PRELIMINARY FINANCIAL SUSTAINABILITY REPORT To: Moving Forward Implementation Commission (MFIC) and its successor, the Vision 2020 Committee, the six agencies: the Presbyterian Foundation, the Presbyterian Mission Agency (PMA), Presbyterian Investment and Loan Program (ILP), the Office of the General Assembly (OGA), the Presbyterian Publishing Corporation (PPC), the Presbyterian Mission Agency (PMA), and the entity of the Administrative Services Group (ASG)

From: Per Capita & Financial Sustainability Special Committee

Date: December 31, 2019, updated in February 2022

INTRODUCTION & PURPOSE

The Per Capita & Financial Sustainability Special Committee was tasked with the requirement to "provide a comprehensive resource projection analysis and summary assessment" of national church assets and income. In addition, we were tasked to address "how we can better resource our congregations and mid-council bodies and their work on the ground"; and "to review the current per capita based system of funding the ministry of councils higher than session for financial sustainability into the next ten years."

This report addresses the charge regarding financial sustainability, and will be given to the Moving Forward Implementation Commission (MFIC) and its successor, the Vision 2020 Committee, the six agencies: the Presbyterian Foundation, the Presbyterian Mission Agency (PMA), Presbyterian Investment and Loan Program (ILP), the Office of the General Assembly (OGA), the Presbyterian Publishing Corporation (PPC), the Presbyterian Mission Agency (PMA), and the entity of the Administrative Services Group (ASG), legally referred to as A Corporation, which is the legal corporation of the church that provides business and corporate services. This entity and its staff will be referred to throughout the report as ASG. The board and the legal entity that receives all funds for OGA and PMA will be referred to as A Corp.

The PCFS Special Committee is grateful for the openness and diligence of the staff of the six agencies and ASG in providing ample information, providing interpretation, answering questions, and providing ongoing access to key staff members in order to clarify the analysis. We are also grateful to MFIC whose members sat in on our meetings, answered questions, and assisted the committee when necessary.

Elements of this report were integrated into the larger PCFS report to the 224th General Assembly in 2020 and will be integrated into the report to the 225th General Assembly in 2022.

SUMMARY ASSESSMENT

In relation to the sustainability of the agencies, there are four agencies not dependent upon per capita, although all agencies share some financial interrelatedness and have indirect contact with per capita funds. The Presbyterian Foundation stewards funds for most other agencies. The Presbyterian Investment and Loan Program is the vehicle through which PMA invests up to $10 million in short-term funds. The Presbyterian Publishing Corporation is temporarily subsidized from 2017-2020 by PMA for curriculum work. The Board of Pensions receives 50% of the receipts from the Christmas Joy Offering (mandated by General Assembly) for its Assistance Program, managed by the Office of Special Offerings in PMA (Approximately $1.5Million). These four agencies are, to varying degrees, financially selfsustaining and able to make adjustments under the governance of their boards to any significant financial challenges in the foreseeable future.

The focus of our work was narrowed primarily to the OGA and PMA, since they receive income from four main sources: (1) unrestricted (Basic Mission or Shared Mission) and designated contributions from congregations and individuals, (2) apportionment income, (3) endowments, interest and dividends, and (4) sales of resources and program services.

These four sources of income are currently allocated to the Presbyterian Mission Agency (PMA) and the Office of the General Assembly (OGA). For example, in 2019 PMA budgeted to receive about $14M from Foundation investments and OGA budgeted to receive about $13M from per capita apportionment.

The conclusion of this committee is that while the analysis predicts difficulty sustaining OGA in the near future, the primary concern is that the current allocation of funding between PMA and OGA is not sustainable.

The current system of allocations is is a far cry from the vision of how our highest council, General Assembly, is supposed to function: "The General Assembly constitutes the bond of union, community, and mission among all its congregations and councils, to the end that the whole church becomes a community of faith, hope, love, and witness." (G-3.0501)

Sadly, there is too little union, not enough community, and way too much confusion about mission among congregations and councils for our church to be sustainable going forward. This is why we recommend reorganizing our national church.

FUNDING

While budgeting for PMA and OGA, and now the ASG, has been done in such a way that each has its own budget, they all fall under the single legal entity of A Corporation, which receives all funds on their behalf. The overall annual expense budget for A Corp activities is approximately $94 million (as of 2019 figures). This includes:

● Presbyterian Mission Agency, $59.9 million, or 64% PMA receives funds through fundraising (Basic Mission/Shared Mission (unrestricted), designated giving from congregations, special offerings from congregations, specific appeals primarily from individuals, gifts and bequests), income from investments and endowments, and sales of resources

● OGA, $15.9 million or 17%, funded mainly by per capita dollars

● ASG, $14.9 million or 16%, funded by contracts for services, PMA, and OGA

● Hubbard Press, $2.7 million or 3%

It is the opinion of this committee that sustainability is not only about reassessing funding, but about presenting a unified strategy for utilization of the $94 million annually received.

The real issue of sustainability is about far more than simply generating revenue. It is an operational issue that affects allocations and functionality outside the purview of this committee. When diving deep into the sustainability issue, the committee has identified operational, structural, and cultural changes that must be made in order to maximize the funds obtained.

A four-year review of the financials indicate the stable receipt of available funds from 2016 to present. Where we do recognize that there are various restricted and unrestricted funds that significantly fluctuate and are difficult to accurately project (disaster relief, unrealized gains (losses) on endowments, etc.), the reality is that even these resources, as a whole, still consistently average approximately $81 million annually.

Even in the case of fluctuating receipts, the endowments, interest and dividends portion of restricted and unrestricted funds have still been consistently and collectively received at $15.8 million per year for the past five years. The vast majority of restricted funds stewarded by the Foundation go to support PMA efforts, and there has been very little exploration of the possibility of even a small portion of those funds whose restrictions are not tied to specific current ministries of PMA supporting the essential work of OGA. In addition, PMA creates their own fund-raising efforts, bringing the total available dollars for missions globally to approximately $94 million overall. While PMA-led efforts result in funds distributed throughout the church (for example, the proceeds from the Peace and Global Witness Special Offering and the Pentecost Special Offering are shared between the congregation, the presbytery, and the PMA), the resulting funds do not support the ministry of OGA.

While the committee is unable to determine the level of duplication of efforts between programs, agencies, and entities, because there is no single body providing oversight for mission priorities between General Assemblies, there is a serious risk of duplication of efforts. The various agencies and entities, as well as the multiple mission priorities by different programs, agencies, and entities, are indistinguishable to the average member of a PC(USA) congregation, and, we believe, contribute to confusion and may even contribute to a false perception of duplication.

CONCLUSIONS

This committee promotes a thorough examination of the allocation of funding between OGA and PMA, including, but not limited to, exploring a revision of the Organization for Mission, and determining a structural solution to the lack of a single entity determining allocations between OGA and PMA between General Assemblies.

Our recommendation is based on the following:

Our research indicated significant differences, disparities, and inequalities between how different agencies are funded:

a. The Board of Pensions sets the amounts they charge, which are non-negotiable, and not optional for particular personnel.

b. PPC sells products to support their work and makes adjustments based on cash.

c. The Presbyterian Foundation has a staff that manages funds and is stewarding significant funds from previous years that could potentially be shared or allocated differently among agencies, as long as they honor their legal obligation to adhere to donor intent.

d. Investment and Loan Program is fee for service, using funds from clients, etc.

e. The Presbyterian Mission Agency receives gifts through Basic Mission/Shared Mission that are unrestricted, solicits gifts through direct appeals and special offerings, (some of which share designated revenue with congregation and midcouncil) receives designated gifts, and bequests, endowments, sales of resources, and per capita giving.

f. The Office of the General Assembly gets its revenues from fundraising (restricted only to the Historical Society) and raising per capita (which has to be approved by COGA, PMAB, and ultimately by the GA), according to the Organization for Mission.

g. Fundraising is a possibility for OGA at large, but we fear that future per capita payments or other forms of remittances will be negatively impacted if OGA begins to engage in fundraising similar to that of PMA. This sets OGA at a disadvantage and puts it at risk of being unable to fulfill its mission in the longterm.

h. Unused budgeted dollars by all entities are typically maintained by each entity rather than returned to a pool of dollars that may be reassigned for maximum impact.

WHY A CHANGED MODEL OF ALLOCATIONS IS ESSENTIAL

Agencies collaborate regularly, but there is no systemic instrument or authority in place to ensure coordination and cooperation between agencies, particularly between PMA and OGA, and between Assemblies. ASG only exists as a service provider, and there are no facilitators for the relationship (including finances or mission) at a structural level. Additionally, mission priorities are set by biennial assemblies comprised of elected commissioners who often have little understanding of the outcome and true financial implications of their votes. This leaves staff and boards scrambling to meet the discerned needs and priorities of the body. While financial sustainability appears relatively stable for now, the structure is not set up for the projected needs of a 21st century church.

If OGA does not get another way to access needed revenue beyond raising per capita, the pressure on mid-councils will increase, which is a primary source of stress according to the committee's research/data-gathering. Seeing OGA and PMA as part of "One Church" instead of two competing agencies would help address questions of improving fiscal management and sustainability from a cultural and structural standpoint.

A broader issue impacting sustainability is communication. Many in the PC(USA) are unaware of the four councils that make up the national church, and most do not understand the varying ministries and roles of the six agencies. Most of the church does not have a clear sense of what ASG is and why it has garnered so much attention. Mid-council leaders and other church leaders do not understand how per capita is used and what, for lack of a better phrase, they "get" out of per capita. Communicating use of per capita funds, program/ministry effectiveness, and helping mid-councils and church members see clearly what their funds from mission giving or per capita support would be vital to shifting culture and educating the church.

Additional challenges exist with separate agencies beyond PMA engaging in what can be perceived as competing missions. When each agency is distinct, confusion is understandable given inadequate shared understanding. However, with the current majority of the church unable to distinguish between agencies, the competition for attention means different priorities cause confusion.