

2020 3rd Quarter Update and 2021 budgeting

The journey through 2020 continues to challenge us with big challenges, but we also think there are some big opportunities.

Just a little insight into the national situation with some Barna research. Most churches are not crashing yet. Even though there have been severe limitations on gathering and limited success with online sustainability, income remained pretty consistent through the first 6 months of the year and because many of the ongoing activities were derailed, there has been a reduced level of expenses since COVID shut things down back in March. Bottom line, One Life is generally in the same situation as most churches with reduced expenses.

Barna's Latest research

Seven in 10 churches (73%) say that financial giving has either stayed the same or increased—and in fact, most churches are meeting their expenses. About half of pastors (48%) report that their church's income is meeting all expenses.

Here is the good news, our cash reserves are good.

<h3>Cash</h3> <p>85% Digital Giving 47% on App 53% on Web</p> <p>45% of Digital is Recurring</p>	Reserves	
	Digital Missions	\$16,024
	Local(Covid)	\$23,850
	Because	\$14,000
	Belgrade	<u>\$15,000</u>
	Designated	\$68,874
	Cash	
	ONB Cash	<u>\$455,000</u>
	Net	\$386,126
	Cash Reserves(days)	75

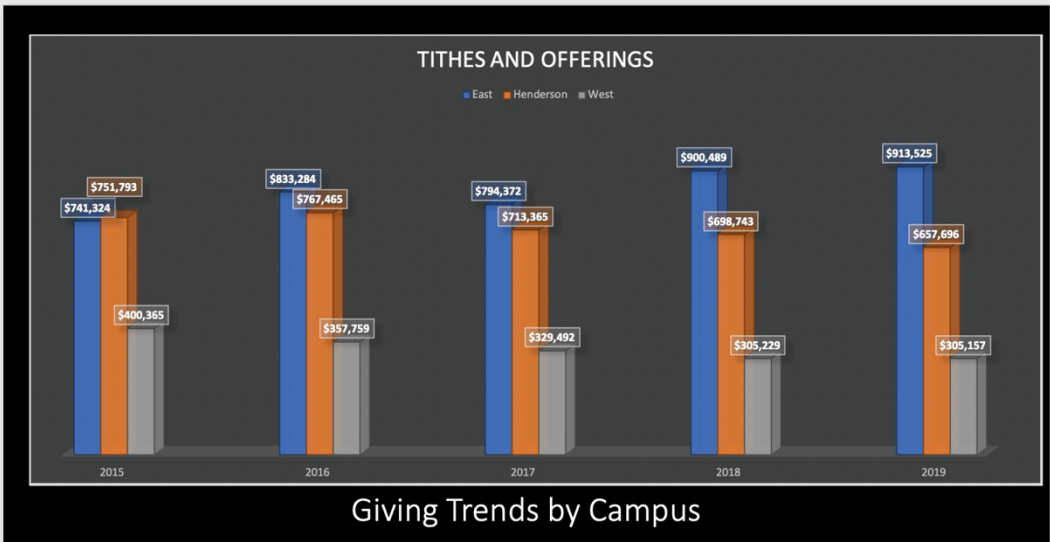
With reduced expenses and the Payroll Protection Plan, we have been able to stabilize and even increase our cash reserves. We currently have 75 days of cash on hand which falls very close to our targeted levels of 40 to 80 days of reserves. In addition, we have some designated funds that we are holding for events that did not happen in 2020 and will be available whenever we can schedule them in the future.

Digital Giving

It is also significant that we have a healthy digital giving base. We were already ahead of many churches with our digital giving on the web and on our app with 60%+ digital giving pre Covid, but it has increased as a convenience while we have not been able to gather. In fact, 45% of our digital giving is reoccurring which helps for consistent cash flow.

Giving trends by campus

Just to give a little insight into our campus income leading into 2020, here is a chart with tithes and offerings by campus for the years 2015 through 2019. 2015 was the first full year that we had all three campuses up and running. In 2015 you will notice that Henderson and East were almost even with income in 2015, but over the next 5 years there was some decline in Henderson, but growth at East. West also saw some decline, but overall, the total network was very close to even over the last 5 years.



Tithes and Offerings	2015	2016	2017	2018	2019
East	\$741,324	\$833,284	\$794,372	\$900,489	\$913,525
Henderson	\$751,793	\$767,465	\$713,365	\$698,743	\$657,696
West	\$400,365	\$357,759	\$329,492	\$305,229	\$305,157
Total	\$1,895,497	\$1,960,524	\$1,837,229	\$1,904,461	\$1,878,397



2020 Giving Trends

Coming into 2020, we were a little behind 2019 by 4%, but when COVID hit in mid-March there were people who made sure that we received their regular giving and even some donors that gave extra because of their concern for the shutdown. So, for the first 2 quarters of 2020, we were slightly ahead of 2019. But 3rd quarter was a different story. Since we were able to reopen with limited capacity, we have only seen about a 35% return of 2019 attendance levels which is very much in line with national trends.

So for the 3rd quarter we dropped about 14% below 2019 levels. But it is also important to note that we also dropped expenses and really did not go backwards.

Here is the big question as we look at 2021: should we consider our year-to-date average of -4% of 2019 or is the 3rd quarter the new normal and should we drop our projections to a -14% pace. More below on how we decided to draft 2021 budgets.



2020 vs 2019				
<u>Giving Grid</u>	<u>East</u>	<u>West</u>	<u>Hend</u>	<u>Total</u>
First Quarter	2%	-7%	-5%	-4%
Second Quarter	17%	19%	-7%	6%
Third Quarter	-7%	-7%	-19%	-14%
Total	4%	0%	-10%	-4%

Expenses

Giving and Expenses						
<u>Tithes and Offerings</u>	<u>2015</u>		<u>2017</u>		<u>2019</u>	
East	\$741,324		\$794,372		\$913,525	
Henderson	\$751,793		\$713,365		\$657,696	
West	\$400,365		\$329,492		\$305,157	
Total	\$1,895,497		\$1,837,229		\$1,878,397	
Staff	\$857,171	45%	\$955,357	52%	\$1,024,817	55%
Facilities	\$357,984	19%	\$352,489	19%	\$382,604	20%
Local Global*	\$189,550	10%	\$183,723	10%	\$187,840	10%
Variable Expenses*	\$490,792	26%	\$345,660	19%	\$283,136	15%

To simplify church expenses, there really are 4 major buckets: staff, facilities and Local/Global missions which are all fixed costs and then everything else which includes the resources the staff needs to carry our programming and administration of the ministry and those are mostly variable expenses. If we look at a 5 years spread from 2015 to 2019, you can see the percentages of those 4 big buckets as compared to tithes and offering income.

While our income has remained pretty consistent, we have increased our staff expenses because we were short of staff to run all three campuses. Where that difference comes out of is our programming resources available for the staff to serve their ministry area. They have done a remarkable job of operating very conservatively.

Projecting 2021

If we put those two ideas together and look at 2021 budgets, here are projections using the 2020 YTD average of -4% and projections using the 3rd quarter trend of -14%. As you can see, the programming and variable expenses drop to very low levels because the fixed costs don't change. We have been very fortunate to negotiate about \$75,000 in lease concessions in 2020 and 2021 which has helped our facilities expense, but we start to get disproportionate in our resources available for programs. The national average for church staffing is about 50%, so we also start to see fixed cost a little higher than we would like.

Highs and Lows						
Income Ranges	2019		2021 Proj	HIGH	2021 Proj	LOW
East	\$913,525		\$950,066	4%	\$849,578	-7%
Henderson	\$657,696		\$591,926	-10%	\$532,734	-19%
West	\$305,157		\$305,157	0%	\$283,796	-7%
Total	\$1,878,397		\$1,847,149	-4%	\$1,666,108	-14%
Staff	\$1,024,817	55%	\$1,005,794	54%	\$1,005,794	60%
Facilities	\$382,604	20%	\$380,100	21%	\$380,100	23%
Local Global*	\$187,840	10%	\$184,715	10%	\$166,611	10%
Variable Expenses*	\$283,136	15%	\$276,540	15%	\$113,603	7%

The 2021 Budget

The Oversight team took into account all of the variables presented and made the decision to split the difference to prepare our 2021 budgets. Below is projected number that the staff will use to build their budgets, but truthfully 2021 is going to be a quarter-

2021 income projections fall between the high and the low of 2020

				9 months		Projected	
Tithes and Offerings	2015	2019	2020	2020	2021		
East	\$741,324	\$913,525	\$651,361		\$900,000		
Henderson	\$751,793	\$657,696	\$399,417		\$562,330		
West	\$400,365	\$305,157	\$219,425		\$294,477		
Total	\$1,895,497	\$1,878,397	\$1,272,223		\$1,756,807		
Staff	\$857,171	45%	\$1,024,817	55%	\$789,408	62%	\$1,005,794 57%
Facilities	\$357,984	19%	\$382,604	20%	\$229,318	18%	\$380,100 22%
Local Global*	\$189,550	10%	\$187,840	10%	\$127,222	10%	\$175,681 10%
Variable Expenses*	\$490,792	26%	\$283,136	15%	\$126,275	10%	\$195,232 11%

by-quarter adventure. As we watch the results of the 4th quarter, we are optimistic about year-end giving, but we will need to monitor things closely. But it is very important that the cash reserves allow us to make timely decisions, but not need react too quickly. We anticipate 2021 being a year of recovery and lots of innovation especially with our digital missions.

4th Quarter

The 4th quarter has never been so important to help us shape the future. There are three kinds of giving that are very important:

-People that need to catch up-Every week we receive envelopes in the mail and often it is from people with 2 or 3 weeks of giving because they have missed church where they usually drop it in the bucket. We think there are several that will catch up in 4th quarter.

-People that do the usual December giving- 4th quarter is always our largest giving quarter because of year end special gifts. We hope that will happen as usual.

-People that give extra- In this complex year of pandemic, we are praying that some who have been blessed with resources will participate with some additional year end giving.

2020 has been an adventure, but we are so grateful for God's faithfulness through his people. Thank you for being a supporter of the work of One Life Network and we look forward to the future as together we carry out our mission.