



My fellow parishioners,

With Pledge Sunday nearly upon us, it is appropriate to consider the financial position of The Church of St. Michael & St. George. While our parish is thriving in many ways, we are facing some financial challenges.

The pandemic hurt our parish in many ways, mirroring the hardship that impacted everyone around the world. Not surprisingly, pledges and other sources of support fell from \$3.95 million in 2019 to \$3.28 million in 2020, a decline of 16.9 percent. Accordingly, for 2021, we budgeted conservatively for total support of \$3.11 million, a five percent decline from last year. At this point, we are slightly behind our target for support but we remain optimistic.

Since the start of the pandemic, we continue to carefully manage expenses. In 2020, expenses fell from \$3.48 million to \$3.40 million, a decline of 2.3 percent. The cost-cutting wasn't as substantial as the decline in support because the church already operates with relative efficiency. The church also received a loan (which was later forgiven) from the Paycheck Protection Program (PPP) that allowed us to maintain our cash position without additional non-PPP debt.

This is not the first time in our church history that we've faced financial difficulties. Most recently, the 2008 financial crisis was a turning point for The Church of St. Michael & St. George. Financial support never really recovered from that time despite the relatively strong economy and extraordinarily strong market environment that followed. After adjusting for inflation, our support is less today than it was before 2008.

In 2021, expenses are below budget, due mostly to disciplined expense control and fewer programs offered by the church due to the pandemic. The lower expenses and PPP-loan forgiveness have been enough to turn our budgeted deficit into a realized surplus halfway through the year. However, if we are to resume operations as they were prior to the pandemic, your financial support will be crucial.

There is some good news to share. As we shore up our income statement, the balance sheet continues to strengthen. While our cash position was unchanged in 2020, the church's endowment fund and investment portfolio grew substantially. This growth is surely good news, but it is also important to note that the portfolio isn't available to the church operations outside of the regular, scheduled draws. While these substantial assets will allow us to support the church over the long run, we can't use these assets to meet our needs today.

Prior to the pandemic, our parish was in the process of implementing a strategic plan. Despite the interruption, we were able to achieve several of the financial goals on this list. Alexis Posnanaski, Director of Stewardship & Giving, revitalized our annual stewardship campaign, increased major gifts to our church, and began a program to provide funding necessary for capital projects to save our aging building. As we emerge from the pandemic, our hope is to continue to achieve the goals set forth by the strategic plan but your financial support is vital to our success.

To truly flourish, we need to expand the support of our parishioners. Many of you pledge to the church and we are grateful for your financial support. It is my hope that this window into our financial situation will help encourage others to follow your lead. Your pledge helps with our immediate cash flows by increasing our liquidity and eliminating our debt. Beyond the financial implications, your pledge also allows us to employ our outstanding clergy and staff, offer lovely church services and dynamic Christian education opportunities, and support our various ministries.

Let's not allow the pandemic be another turning point like the 2008 financial crisis. During this time of uncertainty and division, I hope that The Church of St. Michael & St. George has been a source of comfort and nourishment. Now, more than ever, our church needs us and we need our church. While many people are still hurting from the pandemic, many have recovered and are financially healthier than ever. If you are among the latter group, I urge you to help the church financially to deliver on our mission. Please prayerfully consider pledging to The Church of St. Michael & St. George.

Thank you very much and if you have questions about the church's financial state, please get in touch with me at do@acrinv.com.

Sincerely, David Ott, *Treasurer*