

Transfiguration General Operating Fund Budget **Budget Analysis and Information** **For fiscal year 2006 results and 2007 Budget**

Introduction

This document provides detailed information on the financial items that are listed in the 007 Proposed Operating Budget for Transfiguration Episcopal Church. You will note that the budgets presented here have been arranged to match the SWEEPS alignment.

The Vestry has final authority for the approval of the budget, and has served as the Finance Committee this last year.

The 2005 end-of-year cash balance in the checkbook showed a deficit of \$4,626.65. At the end of 2006, the cash balance in the checkbook was 946.78. **A superb turnaround!** That turnaround is mitigated by the fact that we did not fully repay the Restricted account for the \$8,000 borrowed at the end of the year 2005. We were able to repay \$5,500 of that borrowing, leaving only \$2,500 remaining owed, as noted later that amount is now budgeted for repayment in 2007. The underpayment was mainly due to the decision to repay the shortfall in Pension allocations from the Operating account over the last few years (2002 thru 2006). The amount repaid (to the Restricted account) was \$1,572. The Audit Committee identified these “corrections” to the Pension Reserve, many thanks to them for sorting this out. By the way, the Audits for the church books have been completed for all prior years up to and including 2005. There were no findings. There were several comments and recommendations and those are being addressed and noted by the Vestry.

The parish holds other reserves in the Restricted account and as of 12/31/06, those reserves added up to \$8,081.51, down from \$11,915.51 at the end of 2005. The main draw on reserves this past year was the \$3,100 charge for Termite Treatment needed for the building.

The Parish continues to be strong financially, and growing in membership with a current total of 176 families. This success is due to the generous members of Transfiguration and the hard work of the Stewardship Committee. The Vestry wishes to express its deep appreciation to the members of Transfiguration for their generous gifts of time, treasure, and talent. Thanks be to God!

In the budget analysis disclosed in the remainder of this document, we have attempted to describe the Vestry’s methodology for arriving at each budget item. Much of this data is based on actual historical data, while other elements indicate the desire of the Vestry to emphasize various programs. The explanations are presented in the same order as they are disclosed in the actual budget. The budget presented shows the budget that the Vestry approved at our last meeting on 1/16/07. The budget also shows the 2006 and 2005 budgets and actuals .

Analysis of Budget Items - Receipts

Line 1: Plate Collections

Plate collections are loose currency dropped into the collection plate and cannot be tracked to a specific contributor. This budget item is based on historical data from the previous year. 2006 plate collections were \$5,750 with an estimate for 2007 of \$5,500 (no increase).

Line 2: Pledges, Current Year

Pledges, Current Year are contributions to the church based on a pledge that individuals or families made for that year. These pledges constitute the majority of the church's income. The value shown in 2007 is sum of the actual pledges to date (\$245,294) and the pledges not yet received but "expected" from those that pledged in 2006 (\$16,486). The value used in the budget is based on 95.5% of that total, which is the same ratio used last year to prepare the budget. The value of \$261,780 given is a modest 1.6% increase on 2006 budgeted.

Line 3: Pledges, Prior Year

Pledges, Prior Year are amounts pledged for 2006 and paid to the church after December 31, 2006. As the church uses the cash method for accounting, all amounts received after the end of the year are counted as revenue in the next year.

Line 5: Non-Pledge Income

Non-Pledge Income is plate income, generally in the form of loose checks, which is donated by someone who has not pledged to the church. The counters record all loose checks in the collection plate. Those that can be tracked to a pledge are accounted for as "Pledges, Current Year", while those that cannot be identified with a pledge are considered "Non-Pledge Income". Last year, the amount of non-pledge income was \$16,203.

Line 6: Housing Endowment

The Housing Endowment item reflects income from the church's housing endowment; and it is used to pay part of the Interim Rector's housing allowance. As of November 30, 2006, the housing endowment had a balance of \$218,271.89 (compared to \$233,593.78 as of 11/30/2005). Any of the investment income that is earned but not withdrawn is left in the endowment to help it grow. \$21,903 has been budgeted for funding the Interim Rector's housing allowance for 2007. It should be noted that the draws from the housing endowment do not fully fund the clergy's housing allowance, since the amount of compensation that is taken, as housing by clergy is a tax allocation and not tied to this budget line. The balance in November 06 does reflect the total draw in line 6A for the furnaces (a total of \$13,860) see line 6A below.

Line 6A: Loan for Furnaces

This item is the borrowed money from the Housing Endowment, authorized by the Vestry, to fund the new furnaces. The total cost was \$13,860. \$9,240 was expensed this year (included in line 111). These funds will be repaid in 2007 (in accordance with the plan authorized by the Vestry) once the Building Bond Loan is repaid after January 2007 (plan to repay in 5 months or so at 7% interest).

Line 7: Fund Raising

No Fund Raising is planned for support of the 2007 Operating Budget, in the past Fund Raising included income from various Parish activities, including breakfasts and luncheons, art auctions, silent auctions, dinner dances, and other activities that the church may schedule from time to time.

Line 8: Fund Raising for Youth Program

The Vestry has decided that requiring the youth program to conduct substantial fund raising for the budget is not conducive to an effective youth program. No budget is planned for 2007. Fund raising for/by youth events will be applied directly to the youth events/efforts.

Line 9: Initial Offerings

Initial Offerings reflect income contributed for pledge envelopes. The first envelope in every package of pledge envelopes is an initial offering to offset the printing cost of the envelopes distributed.

Line 10: Office Rental

Office Rental reflects income received from renting the Staff Office during the week. Currently \$300 a month is received for the Staff Office. This amount is reflected in the budget for all twelve months for 2007.

Line 11: Church School Offerings

Church School Offerings is income given to the church by children that attend our Sunday School program. This item also includes the loose change collected at both worship services. The \$100 estimate used for this item is based on historical data. This is the account where the children's envelopes will be accounted.

Line 12: Special Offerings

Special Offerings are contributions that are made for specific days of the year (such as Easter, Christmas, Thanksgiving, Mothers Day). There are special envelopes in each box of pledge envelopes for these offerings. Special Offerings are counted separately and are not treated as pledge income. In 2006, \$4,668 was collected through Special Offerings; the 2007 budget is estimated at \$6,000.

Line 13: Community Building Rent

Community Building Rent is composed of two items – rent on the school building and rent on the land behind the school building where their trailer is parked. Currently \$3,399 monthly rental income is received on both items. The rents increase by 5% on August 1 (each year) and are factored into the proposed budget amounts. The new rate beginning August 1, 2007 is \$3,569 per month. The average rate for 2007 would be \$3,407 per month.

Line 14: Parish Hall Rent

Parish Hall Rent is the income Transfiguration derives from renting the parish hall for various events. Most rentals are to non-profit organizations. Rental to non-members for social events is no longer done, as the staff or volunteers to stay throughout the full time of the rentals are unavailable. Last year's budget was \$2,000 with actual income of \$2,495. The estimated income for 2007 is \$2,000, which is the same budget as last year.

Line 15: Dividends and Interest

Dividends and Interest reflect the miscellaneous income derived from bank accounts and investments held by the church. Last year there was no budget; actual receipts were \$175.

Line 17: Endowments

Endowments are income the church receives from contributions made by various individuals to an endowment fund. While the endowment fund is small, the parish is working to build this fund over time. There were no disbursements from the endowments in 2006.

Line 18: Loan from Restricted

This line item documents the loan (in 2005) from the Restricted fund to provide cash flow relief. It is budgeted to be completely repaid in 2007 (see line 106, column 1). Most was repaid in 2006 (see line 106, column 4).

Line 20: For Capital Expenses (Transfers from Restricted)

This new item documents the transfers from the Restricted funds that are used to pay for Capital Expenses (see line 111, column 4). In 2006, the total was composed of \$2752 from ECW for Sound System, \$8190 from/for Window project, \$3100 from Reserves for termite treatment.

Analysis of Budget Items - Disbursements

Line 30: Diocesan Pledge

The Diocesan Pledge is Transfigurations' contribution to the Episcopal Diocese of Washington. The amount of this contribution is a tithe (ten-percent) of parish income based on the last Diocesan report (for 2007, it is based on the 2005 report). Loan repayments are not considered in the tithe, so \$36,192 in bond payments is subtracted to reach the base income upon which this pledge is derived. Due to our previous deficit budgets (not budgeted but realized), the Vestry decided last year to inform the Diocese that we would only pledge \$25,000 in 2006 vice the \$29,681 that would have been the full tithe. In 2007, we have returned to the full tithe.

Line 31: General Outreach

General Outreach is the amount of money given to organizations and causes outside the church.

Line 32: Seminarian Training

Seminarian Training covers the cost that Transfiguration is charged to participate in the seminarian program at Virginia Theological Seminary. The cost for this program is \$800 per year, and is used by the Seminary to reimburse travel expenses for the seminarians that participate in Transfiguration services. The value shown in the budget is the actual amount paid on an annual basis.

Line 35: Worship Expenses

Worship Expenses include the cost of communion wafers, wine, candles, liquid paraffin fuel, and other expenses incurred in relation to services. Historically, this has cost the church approximately \$800 a year.

Line 36: Supply Clergy

Supply Clergy is the cost incurred when a supply priest is called to perform worship services. Based on the amount of leave granted to the Interim Rector each year, the cost of this item can be budgeted with relative accuracy. In 2007, supply clergy is budgeted to be used on nine Sundays.

Line 37: Choir Director/Organist

The Choir Director/Organist line item is the compensation paid to our organist, Elton King. The raise here reflects a 5% increase based on his full salary. Note that this does not include the church's portion of FICA and other expenses traditionally carried by employers (budgeted in line 87)

Line 38: Assistant Organist

No allocation is made in this line.

Line 39: Music/Musician Expenses

The Music/Musician Expenses is the amount of money budgeted to cover the purchase of music and substitute organists (for 4 weeks while Elton is on vacation). The budget shows a total of \$1200 allocated for this line item, it should be noted that the majority of the cost for outside musicians is borne outside the budget by members of our congregation via special collections and retained in the Restricted account.

Line 45: Evangelism

Evangelism is the amount of money we spent outside of services to share the Word of God. \$1,000 had been allocated in the budget for this purpose, there are many other activities budgeted at Transfiguration that fall within the realm of evangelism, including Vacation Bible School, J2A, and other activities.

Line 46: Marketing

This line item is as requested by this committee to "Market" Transfiguration and pay for other expenses related to these efforts. Costs in 2006 were mainly for "advertisement" in local papers.

Line 50: Sunday School Expenses

Sunday School Expenses include the cost of curriculum materials, videotape rentals, paper, scissors, paste, and other supplies used by the Sunday School program. The Christian Education Committee manages the elements that go into this line item. The budget for Sunday School Expenses at \$2,200 is based on the request from the Christian Education Committee.

Line 51: Adult Education

Adult Education is established to fund adult education activities, such as the Lenten bible study programs. The money is used to pay for materials and other related expenses. \$500 has been budgeted to fund the adult education activities.

Line 53: Youth Minister

The Youth Minister line item identifies the amount of salary that is budgeted for the Youth Minister position. This is a full-time position; \$34,040 has been budgeted for 2007.

Line 54: Youth Minister - Benefits

In accordance with our contract with our Youth Minister, a figure of 30% of salary is available on a cafeteria basis as a benefit. The cost for FICA is included in line 87 (that is 7.65% and is deducted from the figure in this line). Due to elections by the Youth Minister, all of his benefit allocations are being taken as salary, thus no "actual" charges were accumulated in 2006.

Line 55: Youth Ministry Program

The Youth Ministry Program item is used to allocate funds for the Disciples for Christ program and other youth activities. This includes the cost of the program, travel expenses for youth to attend special events, and other expenses related to youth programs at Transfiguration. The budgeted amount for this item has been increased to \$2,500 based on last years costs.

Line 56: Professional Development

The Professional Development line item pays for professional development programs that are attended by the Interim Rector and Youth Minister. It can cover travel, lodging, and course fees. The staff is encouraged to attend at least one professional development event each year. The budgeted amount of \$1000 is based on historical data.

Line 60: Food & Kitchen Supplies

The Food & Kitchen Supplies line item budgets funds for cups, paper plates, plastic forks and spoons, coffee, coffee creamer, sugar, dish washing soap, and other common supplies that are used to support church activities, such as the coffee hour. It does not fund food for events, or supplies for special activities, like the annual picnic or crab feast. A budget of \$1,000 a year for this item has been allocated.

Line 61: Parish Fellowship Fund

The Parish Fellowship Fund is used to fund "fun raising" activities in the church, as opposed to "fund raising" activities. Examples include food and supplies for the annual picnic, the lunch that precedes the greening of the church, and other parish events. The \$800 budget for 2007 is the same as 2006. Note that most of the cost for parish fun events is borne by members of the church through food donations, pot luck dishes, and contributed supplies.

Line 65: Stewardship

The Stewardship line item includes all of the cost required to support the stewardship campaign each year. It includes the cost of paper, envelopes, stamps, and other supplies required to support the effort. \$2,000 budgeted was based on historical data.

Line 70: Rector's Salary

The Rector's Salary line item reflects the amount of compensation the Rector is paid on an annual basis. The Vestry had budgeted \$65,700 for this item in 2006, an increase of \$1200 over last years budget. This amount does not include the cost of Rector's housing allowance, pension premium, or other benefits. It should be noted that in terms of compensation, the Rector is compensated based on guidance provided through the Diocesan Personnel Manual, and takes into account experience, size of the congregation, and the number of years the Rector has served in the Episcopal Church. The budget figures in lines 70-75 in 2006 were prorated for the seven months Father Kukowski served.

Line 71: Rector's Housing

The Rector's housing allowance was budgeted for 2006 at \$22,350. This amount is based on (and consistent with) guidelines issued in the Diocesan personnel manual. The amount budgeted represented an increase of \$1200. The prorated value was \$13,038.

Line 72: Rector's Pension Premium

The Rector's Pension Premium reflects the amount paid by the church to fund the Rector's pension. This amount is based on 18% of the Rector's salary, housing, and FICA. The budgeted amount for this item is \$9,654. In 2006, as a result of the audit, an additional \$1,572 was charged to this line to pay for prior years short fall in balancing the amounts moved from the Operating account to the Restricted account which actually pays the pension.

Line 73: Rector's Travel

The Rector's Travel line item reflects a travel allowance that is granted to the Rector in order to support his duties in the church. The majority of this travel budget is used for visiting the sick in hospitals, for driving to Virginia Theological Seminary, and for trips to Church House, the Diocese headquarters. We have budgeted \$3,000 for travel this year. This is the same amount that has been budgeted for several years. The prorated value is \$1,750.

Line 74: Rector's Health Insurance

Rector's Health Insurance reflected the total cost of the Rector's health insurance premium for 2006. The prorated value represents 7 months of coverage.

Line 75: Rector's FICA

Rector's FICA is the amount of money the church contributes to the Rector to cover the employer's share of FICA (social security). When an individual is employed to work for an organization, they are required to pay 7.65% of their salary for FICA, while the employer pays another 7.65% for the employers' share of FICA. When an individual is classified as self-employed, they must pay both the employee's share and the employer's share of FICA, for a total tax rate of 15.30%. Traditionally, Rector's are treated as self-employed for tax purposes, forcing them to pay the 15.30% FICA tax. The Rector's FICA line is Transfiguration's reimbursement for the employer's portion of this tax. The budget for this item in 2006 was \$2,932.

Line 78: Interim's Salary (4 Months in 2006 and 12 Months in 2007)

The Interim's Salary line item reflects the amount of compensation the Interim will be paid on an annual basis. The figures in the 2006 budget represent four months of service. This amount does not include the cost of Interim's housing allowance, pension premium, or other benefits. It should be noted that in terms of compensation, the Interim is compensated based on guidance provided through the Diocesan Personnel Manual, and takes into account his/her experience, congregation size, and the number of years she has served in the Episcopal Church. For 2007, we have budgeted a 5% increase in annual compensation, to begin on September 2007.

Line 79: Interim's Housing (4 Months in 2006 and 12 Months in 2007)

The Interim's housing allowance is budgeted for 2007 at \$29,992. This amount is based on the split between salary and housing as requested by The Rev. Thompson.

Line 80: Interim's Pension Premium (4 Months in 2006 and 12 Months in 2007)

The Interim's Pension Premium reflects the amount paid by the church to fund the Interim's pension. This amount is based on 18% of the Interim's salary, housing, and FICA. The budgeted amount for this item is \$12,932.

Line 81: Interim's Travel (4 Months in 2006 and 12 Months in 2007)

The Interim's Travel line item reflects a travel allowance that is granted to the Interim in order to support their duties in the church. \$1,500 has been budgeted for travel in 2007.

Line 82: Interim's Health Insurance (4 Months in 2006 and 12 Months in 2007)

Interim's Health Insurance reflects the total cost of the Interim's health insurance premium for 2007 in accordance with Diocesan rates.

Line 83: Interim's FICA (4 Months in 2006 and 12 Months in 2007s)

Interim's FICA is the amount of money the church contributes to the Interim to cover the employer's share of FICA (social security). When an individual is employed to work for an organization, they are required to pay 7.65% of their salary for FICA, while the employer pays another 7.65% for the employers' share of FICA. When an individual is classified as self-employed, they must pay both the employee's share and the employer's share of FICA, for a tax rate of 15.30%. Traditionally, Interim's are treated as self-employed for tax purposes, forcing them to pay the 15.30% FICA tax. The Interim's FICA line is Transfiguration's reimbursement for the employer's portion of this tax.

Line 85: Administrative Assistant Salary

The Administrative Assistant Salary line item reflects the salary paid to Dianne Atkins, sometimes referred to as the Church Secretary. As Transfiguration continues to grow, so have the demands on Dianne, the Vestry increased her hours to 40 per week in 2006. The budgeted amount of \$36,238 is a 5% increase over last year's budget.

Line 86: Administrative Assistant Benefits

The Administrative Assistant Benefits line item is based on a figure of 30% of salary and is available on a cafeteria basis. The cost for FICA is included in line 87.

Line 87: Lay Staff FICA

The Lay Staff FICA is the employers' share of FICA tax contribution (paid to the IRS) for our employees, with the exception of the Rector and Interim. This portion is equal to 7.65% of the wages paid for Administrative Assistant, Youth Minister and Choir Director.

Line 88: Workers Compensation

Workers Compensation is a State-mandated insurance premium that covers employees in the event they are injured in the work place. The budgeted amount of \$850 is based on an average of 2005 and 2006 actuals.

Line 90: Building Bond Loan

Payments on the Building Bond Loan are fixed according to a pre-defined schedule. The amount shown as budgeted is the actual amount to be paid this year. These bonds will be repaid completely in January 07.

Line 91: Utilities

The Utilities line item includes the cost of gas, electricity, water, and trash removal for the church. This item can fluctuate greatly from year to year depending on how temperate the climate is. Based on last year's costs, we need to increase this item yet again.

Line 92: Insurance Premium

The Insurance Premium line item reflects the amount paid for insuring the church facilities. Considering the size of our church and the number of people who worship and visit us each week, this is a very reasonable premium. \$5,619 has been budgeted for insurances this year. There have been increases in premiums this last year as well.

Line 93: Cleaning Services

Cleaning Services reflect the amount paid to have the church cleaned each week. A modest increase in the cost of this service for 2007 is included.

Line 94: Grounds Maintenance

Grounds Maintenance includes costs for mowing the lawn and plowing snow from the parking lot. The bulk of this cost goes toward mowing the lawn. To reduce snow plowing expenses, plowing does not occur with less than four inches of snow on the ground, or if an ice storm occurs. Also, due to the condition of the parking lot in some areas, snowplowing may actually damage the lot, so caution is taken when plowing. The proposed budget of \$3,000 is consistent with the Building and Grounds request.

Line 95: Church Maintenance and Repair

Church Maintenance and Repair is a catch all account for repairs to the church building, including windows, the HVAC systems, HVAC service contract, lighting, and furniture (pews). The church still has a reserve fund, albeit not being refilled at this time; some capacity does remain to accommodate maintenance/repair of a larger problem. \$3,100 a year is budgeted for church maintenance and repair.

Line 96: School Maintenance and Repair

School Maintenance and Repair represents the amount of money budgeted to address maintenance and repairs in the community building. \$1,500 is allocated in this year's budget for school maintenance and repair.

Line 97: Telephone

Telephone is the amount budgeted for telephone service and long distance charges each year. Much of this charge is in the form of "message units" assessed by the phone company for various services used. The budgeted amount of \$2,500 reflects the cost of our telephone service, based on historical and current data.

Line 98: Office Supplies

Office Supplies include the cost of paper, ink, staples, tape, and other items. The activities that consume the majority of these supplies include the weekly service bulletins and the monthly parish newsletter, The Transcript. The budgeted amount of \$2,600 for this year represents an increased amount acknowledging prior year actuals.

Line 99: Postage

Postage reflects the cost of stamps for surface mail at Transfiguration. The church is using email whenever possible to keep our postage costs low. The budget of \$1,400 for 2007 is the same as 2006.

Line 100: Bookkeeping and Audit

Bookkeeping and Audit includes the cost to maintain financial records and audit books. Currently, an outside bookkeeper maintains the accounting records and produces parish financial reports. The church's books are maintained using Quick Books Pro. The \$3,150 amount budgeted for this year is based on prior year's experience.

Line 101: Office Equipment Lease

The Office Equipment Lease line item shows the amount of money allocated for leasing office equipment and for usage (i.e. per copy charges). Currently, only one piece of equipment is under lease – the Toshiba copier.

Line 102: Office Equipment Replacement

This line item provides for purchase of new computers and office equipment for the office. Due to budget constraints, while being budgeted in 2006, it was not used. We have re-budgeted in 2007 to purchase new computer(s) for the office.

Line 103: Miscellaneous Office Expense

This line item provides for miscellaneous items that don't fit any other category, for example bank service charges and finance charges on the church credit card (note that no finance charges have been accumulated since April 2006).

Line 105: Vestry Expenses

Vestry Expenses include the cost of supporting various Vestry activities, such as the two Vestry retreats that are conducted each year. Included for 2007 are anticipated costs for the upcoming search process in accordance with a request from the Search Committee.

Line 106: Repay Loans to Housing and Restricted funds

This item is used to expense the repayment of the loan from the Housing Endowment (\$13,862) and the interest due for that loan (\$1,447 – 7%) and the \$2,500 still due to repay the Restricted fund that was borrowed at the end of 2005.

Line 110: Capital Reserves

The Capital Reserves item is an expense allocation to fund the reserve funds used as a contingency fund for building maintenance and repairs.

Line 111: Capital Projects

This item provides for funding projects that are capital in scope.

Line 112: Capital Projects-School:

This item repays the Wilmer fund loan taken out to provide new dividers for the School. The budgeted figure for 2007 (\$6,960) represented 12 double monthly payments. Originally an accelerated schedule was put in place to match the current lease on the school. With the Friends buying the adjacent property to the church for expansion, it is unlikely that they will leave the school building at the end of the current lease. With this schedule, the \$15,000 loan plus will repaid in early 2008.

Line 115: Excess or (Deficit)

The Budget as presented shows a budget with a projected deficit at the end of the year of \$747.

The Vestry has worked the budget and carefully considered the programs and staffing Transfiguration is planning. Your prayerful consideration and continued support will assure that God's plans for Transfiguration are brought forth.