

Information for delegates to 2024 WDC Annual Assembly:

Response to budget concerns voiced at 2023 WDC Delegate Assembly

Delegates at the 2023 WDC Annual Assembly expressed concerns about WDC's budgeting process and financial reporting, noting that WDC has been using an unrealistic projection of contributions as a way to "balance" the annual budget recommendation. This past year the WDC Stewardship Commission (SC), Executive Board (EB) and staff have worked to address these concerns, and to review and adjust aspects of financial operations that impact our budgeting process. The SC and EB began budget preparations more than a month earlier and included special meetings to give time for additional discernment; and the Business Manager and Fund Development Director researched background information for these conversations. Below is background information and a description of actions taken over the past year.

Facilities:

In July 2023, WDC sold the 2500 Place Building and is now renting back a reduced amount of space (3,312 sq ft, or approximately 74% of the previous space of 4,500 sq ft). This was renovated to continue to accommodate space for offices, conference room, workroom and Resource Library. Some of the building-sale proceeds are being used to partially subsidize rent at a decreasing rate over five years, and to support a Fund Development Coordinator for 3 years as we work toward a more sustainable long-term financial plan.

Financial institutions, accounts and investments:

SC and staff reviewed the financial institutions and accounts holding WDC's funds. In consultation with Everence, we determined that it would be advantageous to move all of WDC's funds out of accounts with multiple other financial institutions and into accounts with Everence, except for the general fund primary checking and the Revolving Loan account which receives loan payments which remain in bank accounts.. The EB approved this action, which will allow WDC to receive better interest rates through socially responsible investment in accounts that are FDIC-insured. It will also simplify reporting and management of the funds through Everence's assistance. The Business Manager renumbered accounts to clarify the balance statement, so that it will be easier to determine which funds are in which accounts, and how much interest each fund is earning.

Restricted funds:

SC and staff reviewed the terms of WDC's many restricted funds, noting that some restricted funds are built up through money coming from the budget, some restricted funds have regular distributions to provide income into the budget, and some restricted funds are entirely separate from the budget. We reviewed the origins, designated purposes and parameters of restricted funds, noting that some are donor-restricted and others are board-restricted. We observed that some restricted funds have remained unused over many years, even where the parameters of those funds would now allow use of the funds. Management of these funds also require considerable staff time and expertise. In light of these factors, the SC recommended and the EB approved several steps:

- Initiate an annual administration fee of 5% on the balances of the Revolving Fund and all restricted funds and grants (except where prohibited by foundational documents of the donor-designated funds) effective beginning 2/1/24 at the start of our current fiscal year. These fees will be paid into the budget, with the anticipation that better investment rates through Everence will help to offset these fees.
- Lift the restriction on the principal of the Pauls' Bequest Fund so that all of that fund can be available for designated purposes according to original trust documents.
- Accept the opportunity described in the terms of the Schilling Trust (Resource Commission Investment Fund) to use the gifted funds in an unrestricted manner after 20 years, as it is now more than 20 years since the fund was established.

Budgeting format:

SC noted that the previous format of WDC's annual budget divided several expense categories (such as staff-related expenses, rent, utilities and office expenses) between the Executive Board and the four Commissions. This format illustrated the principle that staff, facilities and office serve all parts of the WDC mission, however this format also made it difficult to tell what the total amount was for each expense category. Our CPA also recommends that expenses should only be listed under the board or commission that authorizes those expenses. In light of this, SC affirmed a new budget format which consolidates each expense category under one group: All staff-related expenses are listed under EB, and all rent, utilities and office expenses listed under SC. The Business Manager also adjusted the budget format to show more clearly which income is from donor-restricted funds and from board-restricted funds, and how this restricted income is tied to specific line items in the expense budget. These format changes will provide clearer and more transparent financial accounting and reporting.

Budget preparation process:

The SC noted that there is typically a delay of approximately 6 months between when the budget is approved (at Annual Assembly - generally in summer) and when the fiscal year begins on February 1. In order to recommend a budget for approval at Annual Assembly we must begin budget preparation a full year in advance of the next fiscal year, making it difficult to project expenses accurately. To address these factors, the SC proposed and the EB recommends the following amendments to the WDC Bylaws:

- Amend WDC *Bylaw 1., Delegate Assembly, Section E. Conference Year* to change WDC's fiscal year from Feb 1 - Jan 31 to Oct 1 - Sept 30. This would reduce the amount of time between budget approval at Annual Assembly and the beginning of WDC's fiscal year, with the intention of improved accuracy in establishing the budget. This would also align the quarters of WDC's fiscal year with the quarters of the calendar year, correlating with quarterly financial transactions such as payroll tax, insurance billing, and interest on investments.
- Amend WDC *Bylaw 2., Section B. Item 1* to include an additional responsibility to the list of Executive Board duties: *"Between Delegate assemblies, be responsible for approving any necessary deviations from the delegate-approved budget, with input and consideration from appropriate WDC staff, commissions, committees, or task forces."* This will help accommodate the difference between budgeted expenses and actual

expenses that arise due to changes that could not be foreseen at the time of budget preparation, such as adjustments in utility costs and insurance premiums, or staff transitions. This addition to the bylaws would provide clarity and transparency for the Executive Board as it gives oversight to the budget throughout the year.

Fundraising and development initiatives over the past year:

- Mike Lamb began as Fund Development Coordinator (FDC) Sept 1, 2023 (see his annual report). He developed a format to document planned giving, and has confirmed six future estate gifts to WDC.
- The annual fundraising letter was sent to congregations and individuals last Fall, along with a new Generosity Commitment Card encouraging donors to communicate their intentions for giving.
- A general letter of thanks was sent to donors recently, along with a new Generosity as Ministry brochure prepared by the FDC.
- We received a Fransen Family Foundation grant of \$10,000 for the WDC Listening Process. This is administered through a restricted fund to offset expenses for travel, supplies, and administrative costs.
- We received a Schowalter Foundation Grant of \$25,000 for Transitional Ministry Resourcing for Hispanic Congregations. This will be administered through a restricted fund to offset expenses in a proposal to hire personnel for this project in 2025.
- We submitted a grant application for the Lilly Foundation *Nurturing Children Through Worship and Prayer Initiative*. (Grant awards will be announced in Fall 2024).