

Budget Review Officer's Report

June 2017

Today's report topics

- ABCUSA audit for 2016
- ABCUSA financials through April 2017
- United Mission

ABCUSA Audit for 2016

- Fifth year with audit firm of Tait Weller
- Members of BGM Finance Committee reviewed audit with Tait Weller on May 30
- “Clean” audit opinion

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABCUSA as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

ABCUSA Audit for 2016

- No significant difficulties or disagreements with management
- “Internal control letter” items

ABCUSA Audit - Financial Position

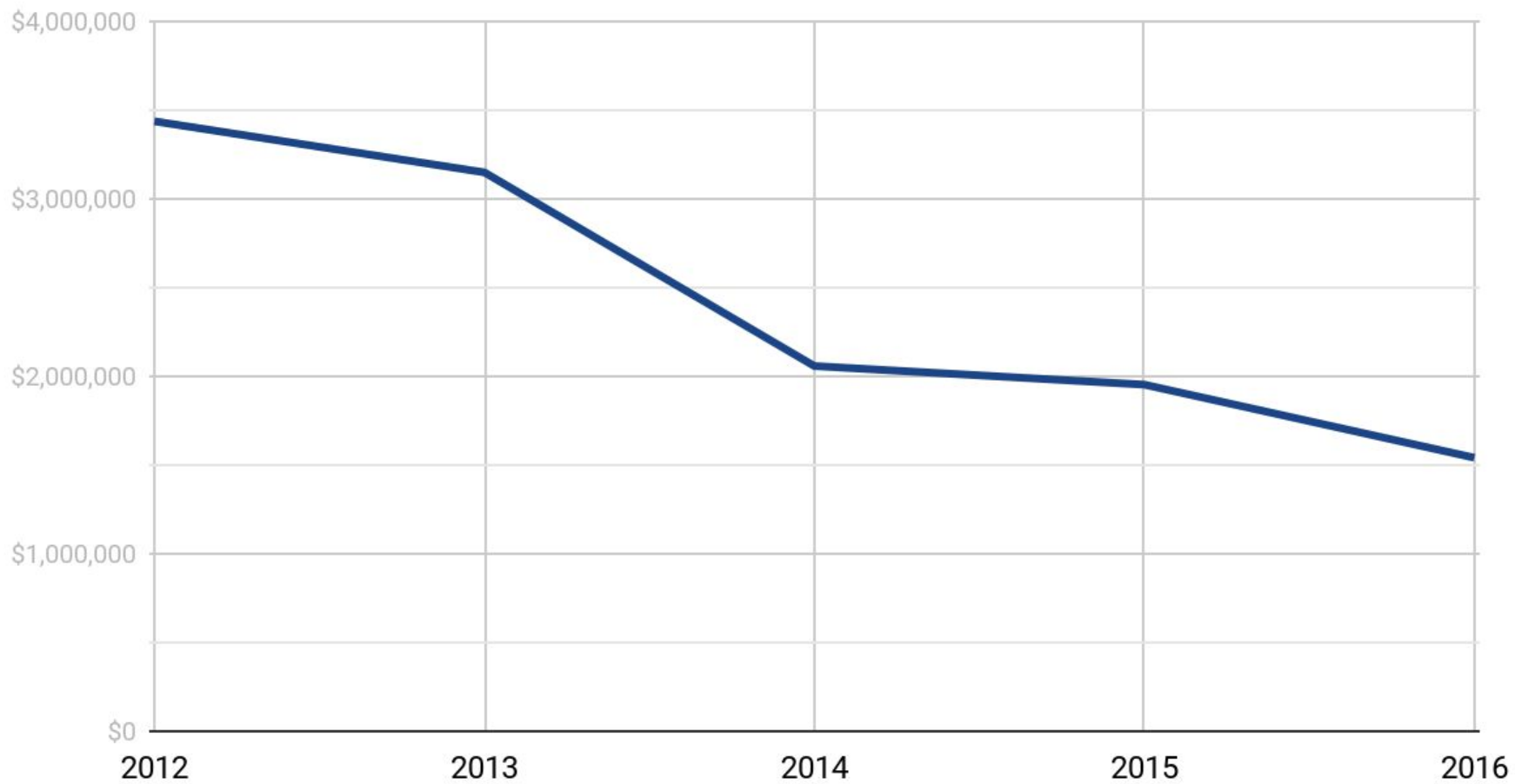
AMERICAN BAPTIST CHURCHES IN THE U.S.A.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,541,169	\$ 1,952,905
Accounts receivable from Baptist-related organizations, net of allowance for doubtful accounts	2,293,155	2,385,621
Prepaid expenses and other current assets	102,197	128,936
Note receivable, current portion	<u>710,800</u>	<u>663,021</u>
Total Current Assets	4,647,321	5,130,483

Cash balance at year-end



ABCUSA Audit - Financial Position

- Net assets (“what’s left over”) increased from 2015 to 2016
- Due to stronger investment returns in 2016

NET ASSETS	<u>2016</u>	<u>2015</u>
Unrestricted		
Board designated	22,730,400	22,204,018
Board undesignated	<u>2,310,962</u>	<u>2,403,994</u>
Total unrestricted	25,041,362	24,608,012
Temporarily restricted	5,184,987	5,290,346
Permanently restricted	<u>3,213,176</u>	<u>3,213,176</u>
Total Net Assets	<u>33,439,525</u>	<u>33,111,534</u>

ABCUSA Audit - Financial Position

- Most net assets have restrictions or are already designated by the Board
- \$2.3 million available to cover future shortfalls

	<u>2016</u>	<u>2015</u>
NET ASSETS		
Unrestricted		
Board designated	22,730,400	22,204,018
Board undesignated	<u>2,310,962</u>	<u>2,403,994</u>
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ABCUSA Audit - Stmt of Activities

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**For The Year Ended December 31, 2016
(With Comparative Totals For The Year Ended December 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenues, gains and other support:					
American Baptist mission support					
Amounts received on behalf					
of others	\$28,428,930				
Amounts remitted to others	<u>\$26,498,890</u>				
 Amounts retained by ABCUSA	 \$ 1,930,040	 \$ -	 \$ -	 \$ 1,930,040	 \$ 2,153,153

ABCUSA Audit - Stmt of Activities

- Change in net assets \approx profit
- Change in net assets of \$327,991, compared to (\$1.5 million) in 2015
- Some significant changes from 2015:
 - Investment gains up \$1.7 million
 - Biennial expense down \$777,000
 - G & A down \$119,000
 - Representative Process down \$85,000
 - Ecumenical relations down \$73,000

ABCUSA Audit - Notes

- Note 3 - Where investments are held
- Note 6 - Details on loans to ABHS, ABHMS, and MMBB
- Note 7 - Lease of land near Mission Center
- Note 10 - Endowments, spending policy, and endowment shortfalls

Year-to-date financials (4/30/17)

Comparative Statement of Revenues and Expenses for year to date ending APRIL, 2017 and 2016

	ABCUSA Depts	Non Operating	Denom. Emphasis	Development Office	Transition Ministries	MRD	RP	WIM	Biennial	Total
APRIL 2017										
Revenue	860,320.86	-	387.45	-	276,340.15	193,838.76	122,453.83	46,777.00	233,010.00	1,733,128.05
Expense	822,478.88	-	2,274.31	86,462.19	279,458.29	198,938.82	122,713.04	45,362.92	94,213.94	1,651,902.39
Net	37,841.98	-	(1,886.86)	(86,462.19)	(3,118.14)	(5,100.06)	(259.21)	1,414.08	138,796.06	81,225.66
APRIL 2016										
Revenue	1,074,793.77	-	-	-	298,915.18	221,394.07	121,949.95	31,209.71	-	1,748,262.68
Expense	971,129.11	-	10,163.58	77,924.91	310,121.08	215,417.94	104,368.36	39,926.07	250.00	1,729,301.05
Net	103,664.66	-	(10,163.58)	(77,924.91)	(11,205.90)	5,976.13	17,581.59	(8,716.36)	(250.00)	18,961.63
Variance APRIL 2017- APRIL 2016										
Revenue	(214,472.91)	-	387.45	-	(22,575.03)	(27,555.31)	503.88	15,567.29	233,010.00	(15,134.63)
Expense	(148,650.23)	-	(7,889.27)	8,537.28	(30,662.79)	(16,479.12)	18,344.68	5,436.85	93,963.94	(77,398.66)
Net	(65,822.68)	-	8,276.72	(8,537.28)	8,087.76	(11,076.19)	(17,840.80)	10,130.44	139,046.06	62,264.03

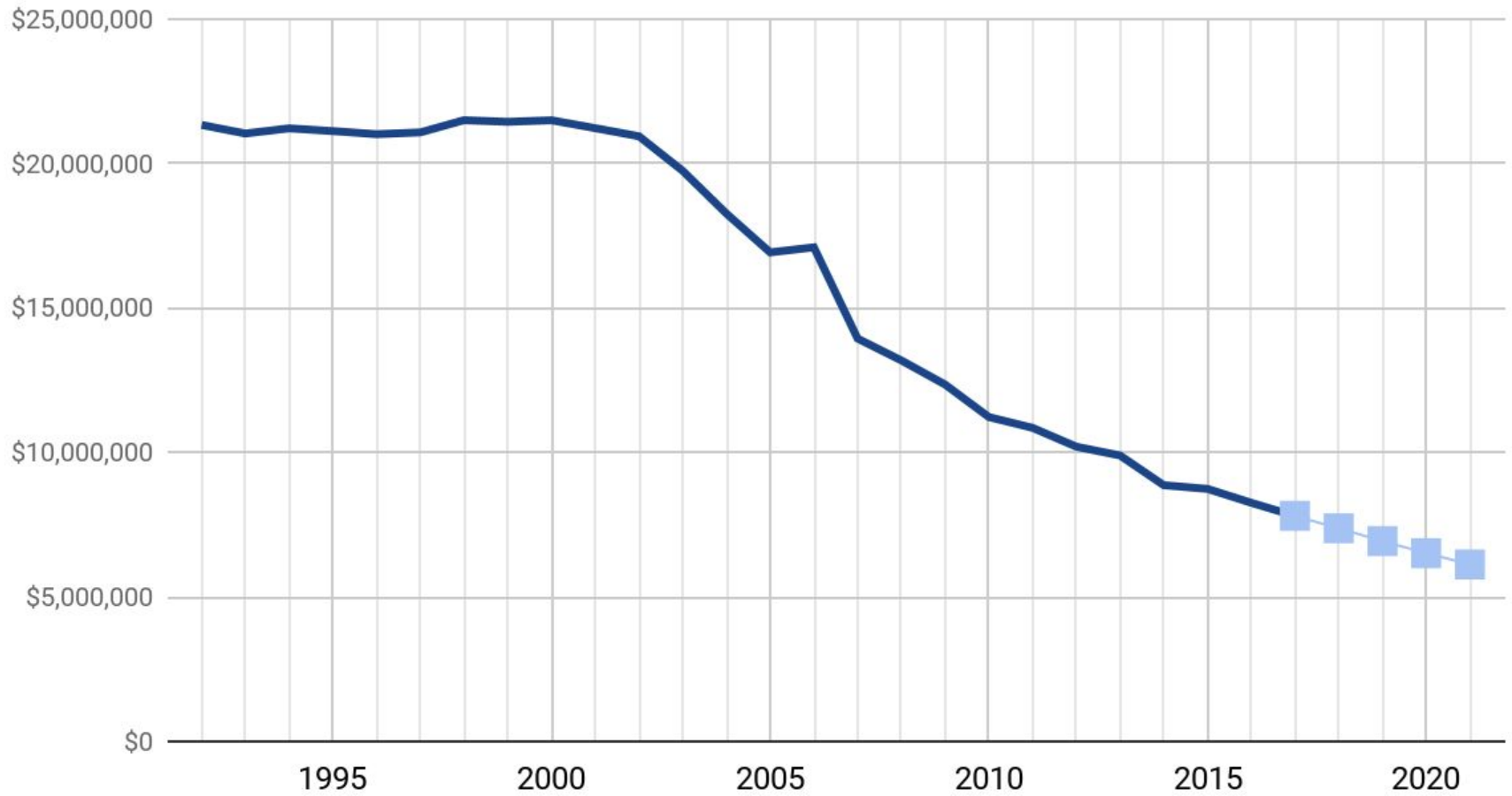
Year-to-date financials (4/30/17)

- All amounts exclude the biennial
 - Biennial financial results are incomplete
- Revenue is down \$248,000 from a year ago
- Revenue is 14% less than budget

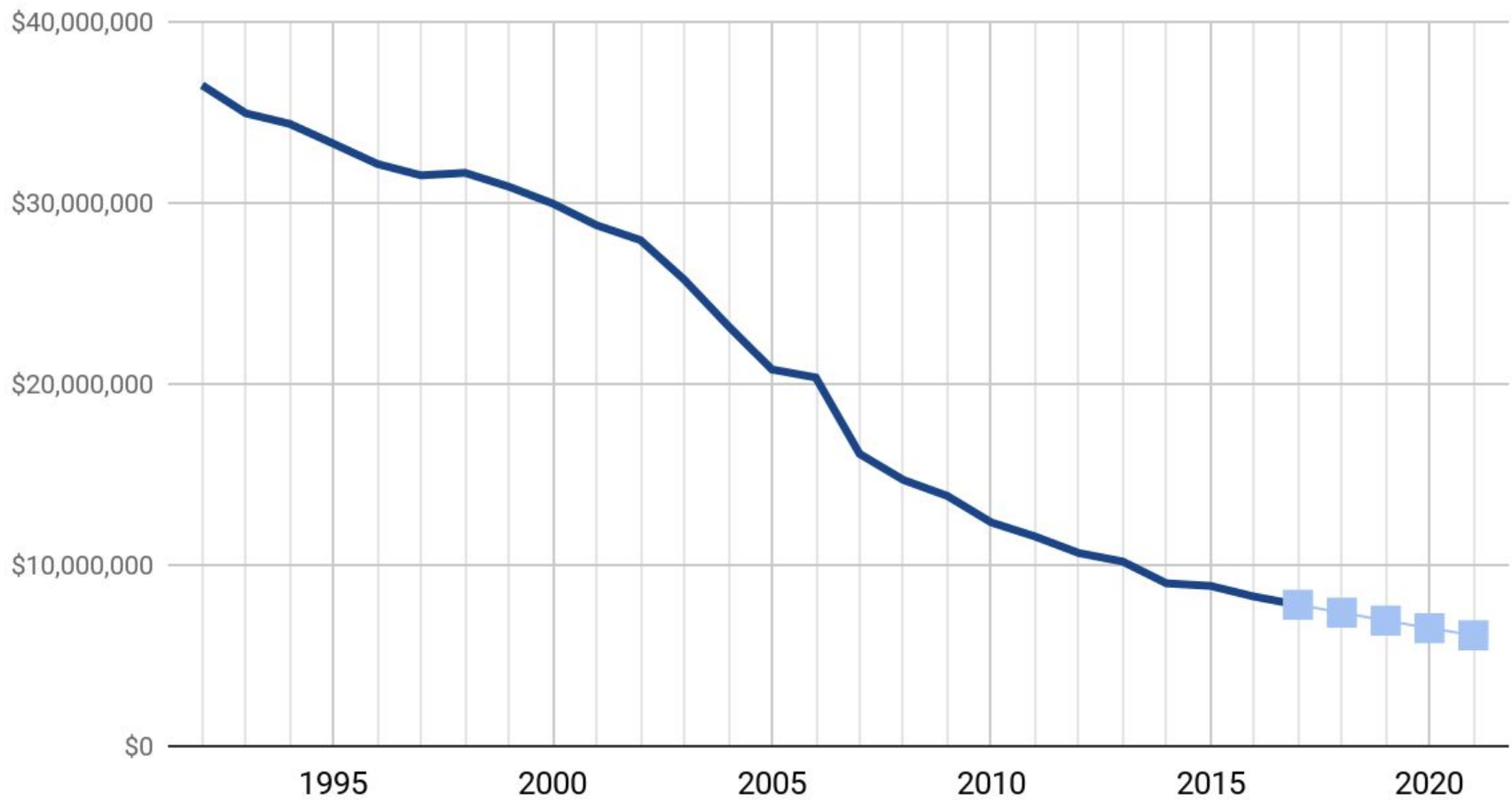
Year-to-date financials (4/30/17)

- Expenses are \$171,000 less than a year ago
- Expenses are 7% under budget
- Net loss of \$58,000, compared to
 - budgeted gain of \$31,000
 - year ago net gain of \$19,000

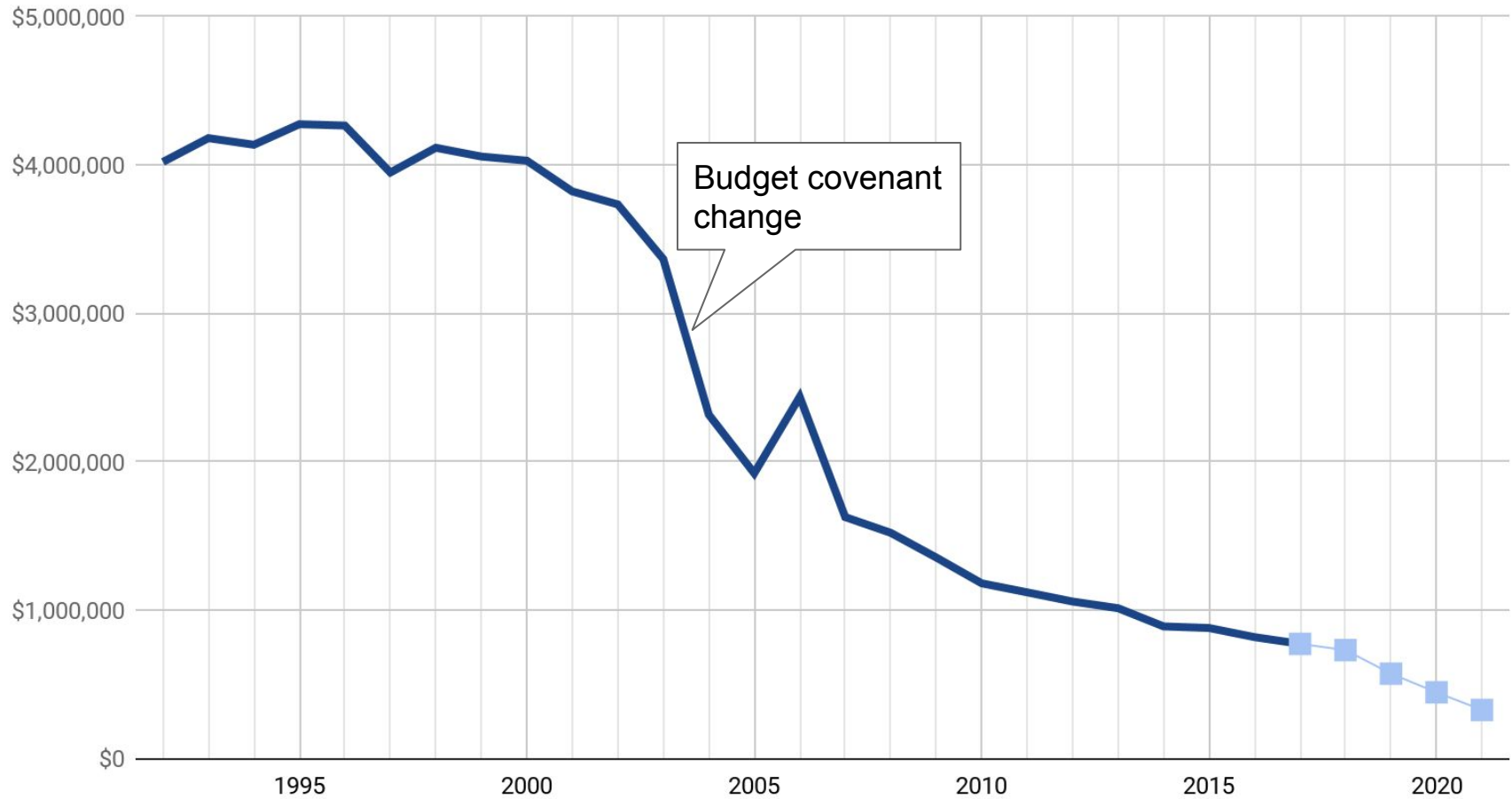
United Mission over time



United Mission over time (inflation-adjusted)



UM funds for ABCUSA (inflation-adjusted)



Need new revenue sources

- Fee for service
 - Partners less interested in shared services
 - Loss of income from building operations
- Redevelopment of Mission Center property
 - Unlikely to cover the drop in United Mission
 - Could take several years to reach peak earnings
- Endowment emphasis
- New initiatives
 - “Mission creep”
 - Awareness of boundaries with partners