

**ATONEMENT LUTHERAN CHURCH**  
**BUDGET PROCESS & UNIFIED BUDGET**  
**FREQUENTLY ASKED QUESTIONS**  
**January 24, 2021**

The purpose of this frequency asked questions (“FAQ”) document is to provide further clarity around the decision to move to a unified budget, as well as outline some of the financial goals/strategies that are connected to this decision.

Please review this document in detail in connection with the other financial materials in the annual report and submit any additional questions to Mike Daley, Atonement Council Treasurer at [mdaley17@gmail.com](mailto:mdaley17@gmail.com) in advance of the annual meeting which is scheduled for January 24, 2021.

**1. How does the budget process at Atonement work?**

The budget process begins in November each year by analyzing the financials from the prior year, considering the results of the most recent stewardship campaign, assessing factors like overall membership and attendance. In addition, the Director of Operations coordinates with the Pastor and Atonement Staff on ministry plans for the upcoming year, current and future staffing needs and mortgage obligations in establishing the spending plans. The budget is entered into QuickBooks and is prayerfully reviewed by the Director of Operations, the Pastor and Staff and the Council Treasurer. Upon completion of those reviews, the budget is submitted to the full Congregation Council for prayerful review at the December Council meeting each year. Following the Council’s approval, the budget is included in the Annual Report for review and approval by the Congregation at the annual meeting in January each year.

**2. What is our monthly mortgage obligation? How much is left to pay on the mortgage? Interest rates are low, have we considered a refinance?**

The mortgage payment (principal + interest) is \$30,302 per month or \$363,624 per year. As of 12/31/20 the remaining principal balance on the loan is \$1,173,834 and the maturity date is 3/15/2024.

Included in the principal balance is a balloon payment (final payment amount) of \$118,175 which represents principal payment deferrals from 2012 and 2020. In the 2020 operating budget, we have planned to make additional principal payments on the loan of \$3,200/month beginning in April 2020 in order to retire this balloon payment over the remaining term of the loan.

The current interest rate on the loan is 4.5%, we have performed a refinance analysis based on current interest rates in the fourth quarter of 2020 and a desire to not lengthen the maturity date and concluded it is not in our best interest to refinance as the reduction in interest cost combined with the balloon payment does not sufficiently offset the required refinance fee (1% of outstanding balance) we would pay to the Bank.

**3. Does the Constitution require that the Capital and the General fund be separate?**

No. While our past practice has been to maintain a separate Capital and General fund, the reality is that giving to the capital fund has not been sufficient to satisfy the required mortgage payment, much less to be used as a capital reserve fund for building repairs and improvements. This has resulted in ongoing transfers from the general fund to the capital fund to pay the mortgage as well as confusion around how the Capital fund budget process has operated in the past.

For reference, the mortgage payment (principal + interest) is \$30,302 per month or \$363,624 per year.

- Since 2011, pledges to the capital fund have steadily decreased and have averaged approximately \$198,000 over the past three years (2017-2020).
- Since 2011, actual giving to the capital fund has steadily decreased and has averaged approximately \$339,000 over the past three years (2017-2020).

As you can tell from these figures, actual giving to the capital fund has not been sufficient to cover the mortgage by \$25,000 on average per year.

**4. Why did the Council approve a unified (capital + general) budget?**

The primary purpose of moving to a unified budget is to simplify the church's finances into one budget so that total giving and expenses are clearly reported and to ensure we can deliver on ministry plans while ensuring the mortgage obligation is met.

The Congregation Council is very much aware of the need to establish a true building reserve fund. In fact, this is the primary strategy that was established under the Congregation's Finance and Facilities goals in 2020. The purpose of this building reserve fund should be for building repairs and improvements and not the mortgage payment. For more information on the Finance and Facilities goals, please contact Tom Riederer at [tjried5@gmail.com](mailto:tjried5@gmail.com) or Mike Daley at [mdaley17@gmail.com](mailto:mdaley17@gmail.com) or any member of the Finance goals team.

In short, moving to a unified budget is simply moving the tracking and reporting of total giving as well as all expenses, including the required mortgage payment expense (principal and interest), into a unified budget with the primary purpose of enhancing transparency and simplifying the financial operations.

**5. What will happen to the money in the capital fund? Will it be a new restricted fund just for the fund's current purposes?**

As of December 31, 2020 the balance in the Capital fund bank account is approximately \$88,000. This is sufficient to cover two mortgage payments which will then leave a balance of approximately \$27,000 which will then be used to partially cover a third mortgage payment. The remainder of that third mortgage payment will be made from the unified budget.

Any future amounts dedicated to the building reserve fund, including any funds we may budget for transfers from the unified budget, receive from a future giving campaign or

other dedicated giving will be recorded to the dedicated funds bank account to ensure the funds are only used for their intended purposes.

**6. Will the new budget have separate line items for mortgage principal and interest and a reserve for building needs?**

The unified budget includes a line for the mortgage payment which includes principal and interest. In the financial statements, principal and interest will be reported on separate lines.

Establishing a true building reserve fund is the primary strategy established under our Congregation Finance and Facilities goals in 2020. The purpose of this building reserve fund should be for building repairs and improvements and not the mortgage payment. As noted in other FAQ's, current giving levels are not sufficient to begin to fund a true building reserve from the operating budget, however, our intention in future years would be to budget for annual contributions to the building reserve fund to ensure the fund is 100% capitalized based on our estimates of future building repairs and improvements. For more information on the Finance and Facilities goals, please contact Tom Riederer at [tjried5@gmail.com](mailto:tjried5@gmail.com) or Mike Daley at [mdaley17@gmail.com](mailto:mdaley17@gmail.com) or any member of the Finance goals team.

**7. Can I make dedicated gifts to be used solely for building repairs and improvements? What about other dedicated gifts?**

We currently have nearly 40 dedicated accounts which is much too many. We are working on standardizing our dedicated fund accounts into a manageable number of categories (e.g. Building, Missional Life, Youth, Worship, etc.). More information will be forthcoming on this in 2021.

You always have the option of donating to the Atonement Foundation as well. For more information on the purpose of the Foundation, click here:

<https://atoneluth.org/atonement-lutheran-church-foundation/>