

2021

FINANCIAL REPORT

Presented to the Congregation on Sunday, January 30, 2022



CHRIST EPISCOPAL CHURCH
UNIVERSITY DISTRICT + SEATTLE, WA

4548 Brooklyn Ave NE | Seattle, WA 98105
(206) 633-1611 | www.christchurchseattle.org

Finance Report for Annual Report 2021 – Overview

Kathryn Chamberlain

(Note: This overview also appears in the main 2021 Annual Report document.)

Last year as I wrote my report, I noted we began 2020 with both optimism and trepidation. We had a budget that needed to be supplemented with bequest funds, but which we felt was justified to support the church we were trying to become, and we were preparing to launch our capital campaign. And then *everything changed*.

Now as we approach our third year of pandemic and as I reflect on 2021 and the upcoming year, the thought that comes most readily to mind is that *nothing has changed*. Our building is closed again for services and remains largely closed for other activities. The pandemic seems endless and it's hard to imagine when we will be back to normal, and just what "normal" will be when we get there.

Despite where we find ourselves, and how pessimistic I may sometimes feel, I don't actually think it's true that nothing changed. A tremendous amount was done this past year to maintain the Christ Church community and to continue to carry out our mission. Clergy and staff, vestry and many, many volunteers worked tirelessly to make in-person worship safe and livestreamed worship accessible, and to make Christ Church as welcoming as possible despite the pandemic. We had moments when we came together for fellowship (and tasty treats) and others where technology helped us keep ties with each other when we couldn't share space together. We have continued to support the wider community through our Street Chaplaincy and by providing space for PHRA. We have pondered what our future will look like, even if we don't yet have an answer, and what steps we might take to get there.

Of course, much of the work we do takes money, and we have been blessed to have the continued and generous financial support of our parishioners along with other resources to keep the parish going. Financially we survived 2021 reasonably well and largely as we expected to. The 2021 budget maintained staffing levels and kept up program support knowing we would once again have a budget gap to fill from bequest funds. The vestry wrestled with the 2022 budget and whether to make significant changes, but ultimately decided this was not the time to make drastic cuts which would have to largely come from changes in staffing. We will see higher expenses in many areas this coming year due to rising costs as well as costs related to our building upgrades. The 2022 budget gap, estimated to be \$187,000, is the largest we've had, but we have resources to meet these expenses and keep the parish going through another year. And perhaps this will again be a year when *everything changes* – for the better – and we discern what Christ Church will be in this new era.

Some highlights of 2021's finances:

- We received a remarkable 99.6% of 2021 pledges. 84% of our pledgers donated 100% or greater of the amount that they pledged. Not everyone was able to fulfill their pledge, but nearly all pledges were at least partially fulfilled, and it was clear that our pledgers worked to contribute as they were able.
- With the church closed for a good part of the year, lower attendance when we were open, and opening precautions that prevented passing the plate, we received only 34% of budgeted loose offering. Donors did take advantage of our expanded ways of giving electronically, in addition to mailing donation.
- The 2021 budget included "unspecified sources" of income of \$139,367. The final amount needed to cover expenses for 2021 and avoid a deficit was \$117,366, all of which was drawn from the Gahringer Bequest.
- Campus Ministry found ways to continue their program but had less opportunity to use their grant for program expenses. This allowed us to apply \$27,265 from the grant to the operating budget rather than the \$20,000 we originally anticipated. The amount of the grant that goes to the operating budget doesn't cover the

clergy's time in most years. The additional amount we can use for operations at this time helps free up our other fund sources and improves our ability to continue to support Campus Ministry going forward.

- We continue to receive a Curacy Grant from the Diocese to support half the cost of the salary and pension costs for that position. Two Diocesan grants, awarded in 2020 and totaling \$12,000, covered part of the costs to upgrade our livestreaming capabilities with improved and permanent equipment.
- Excluding unbudgeted expenses for which there was a corresponding unbudgeted funding source, 2021 income and expenses were 7% under budget. An additional \$142,979 was used to cover expenses not in the operating budget including: expenses for building upgrades and renovations; an expanded sabbatical budget; some large, unexpected repairs; Celtic Courtyard concert performers; and Food Pantry supplies.
- The Gahringer Bequest provided \$118,501 towards the operating budget and for other expenses approved by the vestry during 2021. The Endowment provided \$79,643 to cover building projects and the normal operating budget endowment draw. The Bateman Fund provided \$46,421 to fund clergy continuing education costs and an expanded sabbatical budget. The general Bequests Fund covered \$17,221 for livestream equipment upgrades. The Capital Campaign Fund provided \$7,769 towards capital campaign costs that had not yet been paid. Even with these expenditures, due to a rising stock market and the addition of \$59,904 in new bequest funds, the parish's total assets increased by \$110,000.

Finance Report 2021 – Detailed 2021 Financial Information and 2022 Operating Budget

The remainder of this document provides detailed financial information including:

- 2021 Operating Budget – Items of Note, *page 2*
- 2022 Operating Budget – Items of Note, *page 5*
- Budget Report (showing details of income and expenses for 2021 alongside the 2022 budget), *page 8-10*
- Balance Sheet (showing all assets and fund liabilities), *page 11*
- Non-Operating Funds – Fund descriptions and 2021 details, *page 12*
- Acknowledgements (includes details of finance-related volunteer opportunities), *page 17*

2021 Operating Budget – Items of Note

Income

In 2021, 58 pledging individuals and families pledged a total of \$239,878. We received \$239,010 in pledges which included \$1,280 in donations to complete 2020 pledges. Total pledges received were 99.6% of the budgeted amount. We received 99.1% of 2021 pledges. 84% of our pledgers donated 100% or more of their pledge commitment for 2021, and of those unable to complete their full pledge, most donated a substantial portion. This was particularly remarkable as we struggle with the disruptions to our community due to the pandemic.

We received only 34% of the budgeted amount for loose offering, as the church was closed significantly more in 2021 than had been hoped, and precautions when we were open resulted in lower attendance and prevented passing the plate. All offerings combined (pledges, loose offering, and special gifts) were 97% of what was budgeted.

Other “Unspecified” Sources is the amount needed to balance the operating budget for the year, and for which no other income source has been identified. The 2021 budget projected the need for \$139,367 to fill this hole; the

actual amount required to avoid a year-end deficit was \$117,366, all of which was taken from the Gahringer Bequest.

An endowment draw of \$18,336 was taken under the current withdrawal policy which allows 3% of the endowment to be used for operating expenses annually.

Building Use income was significantly lower than hoped – only 56% of the budgeted amount – but perhaps better than might be expected given the building closures. Other Income was primarily from credit card and AmazonSmile rewards. This category usually includes donations from concert series which were unable to be held this year.

Income transferred from designated funds included a number of items that were not included in the budget, and for which unbudgeted funding sources totaling \$142,979 were found. Since designated funds transfers are made against corresponding expenses, these unbudgeted items are discussed under expenses below.

Expenses

Assessment: The assessment paid to the Diocese is calculated monthly, based on the previous month's operating income. The assessment rate remains at 14.5% in both 2021 and 2022. Income used for outreach, major maintenance/capital improvements, all building repairs regardless of amount, and Diocesan grants is excluded from assessed income. When unbudgeted expenses are funded, assessment costs are generally also calculated and taken from the funding source if the expense is not in one of the excluded categories. The total assessment paid was 13.8% below budget due to the lower than anticipated assessable operating income for 2021.

Salaries and Benefits:

- We maintained all salaried positions through the year without making any staffing reductions. The continued support of our donors has allowed us to keep everyone on staff, providing the necessary leadership to help us through these difficult pandemic years. We continue to receive a grant from the Diocese to cover half the cost of salary and pension for our Curate.
- Childcare Workers: Even when we have been open for in-person worship, we have not been able to resume offering childcare so no costs were incurred in this category in 2021. This also lowered the church's costs for federal and state taxes.
- Medical insurance was more than budgeted due to changes in dependent coverage in 2022, the cost of which is incurred in December of the current year. Transportation costs for the rector and other clergy were significantly lower than budgeted due to the building closure and other pandemic restrictions.

Overall, the combined salaries categories were 99% of the budgeted amount, and benefits categories were 98% of the budgeted amount.

Music Program: We continue to fund our two choral scholars who worked with Henry throughout the year to provide recorded and live music for our livestreamed services, as well as offering support to the choir for the brief time we were able to resume singing in the fall. The budget also included payments for some additional musicians for special services and recordings, and a substitute organist when Henry was on vacation. We expended 88% of the music budget in 2021.

Christian Formation: This line item includes the expenses of both adult and children's formation. Heidi continued to send formation activity packets to the parish's children to use at home with their families, and this was the main expense in this category. We expended only 43% of the Christian formation budget in 2021.

Clergy Continuing Education: This line item provides an explicit amount for continuing education which the rector and the curate can access without requiring additional vestry approval. The funds for all expenses paid in

this category are drawn from the Bateman Fund. Although less was spent than had been included in the budget, both Rev. Shelly and Rev. Chris were able to take advantage of this support in 2021.

All Other Programs: This line item includes a number of unbudgeted expenses which were paid for with unbudgeted income. These include Celtic Courtyard concert expenses which were paid by donations collected at those events, and the purchase of a new livestreaming laptop paid from a Diocesan grant. Several expenses that fall into this category, such as altar supplies and convention expenses, were decreased due to the pandemic. Excluding expenses paid from other sources, this expense was 81% of the budgeted amount.

Publicity: The primary expense in this category is expected to be the cost of a Street Fair booth, but Street Fair was again cancelled in 2021. Expenses in this category included an upgrade to our website and signs publicizing our reopening.

Office Supplies, Custodial Supplies: Due to the building shutdown and move to more digital forms of communication, fewer office supplies such as paper were needed. Custodial supplies needed to safely resume in-person worship, and PHRA's use of the Undercroft brought this category closer to the budgeted amount though it was still lower than planned.

Minor Maintenance – Maintenance and Repair: This category is divided into two sub-categories to make the monthly calculation of the assessment deduction somewhat easier. The Nuts and Bolts team (which always needs more members) provided significant time and talent in performing minor maintenance, greatly reducing costs that would otherwise be necessary. Other repair projects are best left to professionals and we brought in service people as needed (and as we were able to actually find and schedule them). This area of the budget is highly unpredictable. In 2021, regular maintenance expenses were less than budgeted, due in no small part to the difficulty of scheduling various inspections and maintenance services. We did enter into an annual maintenance agreement with Holmberg Mechanical in the fall which should make regular maintenance of our heating and ventilation equipment easier. Repair expenses included plumbing repairs, graffiti removal from our exterior brick, and replacement of a broken window.

Major Maintenance and Capital Improvements: Projects undertaken in 2021 include:

- Organ replacement project ongoing costs – \$3,000. Funding source: Organ Fund, Building and Grounds sub-fund of Endowment
- Capital Campaign – consultant – \$8,800. Funding source: Capital Campaign Fund, Building and Grounds sub-fund of Endowment
- Environmental services related to the Touchstone project – \$6,710. Funding source: Building and Grounds sub-fund of Endowment
- Appraisal services related to the Touchstone project – \$3,500. Funding source: Building and Grounds sub-fund of Endowment
- Breezeway fire cleanup, emergency board up and deposit for repairs – \$22,926. Funding source: Insurance claim
- Livestream equipment installation – \$27,110. Funding source: Bequests Fund, Diocesan grant
- Ventilation system upgrades and mobile filtration units – \$41,060. Funding source: Building and Grounds sub-fund of Endowment
- Church House basement renovations/PHRA move-in renovations – \$6,816. Funding source: Building and Grounds sub-fund of Endowment
- 2nd Floor office renovations – \$1,252. Funding source: Building and Grounds sub-fund of Endowment
- Boiler and ventilation system repairs – \$937. Funding source: Building and Grounds sub-fund of Endowment

We continue to pay a monthly fee to store the organ while it awaits restoration. The Capital Campaign consultant had largely completed their work prior to the shutdown and their total fee has now been paid. They remain available to us when the capital campaign resumes.

Utilities: Costs for electricity were 30% higher than budgeted, possibly due to new ventilation equipment. Natural gas costs were 9% under budget. Water/sewer costs were 52% under budget in part due to a higher-than-expected credit we received for excess water usage caused by the water main break that occurred in 2020. Trash and recycling rates rose significantly with costs 22% higher than budgeted.

Outreach: This budget item is for outreach efforts of Christ Church and does not include funds raised as part of special offerings which are passed on to designated charities. Directed donations for outreach help fund this budget item. In 2021, the Street Chaplaincy budget was expanded by 25% in response to the growing number of people in need in our neighborhood and \$16,073 was expended on this mission. Donations earmarked for the Little Free Pantry allowed us to purchase items for the pantry when it was in operation. A chart showing specific outreach expenditures is included in the main Annual Report.

Outreach – pass-through: Traditionally we have had designated offerings on special days in the liturgical year to support outside organizations. The recipients were recommended by the Outreach Committee which was disbanded in 2019. In the fall of 2021, the vestry authorized a perpetual calendar of recipients, and designated offerings resumed with the Thanksgiving offering collected for Sanctuary Art Center. Donations received which are earmarked for other organizations and those received for the Christ Church Discretionary Fund are passed through. These donations are excluded from the operating budget. Details of specific collections and recipients are shown on the chart of outreach donations included in the main Annual Report.

Sabbatical: The budget contains line items for direct expenses of the Rector's sabbatical and for expenses that the parish incurs to provide coverage during the Rector's absence as well other expenses related the parish's portion of the sabbatical. Once plans for Rev. Shelly's sabbatical were fully developed, the vestry authorized an expanded budget of \$66,000 for these expenses. Funding for the sabbatical comes from the Bateman Fund which is endowed for this purpose. \$43,070 was expended in 2021 for sabbatical costs. Additional expenses will be incurred in January 2022 as Rev. Shelly completes her sabbatical. Some trips which were to be included as part of the sabbatical have been delayed due to the pandemic, and those expenses will likely occur later this year and in 2023.

2022 Operating Budget – Items of Note

Income

Offerings: Pledges received for 2022 are \$216,307, well below the budgeted amount, and 10% lower than last year. We have a total of 52 pledges for 2022 which includes 50 renewed pledges and 2 new pledges. Twelve of renewed pledges were increased over last year. Loose offering was reduced to reflect the ongoing shutdown of the building although we still expect to receive financial support from those who have not pledged.

Other Sources: This is the projected amount needed to balance the 2022 budget, and will come from the Gahringer Bequest fund, unless other sources are found. The budget gap of \$187,054 is the largest we've had. It is due both to the drop in other income sources we are experiencing and rising costs which are discussed in more detail below. While the vestry had lengthy discussions about whether to make drastic cuts in expenses, they ultimately decided that we should maintain our staff and programs at this time, and our resources allow us to do so. Although subject to fluctuations in the market and likely to change, the Gahringer Bequest has grown since it was received and could currently cover this amount without reducing the fund below the value of the original bequest.

Other income: The building reopened in 2021 and we expect that it will continue to be open in 2022 for some limited uses. We expect to receive building use fees from PHRA, the Bridge Club, and music events. Transfers from Designated Funds include funds from other sources outside of the operating budget, such as designated

funds and grants, which are available to cover the expenses of specific line items. These transfers cover expenses for half of the Curate's salary and pension (Diocesan grant), clergy continuing education and sabbatical (Bateman Fund), Camp Huston camperships (Campership fund), outreach (Outreach fund), and part of the expense of The Table (aka Campus Ministry) (Diocesan grant).

Expenses

Projected expenses for 2022 have increased by 4% over last year, due to rising costs including a substantial increase in the COLA (cost of living adjustment) set at the Diocesan Convention. Our ability to project a budget for 2022 is likely to be significantly less accurate than in past years due to the ongoing fallout of the pandemic.

Expenses of note:

Assessment: The 2022 assessment rate is 14.5%. The assessment is calculated on 2022 budgeted operating income after allowed deductions. Deductions are allowed for operating income used for outreach and major maintenance as well as for any repairs which extend the life of the facilities without a minimum cost requirement. Diocesan grants received for Campus Ministry and expenses related to our Curate are also excluded from assessment. The final assessment paid will depend on actual income and deductions from December 2021 through November 2022.

Salaries and Benefits:

- Salaries and benefits are the largest part of the budget and costs are relatively fixed. This year's COLA set at the Diocesan Convention is 5.5%, a substantial increase from last year's 0.9% COLA. The COLA must be applied to clergy salaries and Christ Church's practice is to apply it to lay staff salaries as well. This big jump in the salary costs also increases pension and tax expenses.
- We are starting 2022 with a curate but without an associate priest. Rev. Chris will complete his curacy on July 31st. After careful consideration, the vestry decided to budget for a half-time associate beginning in July to provide the clergy hours needed to carry out our current programs and to ensure continuity by overlapping with the last month of the curate position.
- Childcare staffing levels were kept relatively constant. We do not know when we will resume offering childcare during in-person worship but believe it will resume at some point.
- Medical insurance increased due to rising insurance costs and changes in dependent coverage.

Discretionary Fund: This line item includes a monthly budgeted donation to the Christ Church (aka Rector's) discretionary fund and the Curate's discretionary fund. As part of the budget discussions, the vestry explored "tithing" our outreach. This increase to our discretionary fund budget along with the Church Outreach budget below raises our total outreach funds to 10% of projected pledges. The discretionary fund provides direct support to those in need in our community and for other outreach needs identified by the clergy.

Program budget notes:

- Music budget: The music budget is unchanged for 2022. It includes funds for two Choral Scholars, paid singers who record music for our livestream services and who sing with the choir when we are in person. The budget also allows for supply coverage when our organist is on vacation or on sick leave, payments for some additional musicians for special services, and for the purchase of some new music.
- Christian Formation: This budget has increased to cover some one-time expenses for upgrading Godly Play materials. It covers program expenses for nursery and Sunday School age children. There are no funds for the High School Youth program as we currently have no high school students. We do not anticipate any Adult Ed expenses at this time, but any such expense would be part of this budget item.
- Clergy Continuing Education: Clergy are allowed time for continuing education. The Bateman Fund provides Christ Church with a funding source to cover a reasonable level of expense associated with this. Requests for

funds beyond the budgeted amount can likely be met but would require additional vestry approval. During years when the Rector takes a sabbatical, the amount of clergy continuing education is adjusted. Part of our support for a Curate includes financial support for their continuing education as well.

- Rector's Expenses: Funds are provided to reimburse out-of-pocket expenses and other items necessary for the rector to carry out her duties.
- Other Programs: The budget includes expenses for altar supplies, liturgy materials, fellowship activities, and Diocesan Convention. The fellowship portion of the budget includes funds needed to award two parish crosses and funds for vestry departure gifts. We expect fellowship to be an important part of reopening the church and have increased this budget area accordingly. Convention expenses include an overnight hotel stay for the rector (assumes the convention will not be virtual again this year). Altar supply and liturgy expenses are expected to be higher this year to include purchasing wine which has previously been donated.
- Stewardship: This line item includes the annual fee for donation tracking software, and costs of the pledge campaign including postage costs. There remain no plans or money in the budget for planned giving.

Office Expenses: We have several ways to receive electronic donations which incur various fees: Zelle (bank to bank transfers) is free; Vanco allows for recurring donations at 0.6% + 25 cents per transaction; PayPal charges 1.99% + 49 cents per transaction. Payroll expenses (previously part of the Office Supply line item) are now shown on a separate line as that expense has increased significantly due to changes made by our payroll vendor. Electronic Communications replaces the previous telephone line item and now includes telephone and internet services, web hosting, and Zoom and livestreaming subscription costs. Many of these expenses were previously in other places in the budget. Postage and publicity are left unchanged. Licenses and fees includes fees paid to the U District Partnership (which takes care of graffiti and some trash clean up), King County's property tax (drainage) fee, background checks for Vestry members, and other license and subscription costs.

Maintenance: We increased the maintenance budget to cover regular required maintenance of the upgraded ventilation equipment which was installed last year, and more consistent maintenance of existing heating and ventilation equipment. Custodial supplies have been increased to cover anticipated higher expenses when the building reopens and increased costs due to PHRA's use.

Utilities: Budgeted amounts are based on known and estimated rate increases for 2022.

Insurance/Security: Budgeted amounts are based on known and estimated rate increases for 2022. We have increased the amount of coverage our building insurance provides to cover possible costs of a major claim more adequately.

Outreach: In 2022, we kept the Street Chaplaincy budget unchanged as it is approximately at the level that they are spending for their weekly supplies. The outreach line item includes \$18,750 for Street Chaplaincy, \$400 for Camp Huston camperships (covered by campership fund), \$500 for a Street Fair related donation (with the hope that we will have a 2022 Street Fair), and \$240 for Real Rent Duwamish to help compensate the Duwamish tribe for the use of the land they once owned.

Seminarian Support: We currently have no seminarian candidates to support, but this line item makes a small amount available should we get a new seminarian. This line item also includes funds to make our annual donation (\$200) to our local seminary, the Church Divinity School of the Pacific (CDSP) in Berkeley, CA.

Sabbatical Expenses: Rev. Shelly continues her sabbatical through January 2022. This line item covers the anticipated costs for the remainder of the sabbatical. The total amount of the sabbatical is funded by the Bateman Fund (see Transfers in the Income section above).

2022 Budget – income and expenses, major budget categories

<u>Category Description</u>	2020 <u>Actual</u>	2021 <u>Budget</u>	2021 <u>Actual</u>	2021 <u>Ratio</u>	2022 <u>Budget</u>
INCOME					
A-Offerings:					
15-110 Pledges	263,290	240,000	239,010	0.996	232,000
15-120 Special Gifts	700	1,100	3,530	3.209	2,000
15-130 Loose Offering	11,846	13,750	4,703	0.342	5,000
TOTAL A-Offerings	275,835	254,850	247,243	0.970	239,000
B-Other Sources	98,613	139,367	117,366	0.842	187,054
B-Endowment Draw	18,627	16,830	18,336	1.089	17,250
C-Other Income:					
15-510 Interest	31	40	31	0.769	40
15-530 Facilities Use	1,490	3,000	1,689	0.563	10,000
15-540 Weddings & Funerals	0	300	0	0.000	300
15-610 TR from Designated Funds	138,791	81,377	219,949	2.703	61,536
15-900 Other	405	1,000	531	0.531	1,000
TOTAL C-Other Income	140,716	85,717	222,201	2.592	72,876
TOTAL INCOME	533,792	496,764	605,145	1.218	516,180
<u>Category Description</u>	2020 <u>Actual</u>	2021 <u>Budget</u>	2021 <u>Actual</u>	2021 <u>Ratio</u>	2022 <u>Budget</u>
EXPENSES					
E-Assessment	57,441	62,212	53,626	0.862	63,325
F-Salaries:					
16-1510 Rector	88,118	88,911	88,911	1.000	93,801
16-1520 Associate	20,052	20,232	21,075	1.042	21,345
16-1525 Curate	32,082	32,371	32,371	1.000	19,922
16-1530 Supply Clergy	0	0	0	N/A	600
16-1540 Administrator	35,805	36,127	36,127	1.000	38,114
16-1550 Organist	27,702	27,951	27,951	1.000	29,489
16-1560 Child Care Positions	1,238	3,500	0	0.000	4,000
16-1580 Dir. of Children and Youth	19,023	19,194	19,194	1.000	20,250
TOTAL F-Salaries	224,020	228,287	225,630	0.988	227,520

<u>Category Description</u>	2020 Actual	2021 Budget	2021 Actual	2021 Ratio	2022 Budget
G-Benefits:					
16-2010 SS & Med	6,408	6,638	6,370	0.960	7,027
16-2020 WA State Taxes	2,491	2,575	2,517	0.978	3,002
16-2030 Pension - Rector	15,861	16,004	16,004	1.000	16,884
16-2032 Pension - Associate	3,609	3,642	3,642	1.000	3,842
16-2034 Pension - Administrator	3,222	3,251	3,252	1.000	3,430
16-2036 Pension - Organist	2,493	2,516	2,516	1.000	2,654
16-2038 Pension - Curate	5,775	5,827	5,827	1.000	3,586
16-2040 Medical Insurance	28,525	25,845	26,356	1.020	36,663
16-2060 Transport, Rector	518	1,250	529	0.424	1,250
16-2070 Transport Other	261	1,250	37	0.029	1,250
TOTAL G-Benefits	69,164	68,798	67,050	0.975	79,589
H-Discretionary	1,800	1,800	1,800	1.000	3,310
I-Programs:					
16-4410 Music	9,830	12,240	10,705	0.875	12,240
16-4520 Christian Formation	1,373	2,050	884	0.431	6,100
16-5460 Clergy Contin. Education	2,756	6,000	2,564	0.427	7,167
16-4570 Rector's Expenses	182	1,000	447	0.447	1,000
16-4400 All other programs	7,053	3,145	4,459	1.418	7,380
TOTAL I-Programs	21,194	24,435	19,059	0.780	33,887
I-Programs - Stewardship					
16-5450 Stewardship Campaign	171	330	272	0.823	330
16-5460 Planned Giving	0	0	0	N/A	0
TOTAL I-Programs - Stewardship	171	330	272	0.823	330
J-Office					
16-5510 Office Supplies	968	1,700	1,020	0.600	900
16-5517 Electronic Fund Transfer	928	1,000	945	0.945	1,000
16-5520 Electronic Communications	1,846	2,700	2,152	0.797	3,355
16-5530 Postage	280	400	283	0.708	400
16-5550 Publicity	-	1,050	375	0.357	1,050
16-5570 Licenses and Fees	2,587	3,000	2,795	0.932	3,250
16-5575 Payroll Service					924
16-5580 Copier Rental\Service	3,706	3,800	3,692	0.972	3,800
16-5590 Bank Charges	0	50	0	0.000	50
TOTAL J-Office	10,315	13,700	11,263	0.822	14,729

<u>Category Description</u>	2020 Actual	2021 Budget	2021 Actual	2021 Ratio	2022 Budget
K-Maintenance:					
16-6010 Contract Cleaning	15,540	15,540	15,218	0.979	16,000
16-6030 Minor Maintenance	1,861	6,000	1,203	0.200	7,000
16-6035 Minor Repairs	5,328	5,000	3,176	0.635	5,000
16-6040 Custodial Supplies	176	900	706	0.785	1,200
16-6050 Special Event Cleaning	0	0	0	N/A	0
16-6060 Yard Maintenance	0	500	61	0.121	300
16-6100 Major Bldg Maint.	84,931	0	122,112	N/A	0
TOTAL K-Maintenance	107,836	27,940	142,475	5.099	29,500
L-Utilities:					
16-6510 Electricity	2,980	2,700	3,500	1.296	3,800
16-6520 Natural Gas	4,552	5,000	4,568	0.914	5,000
16-6530 Trash and Recycling	5,992	6,000	7,316	1.219	7,500
16-6540 Water and Sewer	1,681	2,614	1,236	0.473	3,000
TOTAL L-Utilities	15,205	16,314	16,621	1.019	19,300
M-Insurance:					
16-6110 Security Service	429	475	432	0.909	500
16-7010 Building Insurance	6,066	6,126	6,487	1.059	7,000
TOTAL M-Insurance	6,495	6,601	6,919	1.048	7,500
N-Outreach:	19,010	19,890	17,162	0.863	19,890
Q-Seminarian Support	1,140	500	200	0.400	500
O-Sabbatical:					
16-7510 Sabbatical Sub Salary and CEC Expenses	0	7,958	5,873	0.738	2,800
16-7520 Sabbatical Rector Expenses	0	18,000	37,197	2.066	14,000
TOTAL O-Sabbatical		25,958	43,070	1.659	16,800
TOTAL EXPENSES	533,792	496,764	605,145	1.218	516,180
NET CHURCH POSITION	0	0	0		0

Christ Church of Seattle - Balance Sheet

	<u>1/1/2021</u>	<u>12/31/2021</u>
Where the money resides		
Bank of America Checking	\$ 54,030	\$ 68,865
Bank of America Checking – Gahringer Bequest	65,105	41,838
Bank of America Checking – Discretionary Fund	1,637	303
PayPal	0	0
Capital One High-Yield Money Market	10,239	10,270
Capital One High-Yield Money Market – Emergency Fund	34,790	34,894
Capital One High-Yield Money Market – Altar Flower Fund	4,425	4,360
Chase Bank Savings and Petty Cash – Rector’s Aid	6,572	7052
TOTAL Cash and Bank Accounts	176,797	167,582
Diocesan Investment Fund	1,956,877	2,076,298
Treasury Direct	0	0
TOTAL Other Assets	1,956,877	2,076,298
TOTAL ASSETS	\$ 2,133,675	\$ 2,243,880
How the money is allocated		
Outreach Fund	\$ 0	\$ 0
Designated Funds	9,004	31,214
Campus Ministry	0	0
Capital Fund	7,498	0
Wedding/Funeral Deposits	0	0
Memorial Fund	2,307	3,009
Bush Altar Flower Memorial	2,315	2,676
Altar Flower Fund	4,425	4,360
Rector’s Aid Fund	6,572	7,052
Discretionary Fund	1,637	303
Endowment – Building & Grounds	454,453	462,945
Endowment – Building & Grounds Emergency Fund	84,148	65,757
Endowment - General Purpose	43,917	49,348
Endowment - Education	15,546	17,468
Bateman Fund	251,386	241,448
Bequests	1,713	49,023
Bequests – Gahringer Estate	1,248,755	1,309,277
Payroll Advance	0	0
Withholding	0	0
Voluntary Deductions	0	0
TOTAL ALLOCATIONS	2,133,675	2,243,880
Unallocated (accumulated operating surplus/deficit)	0	0
TOTAL ALLOCATIONS AND SURPLUS/DEFICIT	\$ 2,133,675	\$ 2,243,880

NOTE: The 2020 Paycheck Protection Program loan of is now closed out. \$1,120 of the loan amount was disallowed by the SBA and has been repaid with accrued interest. \$51,362 converted to a grant.

Non-operating Funds

Most income received during the year goes toward the operating budget to pay current expenses of the church. In addition, Christ Church has many funds, some restricted and others unrestricted, in which non-operating assets are held. These funds hold contributions made for a specific purpose until those funds can be used as intended. Some of these funds may be used towards the operating budget if authorized through the annual budget or by specific authorization of the vestry. A list of all funds and their current values can be found on the balance sheet elsewhere in this document.

The majority of our long-term assets are held in the Diocesan Investment Fund (DIF). A portion of the building and grounds sub-fund of the endowment is maintained as an emergency fund in more liquid investments, currently a Capital One money market account. Likewise, bequest funds that may be needed in the near term are kept in liquid investments held at Bank of America.

Like the stock market as a whole, the DIF increased in most months in 2021. By year end, the value of a DIF share had increased 13.6% over the previous year. The fund is designed to produce dividends and it generated \$35,733.80 in dividends, which were reinvested, across all the sub-funds Christ Church holds in the DIF. The DIF audit report as of 12/31/2018 shows a 5-year annualized return of 5.5% for the investment fund. A more recent audit report has not yet been made available. The Building and Grounds Emergency Fund money market account currently earns 0.30%.

In March 2020, the federal interest rate was cut to near 0% and has remained at that level. Prior to that we had moved bequest funds into Treasury Bills in such a way that the funds remained relatively accessible, while generating higher returns. We anticipated putting part of the emergency fund into Treasury Bills as well. Current interest rates make this a poor investment, and we did not make any Treasury Bill purchases in 2021. As interest rates rise, we will again consider using this to get a higher return on liquid assets.

Endowment Fund - Background

The Endowment Fund was established by the vestry in May of 2004 to replace the old Irrevocable Trust that had expired some years before. The initial corpus was \$210,000 (\$200,000 from the old Trust and \$10,000 from other sources) and had additions of \$10,000 in 2005 and \$100 in 2009. The resolution establishing the endowment may be amended only by a 2/3 vote of the vestry and 3/4 vote of adult communicants in good standing.

As established, withdrawals from the endowment should not reduce the value below the initial amount adjusted for inflation. The withdrawal policy adopted is that any excess monies be used as the investments generate them. We assume the average return on investments will be 6% with inflation at 3%, leaving 3% of the value to be used each year. In 2009 a withdrawal of \$31,000 in excess of available funds was taken from the Building and Grounds portion of the endowment as an emergency draw to replace the failing church boiler. This reduced the fund well below its target and no funds could be drawn for use in the operating budget under the governing policy.

In January 2013, an amendment to the endowment resolution was proposed to allow withdrawal of up to \$50,000 per calendar year to cover a deficit in the operating budget. The amendment would remain in effect for five years, expiring January 1, 2018. Following the procedures for modify the endowment resolution, this amendment was unanimously approved by the vestry and presented to the parish. 87% of Christ Church's adult communicants in good standing voted in favor of the amendment. Following the expiration of the endowment amendment, the withdrawal policy for operating budget income reverted to the original policy. In the five years during which the amendment was in effect, a total of \$65,165 was withdrawn from the endowment fund for operating expenses.

In 2014 Christ Church received a gift of \$273,000 from a parish family with instructions to use the gift for the "building fund" and to "reduce the constant financial anxiety that seems to pervade the parish." The gift was

added to the Building and Grounds sub-fund of the endowment. After extensive discussions focusing on the existing target value and withdrawal policies in place for the endowment fund, the endowment committee made the following recommendations to the vestry, which were accepted at the October 20, 2015 vestry meeting. These policy changes are not subject to the same requirements as the amendment to the endowment, and can be enacted by the vestry following the endowment committee’s recommendations.

- Establish a new target or floor value for the endowment fund while holding an additional amount in reserve to cover operating deficits for 2015 through 2017. Funds in excess of these amounts would be available for building projects, particularly deferred maintenance and repairs, if so desired and as authorized by the Vestry. These changes would not in any way limit the parish’s ability to access endowment funds to cover operating deficits per the 2013 amendment.
- The new target value is based on a fixed number of shares equal to the number of shares in the fund just prior to the boiler withdrawal in May 2009. The endowment fund target value for the coming year will be established annually as of September 30th. This target will be the lesser of:
 - The market value of 1290 shares at the share price shown in that year’s September 30th DIF statement
 - Or
 - The target value adjusted annually by the change in the Consumer Price Index (CPI, now also known as the CPI-U). This will be a cumulative adjustment and assumes a starting value equal to the value of 1290 shares on 12/31/2004.

This combination of valuation methods serves to moderate significant changes in the target value due to large changes in inflation and/or stock market prices. Basing the target amount on September data allows the vestry to set the target value for the coming year in advance of the budget planning process and allows normal operating draws to be included in budgeted income.

- Per the establishing resolution of the endowment, a building and grounds emergency fund will continue to be held in a relatively liquid asset. The amount of the emergency fund shall continue to be the lesser of \$50,000 or an amount equal to 20% of the building and grounds fund assets.

Endowment Fund – Valuation and Available Funds

The table below shows the value of the endowment fund at the beginning and end of 2021. There are three sub-funds in the endowment: General Purpose, Education, and Building and Grounds (B&G). The B&G fund includes funds held in the DIF and the Emergency Fund.

Endowment sub-fund	1/1/2021	Deposit	Withdrawal	12/31/2021	Change
General Purpose	43,917		1,367	49,348	5,431
Education	15,546		484	17,468	1,922
Buildings & Grounds	454,453		59,297	462,945	8,492
B&G Emergency Fund	84,148			65,757	(18,390)
Total Endowment	598,063	0	61,148	595,518	(2,545)

The value of the endowment as of 12/31/21 is \$595,518. Income generated by endowment funds held in the Diocesan Investment Fund and Capital One Money Market account includes \$9,324 in reinvested dividends and interest in 2021. Funds have been withdrawn from the building and grounds sub-fund to increase the amount available in liquid assets in anticipation of projects that have been approved by the vestry. Due to this, the emergency fund is currently above the required level of \$50,000.

The following table shows the value of the Endowment based on the target calculation for 2021 and 2022.

	Endowment Target	Value as of September 30 th	Funds Available for 3% Draw and Building Projects
2021	\$ 334,345	\$ 560,999	\$ 226,654
2022	\$ 349,672	\$ 574,985	\$ 225,313

Under the current policy, the target value has increased on average about \$7,200 per year over five years.

In accordance with current policy, funds available for building projects in 2021 were used for: Ventilation system upgrades, appraisal and environmental review services related to the Touchstone project, capital campaign consultant expenses in excess of the Capital Fund balance, Church House renovations including new flooring in the Music Room and Shelly’s 2nd floor office, and repairs to the heating and ventilation systems. The total cost of 2021 building projects funded from the B&G sub-fund was \$77,972.

Under the current withdrawal policy, a draw of \$18,336 was applied to the operating budget for 2021. Funds were drawn proportionally from each of the sub-funds in the endowment.

Bequest Fund – Gahringer Estate

In 2017 Christ Church received an initial disbursement from Betty Gahringer’s estate of \$1,000,000. Due to the size of the gift and other considerations, these funds have been tracked separately from the general bequest fund. As a bequest, these funds are entirely unrestricted and may be used or invested as the vestry authorizes.

A DIF account for the Gahringer Bequest was established on November 7, 2017 with an initial deposit of \$900,000. The Gahringer Bequest is the largest of our funds held in the DIF. Funds not invested in the DIF were placed in a Bank of America checking account. Additional disbursements from the estate were received in 2018 and 2019, bringing the final amount of the bequest to \$1,113,900.

The Gahringer Bequest has been a primary funding source to cover the operating budget deficit in recent years, providing \$117,366 for operating costs in 2021. In addition, \$1,136 was used to repay the unforgiven part of the Paycheck Protection Program loan received in 2020. Even with these expenditures, the value of the fund increased in 2021 by \$60,522 and had a year-end value of \$1,309,277. This includes \$21,611 in reinvested dividends earned in 2021.

Other Non-Operating Funds

Four additional funds are held in the DIF: the Robert Bateman Memorial Fund, the Bequests Fund, the Capital Fund, and the Bush Altar Flower Memorial Fund.

The third largest of the DIF funds is the **Robert Bateman Memorial Fund**, the sole purpose of which is to support continuing education for the clergy, primarily sabbaticals taken by the rector. The terms of the gift make all dividends and any excess capital appreciation over the initial amounts adjusted for inflation available. Since 2013 available funds have been governed by excess capital appreciation. In 2021, \$2,999 was used for continuing education expenses for Rev. Shelly and Rev. Chris. The vestry authorized \$66,000 to be used for Rev. Shelly’s sabbatical and this amount was withdrawn to cash to pay for sabbatical expenses as they were incurred. Through December 2021, \$44,066 has been expended on sabbatical related expenses. The fund generated \$4,290 in dividends which were reinvested. Amounts withdrawn exceed accumulated dividends which are (\$30,953.21) at the end of 2021. Available funds for clergy continuing education are \$97,207. The fund will cover all remaining costs of Rev. Shelly’s sabbatical as well as fund continuing education costs for all our clergy in 2022.

The **Bequests Fund** is entirely unrestricted. Its year-end value was \$49,023 – \$44,779 in the DIF and the rest held in cash, in anticipation that these funds may be used in the near term. Additional bequests of \$59,094 were added to this fund in 2021. Bequest funds were used in 2021 for expenses of the livestream equipment installation. Bequest funds have not been included in the 2022 operating budget but could be used for vestry directed purposes or to fill part of the unmet budget need.

The **Capital Fund** was created from two existing Capital designated funds in 2011. This fund had a year-end value of \$0, although the account remains in the DIF. In 2021, \$7769 was paid from this fund to cover the Capital Campaign consultant fee for work completed in 2020, prior to putting the campaign on hold.

The **Bush Altar Flower Memorial** was established in 1975 with a principal of \$1,000 to provide flowers on four dates each year in honor of Jean Margaret Bush. In 2011, the fund was moved from a CD (which produced virtually no income) to the DIF. Dividends are reinvested and amounts in excess of the \$1,000 principal can be withdrawn at the Altar Guild’s discretion. The initial DIF investment of \$1,017 was made in June 2011. The fund has a year-end value of \$2,676. No withdrawals were made in 2021. The Altar Guild continues to provide flowers in Jean’s memory on the designated dates through other means.

A number of additional funds are held in cash accounts:

Designated Funds are given for specific purposes. The vestry has set a policy that small residual balances are to be transferred to the operating budget, and any balance more than one year old may likewise be transferred. Active funds are not affected by this policy. The year-end values of these funds are:

Camp Huston Camperships	605
St. Faith's	1,434
Bach’s Lunch	253
Organ Fund	6,830
Little Free Food Pantry	1,038
Breezeway Fire – Insurance Claim	16,554
Sensory Service Grant	100
PHRA move-in fees	1,450
2022 Advance Pledge Payments	2,950
	<hr/>
	\$31,214

Outreach Fund: This fund supports church outreach efforts and ended the year with a zero balance. \$1,649 was donated to the fund in 2021 for Street Chaplaincy all of which went to support that mission.

Memorial Fund: Gifts, given in memory of deceased parishioners and family members, are accumulated in this fund until such time as the memorial committee recommends that they be applied to a specific purpose. The memorial committee also oversees gift acknowledgements and updating the Memorial Book. Currently the committee is inactive. In the absence of the committee, the vestry and treasurer have identified areas where these funds might be used. Funds are traditionally expended on tangible items which enhance the building and worship at Christ Church. Memorial gifts totaling \$750 were received in 2021. \$48 was expended on the needlepoint kneeler project. The fund had a year-end balance of \$3,009.

Open Projects and other expenses authorized by the Vestry

We have many ongoing projects which the vestry has authorized but were not completed as of the end of 2021. Projects related to the building renovations and organ replacement, part of the capital campaign, remain on hold. It is important to be aware of how much of the Christ Church's assets are committed to these projects.

Projects on Hold	Approved	Expended
Organ Restoration and Installation – initial funding Most of the initial expenses were covered by parishioner donations designated for the organ so only a small amount of these funds have been used to date. Funding Source: Building and Grounds Endowment Sub-fund	\$50,000	\$3,786
Organ Restoration and Installation – additional funding On purchasing the organ in 2018, the vestry committed to fund all costs associated with its restoration and installation but did not make a specific funding amount and source authorization. Known costs of purchase and restoration: \$205,550 (\$47,329 expended); Storage fee until restoration begins: \$250/month; Additional estimated costs: Pipe façade restoration \$8-15,000, Shipping organ to Seattle: \$11,000. Unknown costs: Installation	TBD	
Capital Campaign Consultant Payment for services complete; will work with us when campaign resumes. Funding Source: Capital Campaign Fund, Building And Grounds Endowment Sub-fund.	\$22,000	\$22,000
Capital Campaign Expenses – initial funding Funding Source: Capital Campaign Fund, Capital Campaign, Building and Grounds Endowment Sub-fund	\$5,000	\$758
Capital Campaign Marketing Materials Funding Source: Capital Campaign, Gahringer Bequest, Building and Grounds Endowment Sub-fund	\$4,500	\$1,520
Architectural Services – Design Development, Construction Documents, Construction Administration Funding Source: Capital Campaign, Gahringer Bequest, Building and Grounds Endowment Sub-fund	\$135,000	\$12,002

Active Projects	Approved	Expended
Livestreaming Equipment Installation Funding Source: Bequests Fund, Livestreaming Grants	\$29,995	27,110
Environmental Analysis related to Touchstone project – ongoing services Funding Source: Building and Grounds Endowment Sub-fund	\$7,045	\$2,185
Ventilation System Upgrades: Funding Source: Building and Grounds Endowment Sub-fund	\$36,000	\$32,797
Sabbatical – Rector and CEC expenses Funding Source: Bateman Fund	\$66,000	\$44,066
Church House Basement Renovations Funding Source: Building and Grounds Endowment Sub-fund	\$7,467	\$6,762
Shelly's Office Renovations Funding Source: Building and Grounds Endowment Sub-fund	\$3,000	\$1,252
Boiler and Ventilation System Repairs Funding Source: Building and Grounds Endowment Sub-fund	\$14,000	\$937

Acknowledgements

I remain grateful for the hard work and dedication of the various committees and their members that facilitate the financial workings of the parish, without which I could not possibly succeed at my own part in the process. 2021 remained chaotic and our volunteers stepped up to adjust to new ways of dealing with pandemic restrictions. There are many opportunities for parishioners with an interest in helping with this work to take part. If you are interested, please talk to me.

The Quicken committee maintains the parish books, recording contributions and writing checks for disbursements, and filing required governmental documents. Each team member takes on the books for a four-month (or so) stretch. Frank Pollard and Melissa Morrell are current members of the committee. Their ongoing support and tremendous patience in working closely with me are invaluable. After many, many years of dedicated service, Pat Miller has stepped down from the Quicken committee and will be greatly missed. We are looking for a new volunteer (with Excel skills) to fill this vital part of the parish's financial team.

Frank Pollard also applies himself to the finicky task of stewardship secretary, maintaining our stewardship records and sending out periodic statements.

Jessica Escott continued working remotely as our HR volunteer, a much-needed position as the number of paid staff and the complexities of HR issues has increased. She has now stepped down from payroll duties and we are grateful for all the help she has provided.

Melissa Morrell once again led the budget process and worked with the vestry to develop the 2022 budget. Melissa has also taken on the role of Assistant Treasurer providing invaluable help and keeping the Treasurer relatively sane.

The finance committee reviews the financial position each month. The committee explores evolving financial issues in the life of the parish, making recommendations to the vestry as needed, and is involved in budget preparations. The committee is currently comprised of the rector, the rector's warden, the treasurer (ex officio), the members of the quicken committee, Mary Lou Hatcher and Pat Miller.

The counters take turns counting the weekly offerings and making the bank deposit. Although our counters could not continue their work during the shutdown, we hope to reenlist their efforts in the coming year. Frank Pollard serves as chair for this group. We are always in need of new members to fill out the roster of counters.

In addition to the treasurer, the check signers are Todd Voelker, Geneva Wall, Frank Van Dusen and the rector. This group is vital to the smooth running of parish finances in the treasurer's absence.

The 2021 Audit Committee – Joslin Harris-Gane, Betsy Voelker, and Susan Folk – performed an “in house” audit of the Christ Church 2020 financial records. In prior years we have done an “audit swap” with another parish, with each parish auditing the other's records. We hope to return to that audit method this year and will be looking for parishioners interested in visiting another church for this purpose.

The Endowment Committee recommends investment policies for the Endowment to the vestry and monitors the fund's performance. The treasurer, rector, and rector's warden (or representative) [ex officio] are always members of this committee. Frank Van Dusen has also attended and provided valuable advice, though not a member of the committee. The committee has not meet in recent years and parishioner membership may be in flux. The committee usually has at least three parishioners not otherwise required to be on the committee, and this is a good opportunity for those interested in long-term financial planning to participate.