

Church of the Incarnation
Finance Council Meeting Notes (version 1.2)
May 7, 2020 from 2:00 – 3:30 pm

Attendees: Ruth Buchwalter, Jose Cuenca, Carol Polen, Jane Lilly, Robert Chisholm (Finance Council Vice Chair), Ed Robinson (Finance Council Chair), Izzy Menchero (Business Manager), Monsignor Keeney (Pastor)

Purpose: Today's meeting focused primarily on deciding whether to retain a loan received from the Federal Payroll Protection Program (PPP). A decision whether to retain or return the PPP funds must be made by May 14, 2020 and then communicated to Incarnation's bank and the Diocese of Richmond.

Loan programs

- Federal PPP loan funds of \$109,790 were received by Incarnation on May 2, 2020. The funds are in a separate bank account and are designated to pay expenses as required by the program.
 - At least 75% spent on payroll (total payments for payroll over the eight weeks after the loan is disbursed) and up to 25% spent on mortgage interest, rent and utilities.
 - Businesses also must retain employees at pre-pandemic staffing levels and wages.
- A Diocese-backed Line of Credit has been approved in the amount of \$180,000. Incarnation intends to hold the Line of Credit in reserve and spend PPP funds before using any Line of Credit funds.

Giving results

- Incarnation Offertory for April 2020 was \$87,687 compared to April 2019 Offertory of \$79,688. This is a year-to-year increase of \$8,000.
- Offertory for April 2020 came from 3 sources: Envelope \$14,184 (16%), Loose \$30,365 (35%), and E-Giving \$43,138 (49%).
- Of the 8 donations larger than \$1,000 in April, approximately \$8,800 is considered to be increased giving due to the current pandemic situation.
- The Offertory FYTD 2020 actual to 2020 budget variance is \$104,525 (+15%).
- The Offertory FYTD 2020 actual to 2019 actual variance is \$97,648 (+14%).
- Total Operating Receipts/Expenses difference is currently \$27,571.

Highlights from group discussion

- The Diocese of Richmond provided some initial guidance on offertory trends. The Diocese predicted an initial increase in offertory in April, and Incarnation's April Offertory did exceed budget. Giving in the remaining months of 2020 is expected to decline as families are negatively impacted by high unemployment and by a slow recovery from the recession caused by the pandemic. Offertory levels are expected to recover on pace with the economic recovery in 2021.
- The Diocese will reduce the Catholic school assessment by 10% for the first 3 months of FY 2021.

- The Diocese has directed parishes to document their justification for retaining any PPP funds they have received. Justification must be sent to the Diocesan Chief Financial Officer by May 14.
- There is significant uncertainty in the economic conditions over the next 6 to 12 months. This uncertainty is expected to negatively impact parishioners' ability to maintain current levels of giving.
- It is unclear at this time whether Incarnation's offertory revenue in May and June will be adequate to pay staff salaries and utilities without PPP loan funds. Therefore, Incarnation plans to use PPP funds to pay staff salaries and utilities in May and June in order to remain eligible for loan forgiveness of qualifying expenses.
- We should anticipate mixed responses from the parishioners to accepting the PPP loan. Communication of actions and intentions will be important.

Proposal Outline

A formal proposal will be voted on by the Finance Council along the following outline:

- Accept the Federal Payroll Protection Program (PPP) loan for \$109,790. The loan is considered necessary to mitigate Church of the Incarnation's financial risk over the next 6 to 12 months caused by the economic impact of the COVID-19 crisis. The funds will be used for expenses as directed in the loan agreement.
- A subsequent decision concerning the status of the loan is required between June 30, 2020 and December 31, 2020. Based on current financial results, projected future business conditions, and updates to the PPP program, a decision will be made to: 1) request forgiveness for the qualifying loan amount, 2) repay the loan amount in full, or 3) repay a portion of the loan and begin payback of the remaining loan amount over 2 years.

COVID-19 status

- Virginia remains under two Executive Orders that ban gatherings of more than 10 people (EO 53) and require residents to stay-at-home except for essential travel (EO 55).
- Phase 1 of Virginia's reopening plan may be enacted as soon as May 15. Plan details and timing are still being evaluated.

Next Steps

1. Document a Finance Council proposal on accepting the Federal Payroll Protection Plan loan. (Carol, Ed)
2. No later than Tuesday, May 12, administer a formal vote via email on the loan proposal. (Ed)
3. Communicate PPP loan decision and justification to Diocese. (Izzy)
4. Schedule next meeting to discuss FY 2020-2021 annual budget due on June 1, 2020. (Ed)