

**CHURCH COUNCIL MEETING  
ST. PAUL'S UNITED METHODIST CHURCH & WESLEY FOUNDATION  
FEBRUARY 28, 2018**

**ATTENDEES:** Barb Barnett, Mark Bodenschatz, Matt Carlson, Barb Duclos, Keith Duclos, Sandy Elbin, Steve Elbin, Lindsay Fairman, Dave Flick, Virginia Flick, Jen Gruendler, Jane Harris, Jim Korner, Amy Marshall, Becky McGee, Phil Mohr, Olivia Perdew, Ray Raker, Bob Rayman, Sue Rubba, Adam Smith, Kevin Sikorski, Joan Stroemel, Alice Wambold, Jim Wambold, and Joan Zimmer

**CALL TO ORDER:** D. Flick called the meeting to order at 7:00 p.m.

**DEVOTION:** R. Raker shared a devotion based on the hymn "This Is My Father's World."

**APPROVAL OF THE MINUTES:** The minutes for the December 13, 2017, meeting were approved.

**ASSOCIATE PASTOR:** B. McGee reported the following:

1. She has been recommended for ordination and will be ordained on June 2 at the 2018 Annual Conference.
2. Pastor Greg has received a letter from the Susquehanna Conference thanking St. Paul's for our commitment to the denomination by paying 100 percent of our shares of ministry.
3. Contrary to what some people believe, many of the children enrolled in our preschool do not come from upper middle class families. A preschool information handout she prepared and shared with Council shows that 55 percent of our preschool children's tuition is paid by grants and subsidies. Additionally, preschool exemptions from general fund expenses have reduced our shares of ministry over the last three years by 16-18 percent.

**CAMPUS MINISTRY:** J. Gruendler reported the following:

1. Karen Morgan has been hired to provide administrative support on a part-time basis (6 hours per week). She is looking at ways to restructure processes and systems so that growth in the program can be handled more efficiently and effectively.
2. There are two years of funding remaining in the original grant from the Lilly Foundation. Lilly has invited Wesley to apply for a Sustaining Pastoral Excellence Grant.
3. Hiring of next fall's interns is underway.
4. During spring break, 25 students and staff will travel to Houston to assist with the Hurricane Harvey relief effort.
5. Wesley recently received a major gift from a Wesley alumnus.

**MINISTRY MOMENT:** J. Stroemel, Director of St. Paul's Christian Preschool, shared the following:

1. The preschool is a ministry of St. Paul's that provides early care and education for 65-75 children, ages 6 weeks through 5 years, each year. The population served is ethnically and culturally diverse.
2. The preschool staff builds relationships with the children's families and provides information about community resources, financial resources, health and safety information, medical health and social/emotional resources as needed.

3. The preschool staff also provides information about St. Paul's and invites each child's family to participate in all church activities.
4. The preschool is licensed by the Department of Health and Human Services and the Department of Education. It participates in the Keystone STARS and PA PreK Counts programs and partners with Centre County Information Services, the Child and Adult Care Food Program, and the Women's Resource Center.

**PRESCHOOL RESOLUTION:** In response to the discussion regarding the Preschool at the December 13, 2017, Church Council meeting, D. Flick introduced the following resolution:

"We, the Church Council of St. Paul's United Methodist Church and Wesley Foundation, recognize and affirm the important and valuable ministry of the St. Paul's Christian Preschool to our State College community. This ministry generates revenue from the tuition paid by the families and all the applicable grants. The hope is that these revenue sources will cover the operating expenses of this ministry. In cases where the expenses exceed the revenue, the difference will be funded through the general fund of the church."

After reading the resolution aloud, D. Flick moved that it be adopted. In the discussion that followed, concern was raised that the resolution, as written, would essentially grant the Preschool a "blank check." It was proposed that the resolution be rewritten to include a specific dollar amount based on the Preschool's budget deficit. K. Duclos stated that he has been working with K. Sikorski and B. McGee over the last six months to migrate the preschool budget to the church's new accounting software, but it is still unclear what the actual deficit is. J. Korner proposed that further discussion on the resolution be held until after the finance report was presented. D. Flick agreed and the resolution was tabled.

**FINANCE:** Steve Elbin reported the following:

**2017 FINANCIAL STATEMENT:**

1. The year-end income/expense results for 2017 are \$49,858.06 for St. Paul's UMC, \$0.00 for the Wesley Foundation, and -\$32,469.18 for the Preschool, resulting in an aggregate balance of \$17,388.88.
2. Total Gifts and Offerings exceeded the Annual Plan by \$56,000.
3. The Operating Cash Reserve of the General Fund increased from \$19,000 to \$36,000.
4. Long-Term Investments less Liabilities increased from \$579,000 to \$619,000.

**2018 BUDGET:**

1. Pledges were forecasted at \$850,000; the actual pledge amount through January 5, 2018, was \$691,000. A potential deficit of \$160,000 has been evaluated and factored into a revised spending plan for 2018.
2. The number and average amount of each pledge was evaluated and compared to recent trends. After review and consideration of the transition to online giving, the consensus is that the pledge deficit will be partially offset by an increase in non-pledged support. This analysis resulted in a projected Total General Fund Income of \$1,200,000 versus the approved \$1,240,000.

3. In addition to revising the spending plan by \$40,000 per the pledge review, consideration was given to the projected negative cash flow (\$25,000) of the Preschool in 2018. The spending plan was subsequently reduced by \$65,000 as follows:
  - a. Adjusted numerous line items to reflect 2017 actual expense levels
  - b. Eliminated six computers (funded by Endowment Distribution)
  - c. Eliminated sanctuary screens (funded by Endowment Distribution)
  - d. Identified the following discretionary initiatives to be placed on hold: salary increases; increase property management fund; and incremental children's, adult, and campus ministries. These will be evaluated on an ongoing basis to determine if the aggregate budget can support approval in 2018.

**PRESCHOOL BALANCE SHEET:**

1. In response to the discussion at the December 13, 2017, Church Council meeting regarding the Preschool and the proposed resolution, the following review of the balance sheet was prepared:

|                                       |                  |
|---------------------------------------|------------------|
| Balance at Beginning of 2017          | -\$66.4K         |
| Current Year – 2017                   | -\$32.5K         |
| Unpaid Star 2 Grant                   | -\$28.2K         |
| Unpaid Star 4 Grant                   | <u>-\$13.6K</u>  |
| Total Equity through 2017             | -\$140.7K        |
| Projected 2018 Income                 | -\$25.0K         |
| <b>Projected Balance through 2018</b> | <b>-\$165.0K</b> |

2. The recommendation is to write off the unpaid grants as bad debt. The resultant total negative equity should then be incorporated into the aggregate equity of St. Paul's UMC, the Wesley Foundation, and the Preschool.

The discussion that followed focused on the recommendation to write off the unpaid grants and merge the Preschool's balance sheet with the church's balance sheet. At the conclusion of the discussion, Steve Elbin summarized the consensus as follows:

1. The balance sheets for St. Paul's UMC, the Wesley Foundation, and the Preschool will be reconfigured into one aggregate balance sheet.
2. The Preschool's negative cash flow will be incorporated into the 2018 budget; the 2018 budget will be reforecast so it has a neutral cash flow in the aggregate.
3. Starting with 2019, the Preschool will prepare and submit an annual budget to the Finance Committee that will include in-kind support.

**REVISED PRESCHOOL RESOLUTION:** J. Korner proposed that the Preschool Resolution be revised as follows:

"We, the Church Council of St. Paul's United Methodist Church and Wesley Foundation recognize and affirm the important and valuable ministry of the St. Paul's Christian Preschool to our State College community. This ministry generates revenue from the tuition paid by the families and all the applicable grants. Each year, the church budget will include an agreed-on amount to support the mission of the

preschool based on the proposed budget submitted to the Finance Committee. The expectation is that the revenue, along with the church's support, will cover the operating expense of this ministry."

A motion to approve the revised resolution was then made and seconded. A vote was taken. The motion passed unanimously.

**TRUSTEES:** B. Rayman reported the following:

1. The Endowment Fund increased by 12.35 percent in 2017, ending the year with a balance of \$1,361,853. The Endowment Investment Committee has recommended a 7 percent distribution for 2018, for a total distribution of \$90,520. The Board of Trustees approved this recommendation on January 25, 2018. A vote to approve the Board of Trustees' recommendation was then taken; the recommendation was approved unanimously.
2. Bequest moneys ended the year with a balance of \$23,000. The Endowment Fund Committee has recommended a distribution as follows: \$600 for Vacation Bible School Funding (parking fees); \$13,000 for Laptop Computers (staff); and \$5,000 for Kiosk Monitors (Education Center and Calder Way Entrances). The total distribution recommended is \$18,600; the remaining \$4,400 will be rolled over to next year. A vote to approve the recommendation was then taken; the recommendation was approved unanimously.

**MEMBERSHIP:** V. Flick stated that total membership stands at 1,378 as of February 28, 2018.

**ADJOURNMENT:** D. Flick adjourned the meeting at 9:00 p.m.

Respectfully submitted,

Jane Harris, Church Council Secretary