

Economia[©]

A periodic publication of the Diocese of the South, Orthodox Church in America-Summer 2019

2019 MID YEAR REPORT

Best we are “Weighed in the balances and found wanting” [Daniel 5:27], your accounting staff has continued to strive toward strengthening the balance sheet while supporting the financial and administrative needs of the diocese in as equitable a manner as circumstances permit. The principal benchmarks at mid-year reflect good improvement and steady progress. Total Assets fluctuated very little from 2018 year-end at \$10,622,267.17, increasing marginally by one percent. The same was true of Total Liabilities at \$8,720,892.21.

Despite minimal movement of those major categories, the internals showed marked improvement. Net Income of \$75,474.14 continued in the black compared to year-end results when a loss of \$30,746.54 was recorded. Although mid-year results are not necessarily indicative of the full year, 2019 thus far is the first year of positive earnings performance since 2014. However, that is a qualified observation in that Income is positively skewed by an exceptional one-time tithe of \$50,000 from All Saints (Albuquerque), an insurance policy Bequest of \$11,605.06 and Assembly Registration Fees of \$14,190.00. In short, the diocese is essentially operating at breakeven.

In addition to the current earnings performance, another key ingredient was continued emphasis on im-

proving Liquidity, which is basically a measure of readily available liquid assets (i.e. cash) to meet immediate or short-term funding needs. Compared to year-end, when this ratio stood at 7%, it is now at 9% and closing on the target ratio of 10%.

Another ratio of significance is Leverage, which can be measured



St. SAVA CHURCH PLANO/ALLEN, TEXAS
FIRST LITURGY CELEBRATED DECEMBER 25, 2018

in numerous ways depending on the particular operations of an organization. For the diocese, one of the most relevant is the relationship of Investible Funds to Non-Liquid Assets. With Church Savings and Individual Loans (CFLs) totaling \$5,526,233.67 and Non-Liquid Assets at \$9,654,641.20 that ratio stands at 1.75, which is generally regarded as sound. Many organizations post ratios well in excess of 2.00 (i.e. two to one). Banks operate in the 10.00- or 12.00-to one range.

Equity to Assets is followed as another measure of Liquidity, particularly for tracking cumulative Surplus (aggregate earnings from year-to-

year). That ratio remained strong at 17%.

Finally, as a measure of productivity, the Return on Equity (ROE) is currently at 4%, subject of course to the qualifications cited above. We want it to remain in the positive column but it is the least relevant for a non-profit organization. Our goal is stability, not salutary earnings. If ROE (i.e. ‘surplus’) runs substantially greater than 10%, there are probably unmet needs that should have been addressed.

Having cut my financial teeth in an environment where *You cannot manage what you cannot measure* was the abiding maxim, I am continuously conscious of the fact that, for the most part, the church’s mission and its performance are not measurable. Some key metrics might serve as proxies for performance but they are difficult to interpret. For example, is increased tithe income an indicator of the state of the faithful or increased faith in the economy of the state?

According to a June 28 report by the *Church & Tax Law* publication, there may be an unexpected factor influencing giving. *Giving USA 2019: The Annual Report on Philanthropy for the Year 2018* reported one key finding: overall giving declined from the previous year by an inflation-adjusted 1.7 percent. Of particular interest was giving to religion, which appeared to

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fare worse. "Inflation-adjusted giving to the religion subsector declined 3.9 percent in 2018," stated the report.

As representatives of the report sought to offer perspective, one word kept coming up: 'complex'. A number of complex factors most likely hindered certain types of giving in 2018. But one significant factor could have been a provision in the Tax Cuts and Jobs Act of 2017 that doubled the standard deduction for individual taxpayers.

The idea that charitable contributions to churches suffered because a larger number of churchgoers couldn't itemize is debatable. Some experts say "yes" (because it takes away the incentive to give), and others claim "no" (because church people give from the heart, not to get a tax break). Or, we would add, take tithing to heart.✚

WILLS & BEQUESTS

We were pleased and surprised to receive a bequest from a life insurance company this past quarter of a little over \$11,000. That also brought to mind the occasional question we receive about how to start a planned giving program for the parish. One of the easiest ways to initiate the conversation is to discuss Wills & Bequests. And one of the simplest ways to initiate a program is to offer a Codicil for attachment to a person's Will. But that will not do much good if your parishioners are unaware of it.

So here is a sample letter or announcement for your use:

Take a look around our church. At every turn you see the legacies of those here today and of those who came before us in the life of this church. Whether it be our current worship space, the new, safe playground used by children of our church or various sacramental accessories and icons. These and countless other fixtures,

features and programs were funded by members of _____ past and present – all contributions gladly made to ensure that their church survived and thrived not just in their time but in future generations.

We envision future legacies to be the foundation and the assurance of a permanent Temple [If this applies to your church] as a tribute to our faithful parish family and a signature presence in the larger community of our Holy Orthodox Church. Here we detail a way – through planned giving – that you or your family members can make lasting charitable contributions to _____.

Planned giving comes in many forms, from cash to securities to other assets, but shares a common attribute: It provides stability and financial strength to our church today, tomorrow and for many years to come. Whether _____ benefits from your planned giving or not, we encourage you to have a written plan – by will, trust or other mechanism – to pass along the assets that you built over a lifetime. Having such a plan ensures that you – instead of the state and probate attorneys – control how those assets are passed down. We hope that _____ can be part of your plan and your legacy, because planned giving has a tremendous, lasting impact.

Your planned gift can build the endowment funds that help ensure unexpected expenditures don't chip away at ministries we value. The endowment funds allow us the resources to financially sustain new ministries. You also can designate your planned gift to be earmarked for something particularly meaningful to you at _____. The gift can be made while you are alive and/or it can come after your death.

We read in Deuteronomy, "We all drink from wells we did not dig." A

planned gift is a way – a financially prudent and spiritually sound way – for you to help that tradition continue at _____. A Codicil that may be attached to your existing Last Will and Testament to share part of your estate with _____ parish is all that would be needed in most instances. If you need any assistance with this I invite you to contact me personally.

[NOTE: If you want a copy of a sample Codicil send me an email: treasurer@dosoca.org] ✚

FLIM FLAM ALERT

Although not a likely scenario in your church, that is not to say it cannot happen. A refund request for a contribution should ring alarm bells. It is true that if a donor accidentally gave more than he/she intended, you have a moral duty (if not a legal one) to rectify the situation—but only if it was genuinely an accident and only if the church ensures that it is not the victim of a scam in the process.

The church should never issue a refund for an allegedly erroneous contribution until you ensure that the funds originally given have fully cleared the banking system and are settled. Simple awareness and adhering to such a policy can prevent the church from being flimflammed.✚

PARISH SURVEY

The Parish Survey in the previous *Economia* is a work in progress. Thirty-Nine respondents to date yield extremely useful information, but until the sample is more representative, the analysis is deferred to a later date. If your parish has not yet responded, please do so at your earliest convenience so the analysis may be completed in a timely manner. Thank you to all clergy and treasurers who have already responded.✚