staff costs increased by 1% (\$11,000), due to regular salary increases and the welcome return of Nellie Tang to work after being away on disability.
- Leadership Development work is funded in 2018 for \$250,000, as in 2017, up from \$200,000 in 2016. Presbytery Staff Support has increased, reflecting the increasing need for the Conference to cover the expenses of staff in the more rural presbyteries. Office Costs reflects the addition of staff. Conference Committees includes an increase in the rental costs for the Conference Archives.
- Basic salaries (established by General Council rates) increase 1.4% in 2018.

## Fund Transfers

- The budget deficit will be covered from Conference assets.
- The Conference Camping fund and the Property Development Council will pay additional staff costs directly related to their management and operation as in previous years. The Contemplative Justice ministry, Children's Certificate Program, and Engaging the Spirit expenses will be paid directly from those established funds, shown below as "Flow Through Funds."

## Non-Budgetary Items

### Assets

- We will continue to spend down or risk some Conference assets in order to fund the work of the Conference. As per the Conference Executive decision of November 2015, this amount will increase.
- We are not budgeting for a large increase in assets due to property sales in 2018 although this is always a possibility.

### Conference Camps

Support of the Conference Camps and related programs will be funded through income generated from the investment of \$10 million. In 2018 we are anticipating a \$459,000 expenditure, reflecting a decrease in operating grants but a significant increase in capital expenses in an effort to improve facilities. In 2017 we budgeted an expenditure of \$325,000 to compensate for a larger than budgeted amount expended in 2016 for capital improvements. Our goal has been to expend an average of \$450,000 annually for both capital and operations

### ProVision

ProVision Funds have been established for five Presbyteries (Comox-Nanaimo, Fraser, Vancouver-Burrard, Victoria, Westminster) and a sixth for the Presbyteries without their own ProVision Fund. There is almost \$7 million presently invested in these funds which are budgeted to provide the possibility of grant funding of approximately \$660,000 annually (both income and a percentage of the original capital). ProVision Funds are not part of the Conference Core Operating budget but are part of our total assets and ministry. They are shown on the Consolidated Budget.

<b>Operating Budget</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Operating Revenue				
Presbytery Allocation	609,000	602,000	7,000	1%
General Meeting Fund Allocation	115,000	115,000		
Campus Ministry Allocation	72,500	72,500		
General Council Grant	0	0		
	<b>796,500</b>	<b>789,500</b>	7,000	1%
Flow Through Funds				
Children; Justice; Embracing the Spirit	<b>376,500</b>	<b>176,500</b>	200,500	113%
Other Income				
Investment Income Earned	315,000	321,000	6,000	-2%
Van Dusen Endowment Income	108,000	103,000	5,000	5%
Jardine Endowment Fund Income	748,000	720,000	28,000	4%
R&M Cherry Endowment Income	24,000	24,000		
Other	10,400	11,200	-800	-7%
	<b>1,205,400</b>	<b>1,179,200</b>	26,200	2%
<b>Total Revenue and Income</b>	<b>2,378,400</b>	<b>2,145,200</b>	233,200	11%
Operating Expenses				
Total Staff Salaries and Benefits	1,415,000	1,394,000	21,000	2%
Recovery - LeaderShift	-110,000	-110,000		
Camp Share of Conference Staffing	-22,000	-21,000	-1,000	5%
PDC Share of Conference Staffing	-47,000	-38,000	-9,000	24%
<b>Net Salaries</b>	<b>1,236,000</b>	<b>1,225,000</b>	11,000	1%
Other Expenses				
Governance	57,000	61,000	- 4,000	-7%
General Meeting Fund	115,000	115,000		
Office Staff Expenses	84,500	78,500	6,000	8%
Office Costs	141,600	125,900	15,700	12%
Legal and Audit	45,000	45,000		
Presbytery Staff Support	27,000	15,000	12,000	80%
Presbytery Travel Grants	37,000	37,000		
Native Ministries	35,000	35,000		
Children; Justice; Engaging Spirit	376,500	177,000	199,500	
Conference Committees	146,500	126,800	19,700	16%
LeaderShift	250,000	250,000		
Youth	43,000	45,000	- 2,000	-4%
Campus Ministry	100,000	100,000		
Ministry Personnel Committees	79,000	81,500	- 2,500	-3%
Finance Council and Training	11,000	13,500	- 2,500	-19%
<b>Other Expenses Total</b>	<b>1,548,100</b>	<b>1,306,200</b>	241,900	19%

	<b>2018</b>	<b>2017</b>	Change	
<b>Total Expenses</b>	<b>2,784,100</b>	<b>2,531,200</b>	252,900	10%
<b>Total Revenue and Income</b>	<b>2,378,400</b>	<b>2,145,200</b>	233,200	11%
<b>Net Before Naramata Grant</b>	<b>-405,700</b>	<b>-386,000</b>	-19,700	5%
Deferred Interest: Naramata Centre	-124,000	-124,000		
<b>Total Surplus (Deficit)</b>	<b>-529,700</b>	<b>-510,000</b>	-19,700	4%

### Conference Camp Operations

Investment Income	450,000	450,000		
Expenses				
Camp Operating Grants	140,000	196,000	-56,000	-29%
Camp Capital Grants	180,000	60,000	120,000	200%
Camp Share of Conference Staffing	62,000	70,000	-8,000	-11%
Camp Other	77,000	75,000	2,000	3%
<b>Total Expenses</b>	<b>459,000</b>	<b>401,000</b>	<b>58,000</b>	<b>-14%</b>
<b>Camp Surplus (Deficit)</b>	<b>-9,000</b>	<b>49,000</b>	<b>-58,000</b>	

### Property Development Council

	2018 Budget	2017 Forecast
Expenses		
Allocated Salaries	47,000	38,000
First United Church Maintenance	64,000	64,000
Professional Fees	10,000	9,000
Total	121,000	111,000

### Property Resource Team

Revenue	275,500	492,377
Expenses	225,000	140,000
Net	50,500	352,377

### PRT Summary: 2011-2018

Original Budget Approved (2011)	800,000
Net Income/Expenses to end of 2016	-1,042,606
Net Income/Expenses to end of 2017	-690,228
Net income/Expenses to end of 2018	-639,728
Balance end of 2018	160,272