

La Iglesia Anglicana San Pablo en San Miguel Allende, A.R.

(St. Paul's Anglican Church)
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Rector's Remarks with Regard to the Financial Outlook of the Parish

You may well have noticed that in the 2016 year end financial report, in terms of actual expenses *vs.* income, we had a \$595 deficit. By most standards, this is a balanced budget. In relation to the budget, this is .3%. The standard generally allowed for shrinkage in the NGO world is 5%. You may also have noticed that pledged income *vs* actual income realized a shortfall of \$7,788 or 1.1%. Again, within the range of acceptable shrinkage. I would also point out that for 2016, we took all of the allowable draw from our portfolio, Total deficit of operating revenues *vs* budget was \$8,686 or 5%.

So, by one read, 2016 was a successful financial year. Including unbudgeted expenses for facility repair and maintenance, our income and expenses seem to be in reasonably good shape.

Shrinkage seems to have come for several reasons: death, moving away, forgetting to pay, and the peso to dollar exchange rate.

Which brings us to this year. The Vestry and I have not brought you an adopted budget. As a matter of fiduciary responsibility and best practice, the Vestry and I have decided that it is not possible for us to have a deficit budget. The proposed budget before you has a gap of \$15,099 between anticipated revenue and the amount needed to sustain the life and work of this parish at its current level.

The anticipated revenue was determined by looking at actual income for 2016 plus 5% of the average value of the portfolio for the 20 quarters as of September 30, 2016. You will notice a reduction in all the income areas except Loose Plate which has remained the same based on 2016. The proposed budget is a very lean budget. We budgeted in this year for the first time 5% shrinkage to derive at the working budget total of \$156,829. The total budget seen as necessary for our life and work as St. Paul's is \$169,778. Hence the gap.

There are three potential choices. But, first, I would remind you that since 2014, there has been in place a spending policy for our portfolio that caps spending at the 5% of the average value of the 20 quarters as of September 30 each year. That is the "pledge" from our portfolio. Therefore, to close this \$15,099 gap, the Vestry and I see these three possibilities: (1) parishioners

choose to commit to raising \$15,099; (2) we make further cuts in the budget from non-fixed expenses, that it parish programs and outreach ministries, or (3) some combination thereof.

The Vestry and I think that the best and most appropriate option is the first one. We all are together responsible for making sure that St. Paul's is adequately funded to the ministries internally and externally to which God is calling us. The decision of what to do about this gap is a corporate decision. Therefore, the Vestry and I put to you the question: How do we address this gap?