Essential facts about our financial needs for 2021.

1. <u>The church's day-to-day operations depend on financial commitments from parishioners</u>. All Saints' and Christ the King share in a combined day-to-day Operating Fund. The vast majority of this Operating Fund comes from financial commitments (pledges) made by parishioners of All Saints' and Christ the King.

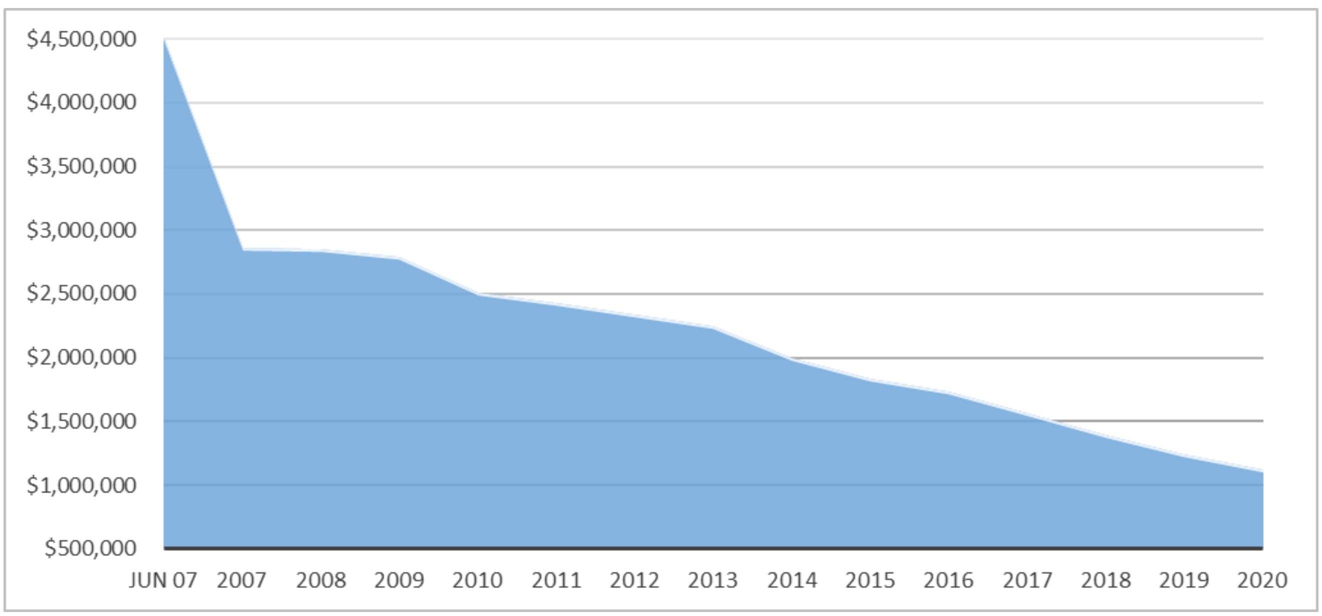
2. <u>The 2020 Operating Fund had a planned deficit in 2020</u>. Compared to prior years, financial commitments to the 2020 Operating Fund increased significantly. However, even the increased amount of commitments was not enough to cover all of the expenses that were planned for the church's day-to-day operations in 2020. Planned expenses exceeded commitments by some $34,000. Stated differently, at the beginning of 2020 we had a $34,000 deficit budget.

3. <u>COVID-19 has impacted the Operating Fund in various ways</u>. The pandemic has severely limited in-person worship and parish programming. That limitation has resulted in reduced income to the church in ways other than commitments—things like plate offerings, miscellaneous gifts and fees for building use. These same limitations have reduced spending on worship and programming and on related costs like utilities. The pandemic has also resulted in the church receiving a forgivable loan of $51,400 under the Payroll Protection Program. On the whole, including the PPP loan, the 2020 Operating Fund should end the year with a slight surplus.

4. <u>At current commitment amounts, the 2021 Operating Fund will again have a planned deficit, but without the same savings and benefits that have made the difference this year</u>. We are planning to spend about the same amount on day-to-day operations in 2021 as we planned to spend in 2020. We are also planning for continued lower levels of plate offerings and other non-commitment income. Finally, we are *not* planning for another extraordinary opportunity like the Payroll Protection Program to be available to the church. This means that at the same levels of commitments to the 2020 Operating Fund, we can expect expenses to exceed income in 2021 by about $40,000.

5. While we do have a “rainy day” fund, we have more pressing needs for that than covering operating deficits. Because we went for an extended period without a full-time rector, we’ve been able to accumulate about $110,000 in surpluses from prior years’ Operating Funds which otherwise would have been used to pay a rector. This “rainy day” fund may seem like the perfect source to cover the anticipated $40,000 shortfall in the 2021 Operating Fund. But there are two reasons why we need to refrain from using it that way if we can. First, it just postpones facing the inevitable requirement that we catch up Operating Fund giving to Operating Fund expenses. Second, Debt Reduction is far more urgent.

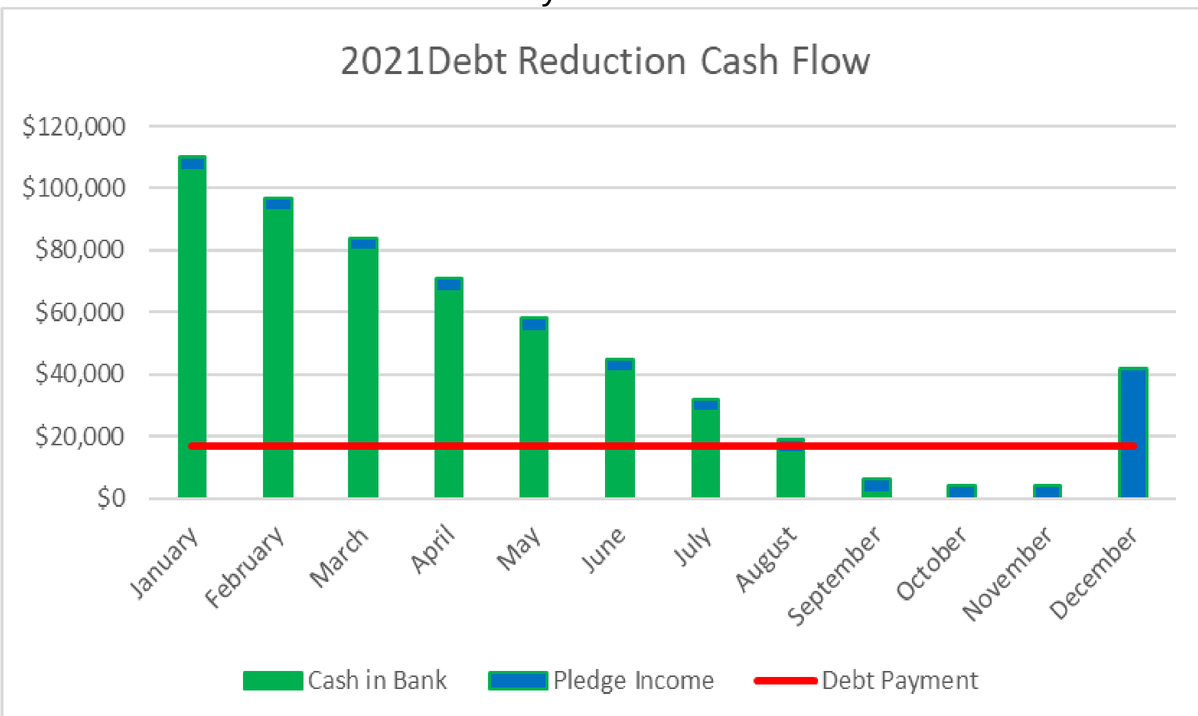
6. All Saints’ depends on separate financial commitments from parishioners for Debt Reduction payments of some $17,000 per month. Construction of the major expansion of All Saints’ campus—the new parish hall, kitchen, program space and offices—was completed in 2007 at a cost of some $4.3 million. About two-thirds of that amount was borrowed. In the 13 years since, All Saints’ parishioners have made a series of multi-year financial commitments—over and above annual commitments to the Operating Fund—which have been used to reduce All Saints’ present indebtedness to $1.1 million.



DEBT REDUCTION PROGRESS 2007-2020

All Saints’ makes payments on this debt in the amount of just over $17,000 per month. These payments don’t come from the Operating Fund, but from separate financial commitments (capital campaign pledges) from parishioners. This debt is scheduled to be paid in full in 2026.

7. <u>Current parishioner commitment to Debt Reduction is insufficient to make our loan payments in 2021</u>. Last year all households were invited to make *two* financial commitments, one to the 2020 Operating Fund and the other to five years of Debt Reduction. That invitation resulted in 102 commitments to the Operating Fund, but only 69 commitments to Debt Reduction. *The cash flow from those 69 commitments is not enough to make our monthly debt payments in 2021*. As the following chart shows, we can expect a cash shortfall on Debt Reduction in the second half of next year.



In this chart, green shows how much Debt Reduction cash we'll have on hand at the beginning of each month, blue shows how much Debt Reduction income we'll receive during the month, and the red line shows the level of our monthly debt payment: $17,158. *For Debt Reduction to cash flow properly, the combined green/blue bar must always be above the red line.* As the chart makes clear, the flow of Debt Reduction commitments for 2021 won't carry us through twelve months of debt payments unless Debt Reduction commitments scheduled for December are paid earlier in the year. But if December commitment payments are paid earlier to support cash flow, we'll start 2022 with essentially no cash on hand. On top of that, monthly Debt Reduction during the past two years has been supplemented by generous gifts left to All Saints' in parishioners' wills. Without those gifts, we would have had no choice but to refinance the building debt in 2019 or 2020 at the expense of the favorable loan terms we now have. Presently, that same choice will face us next year as we plan ahead. All of this is why it's imperative that the "rainy day" fund be saved for Debt Reduction purposes *and* that we spend as little of it as possible so that we always have enough cushion to keep the green/blue bar above the red line.

8. <u>Both continued and broader participation in financial commitments to the Operating Fund *and* to Debt Reduction are essential in 2021</u>. We can tackle these challenges with three simultaneous approaches. The first involves **increasing giving to the 2021 Operating Fund by about <u>9.5%</u>** so that we don't operate at a deficit. This can occur with a combination of new commitments in 2021—commitments for 2021 from households who didn't make a commitment in 2020—and with renewed 2020 commitments at increased amounts. The second approach involves greater participation in our Debt Reduction efforts. The 2020 disparity in participation between 102 commitments to the Operating Fund and 69 commitments to Debt Reduction is too great. We simply can't expect 69 households—most of whom have already completed multi-year commitments to previous Debt Reduction efforts—to shoulder our remaining debt alone. **All Saints' needs around <u>$500,000</u> in *new* Debt Reduction commitments, payable over the next five years beginning in 2021.** Plainly stated, *everyone* who calls All Saints' home needs to join in retiring the debt, especially when we're as close to the finish line as we are. The third approach involves use of advantageous ways of giving by those who can, such as donation of appreciated stocks and other assets to the church or paying 2021 commitments before the end of 2020. If we maximize these three approaches now, we can stop relying on the "rainy day" fund to cover operating deficits and we can devote it instead to a mix of maintaining a prudent safety net for Debt Reduction cash flow and possibly even paying some of the debt ahead of schedule. That, in turn, will enable us to move this annual conversation away from continued requests for more money and toward the greater mission of the church.

9. <u>2021 is the first year of our next 150</u>. Over the past several weeks and continuing into the beginning of 2021, we're commemorating All Saints' 150th anniversary. Looking back is an appropriate way to express our gratitude and to reflect on the sacrifices made by everyone who came before us. But looking ahead is just as important—in fact, *more* important. If All Saints' and Christ the King are to carry the legacy we've inherited into the next century and a half, we first need to sharpen our focus on the next year. That focus includes meeting our financial needs in 2021. We can do it, and as we do it, we'll be laying a sound foundation for the next 150.