

St. Luke's ELT Meeting Monday, May 18, 2020

Members in attendance: Dave Hoag, Jerry Blessing, Jerry Neumann, Keith Cook, John Taylor, Rebecca Stork, Vickie O'Connor, Barb Erickson, and Dan Weber. Also present: Jonathan McVety.

After Jerry Neumann opened the meeting with prayer, the April meeting minutes were approved.

Financial Review

April Result:

Total Expenses landed -32.7% under budget // -36.3% under last year

Total Income: -17.6% Below budget // -18.1% below last year

Offerings & Gifts landed 9.2% above budget and grew 8.1% vs last year

NET INCOME for the month showed a Gain of \$33,766.93 after mortgage principal pmt

YTD (July - April)

YTD Total Expenses stand -12.9% under budget // -5.0% under last year

Total Income stands -0.9% below budget // -2.8% below last year

Offerings & gifts trending 7.10% above budget // 5.87% above last year

YTD NET INCOME running 686.3% above budget after mortgage principal pmt

Operations Report

Jonathan McVety submitted a report about projects around our campus (Attachment 1), as well as questions and answers pertaining to the CARES Act (Attachment 2).

Discussion of proposal to paint the main building. The building was last painted 12 years ago with the completion of the new addition. Many signs of wear exist, particularly on weather facing walls and it was suggested that re-painting will be necessary, in near future, to maintain good appearance and to avoid damage to structure.

- o Discussion to proceed / delay occurred

- Pros:

- Extremely competitive bid of approximately \$40,000 was received from quality painter hungry for business due to Covid-19 shutdown. Next closest bid was approximately \$90,000.
- The timing is good due to the campus being unoccupied during the Covid shutdown. Painting a facility of this size would be very disruptive during full operation.

- Cons:

- This is an unbudgeted expense and would require use of general funds to complete
- While painting will be necessary within next few years, it is not an emergency requiring immediate action.

- o It was resolved that Jonathan would contact the painters to determine how soon they could start the project, and if it could be completed within the Covid shutdown period. Once that was determined the ELT would consider a motion to approve/decline via email. (NOTE Addendum A (motion to approve painting job) at the end of this document.

Lay Ministers Report

No report at this time.

Foundation Report

No report at this time.

Pastor Report – Dan Weber

The church has made 1,924 calls. This represents 451 families and 1,027 people. Some families have been called as many as 8 times already. Successful Drive-Thru events: 267 Chick-fil-a meals were served, and as of this meeting 163 were signed up for donuts. Online worship service attendance charts show potential downward trends which may be due to “screen fatigue.”

Motions

1. Motion to postpone the June voters meeting.
 - a. Motion: Jerry Blessing
 - b. Seconded: Barb Erickson
 - c. Approved
2. Motion to reschedule voter’s meeting to August 23rd (tentative date).
 - a. Motion: Jerry Blessing
 - b. Seconded: Barb Erickson
 - c. Approved.
3. Motion for continuance of existing Executive Leadership Team. (John Taylor and Barb Erickson will continue serving as members at large until the voters meeting.)
 - a. Motion: Jerry Neumann
 - b. Seconded: Keith Cook
 - c. Approved.

Closed in Prayer by Rebecca Stork.

Next Meetings: Monday, June 8, 2020 @6pm, and Monday, June 15, 2020 @ 6pm.

Respectfully submitted by Rebecca Stork

Attachment 1:

Here is a COVID-19 influenced Financial Update for April, 2020:

Expenses: In anticipation of the very serious financial implications of the government decreed COVID-19 related shutdowns, Pastor Dan, Teri and I aggressively reduced expenses for the month of April:

- 1) Actual total campus expenses were \$99,712 vs budget of \$148,215 or 67% of budget for a reduction of \$48,503.
- 2) Of this \$48,503 amount under budget, \$33,110 or 68% of this reduction was in personnel costs
- 3) Other large items reduced included custodial, utilities, licenses, worship supplies, conventions and facilities inspections

Income: With Stay-at-Home government directives, our Operations Departments income was significantly eliminated.

- 1) Facilities Rental: Net income in April was \$1,140 vs budget of \$4,583 or 24.88%. YTD net income was \$45,486 vs budget of \$45,834 or 99%.
- 2) Childcare: Income in April was \$12,817 vs budget of \$35,000 or 36.62%. Net income for April was -\$2,601 vs budget of \$6701. Expenses in April were \$15,418 vs budget of \$28,299 or only 54% of budget. YTD net income was a positive \$38,640 vs budget of \$51,907 or 74%.
- 3) Schools: Income in April was \$8,327 vs budget of \$21,980 or 38%. Net income for April was -\$2,134 vs budget of \$2,728. Expenses in April were \$10,641 vs budget of \$19,251 or just 55% of budget. YTD net income was a positive \$43,978 vs budget of \$37,279 or 118%.
- 4) Due to COVID-19 the April net income for the three "Operations Departments combined for a \$3,595 loss. YTD net income for the three departments stands at a positive \$128,104.
- 5) **The amazing good news is that the April offerings and gifts were \$120,275 vs budget of \$110,178, which was unexpected and 9% over budget.**

Campus Summary:

- 1) Overall campus income was \$144,021 vs budget of \$174,721 or 82%.
- 2) **Campus expenses were \$99,712 vs budget of \$148,215 or 67%. This amounts to a full \$48,503 one month savings in expenses vs budget.**
- 3) These numbers enabled our net income to be a positive \$44,309 vs budget of \$26,505 or 167%
- 4) After mortgage payments our net income was positive \$34,786 for April in one of the worst state and national economic months in history.
- 5) **Please note our general fund balance actually increased during the months of March and April by about \$36,000 (\$521k vs \$557k), during the height of the C-19 Pandemic, per our balance sheet summary.**

Additional Comments:

- 1) **Pastor Dan and his team did an outstanding job with online worship and bible study videos. Communication via Zoom, calls and emails was also extraordinary.**
- 2) The Chick-fill-A Friday dinner give-a-way was a big hit.
- 3) Teri and I worked closely (mainly Teri) with our 12 furloughed staff to help ensure virtually all received the generous CARES Act Pandemic unemployment assistance, ensuring that they were well taken care of.
- 4) After offering tuition reductions for April & May for Kindergarten & PK classes, Teri and I placed numerous calls with follow-up emails to help ensure a high rate of student retention and tuition payment.
- 5) Before restarting Childcare on May 5, we performed a significant sanitizing including stripping/waxing/polishing the floors, deep cleaning and sanitizing the carpets, sanitizing the toys with the teachers, disinfecting/sanitizing the touch points and surfaces such as table, chairs, doors, ledges...
- 6) A volunteer performed 50 hours of window cleaning and PS/K sanitizing for us during April
- 7) A father-son painting team was hired to paint Malkow Hall outside and inside downstairs during May & June
- 8) A summer interim PS/K Director, Mary Schuldheisz, was hired to start the first week in May
- 9) Our talented summer intern, Sam Hoag, returned for his second business/worship management internship starting early May
- 10) Arrangements were made to move our new LCMS Kindergarten teacher here in early June to spend the summer with her mother
- 11) We hired Melika and Mindy to cover our janitorial requirements for May and June to temporarily replace Cleanstart
- 12) Through lengthy research, 10 hours of training webinars, talking with a top paid consultant several times, Teri completing our 29 page PPP application on the first day our Bank accepted them, closely working with our local HomeStreet Bank Manager for weeks in advance, and with excellent direction/support from Pastor Dan & Dave Hoag, **St. Luke's was successful in applying for and receiving a CARES Act Payroll Protection Program loan of \$213,900 on April 30.** By carefully following the CARES Act guidelines for 8 weeks through June 24, and continuing to adhere to the ongoing advice of our CARES Act Consultant, there is a good chance most (80%+) of these loan funds will be converted into a grant. Final word on this loan-to-grant transition is TBD and will likely be determined the end of July, after Teri and I submit detailed submission requests to HomeStreet in late June. Our General Fund balance could be up to \$200,000 higher the end of July, than it was before C-19 the end of February. We should consider using some of these funds for important maintenance/schools/childcare/facilities updates/upgrades. [Based on discussions with Dave and PD today, I'll be mentioning one key maintenance project for general discussion tonight.](#)
- 13) While there is substantial good news today, we do expect the ongoing effects of the Coronavirus to be significant, in a somewhat unpredictable manner over the coming 12+ months. When the PUA expires (, a decision will need to be made regarding the furloughed employees. Businesses may survive for a few months based on PPP funds, but after PPP monies are used up, they may go out of business this

Fall/Winter/Spring. Certain industries hit the hardest may not recover and church members may lose their jobs, affecting our donations/giving income.

Attachment 2:

Jonathan:

The answer to all 11 of your questions is "YES", with additional note as follows:

Question #1: Your example is correct. In addition, theoretically, you could use 100% of the funds for Payroll purposes and be forgiven for the entire amount. If you use funds for other costs as detailed under the "forgivable uses" of the Paycheck Protection Program, then the amounts used for allowed purposes other than Payroll Costs can be no more than 25% in order to qualify for forgiveness.

By separate cover, we shared with you the Paycheck Protection Program Loan Forgiveness Application. Once you are ready, we are happy to work with you to complete that form and submit it to your lender.

Let us know if there are any other questions.

All the best,

On Mon, May 18, 2020 at 3:25 PM Jonathan McVety <jmcvety@stlukes-church.com> wrote:
Hi Steve,

We sure appreciate you being a highly knowledgeable CARES Act/PPP related consultant to St. Luke's Lutheran Church these past several weeks. Your weekly training webinars on the entire CARES Act financial assistance program to businesses and non-profits like us (with hundreds of businesses attending your webinars), were and are very useful. The way you and your team keep on top of the almost daily "clarification memos" that come from the CARES Act group is indispensable helping ensure we are following all of the required guidelines. We know you are one of the best in the country, and that you are based in St. Louis.

As you know with your assistance we successfully applied for and received \$213,900 as a PPP loan and now we are in our in the eight week period (4/29-6/24) during which the loan forgiveness (moving these PPP funds from a loan to a grant) spending process will take place. We feel very fortunate to have received these funds as it is likely only a relatively small portion (about 15%) of the 31 million small businesses (with less than 500 employees) in the country successfully received PPP funds, as intended by the CARES Act. The PPP amount provided was based on 2.5 months of actual payroll costs as determined by accounting records provided for the 12 month period before C-19.

By closely working with you and our local HomeStreet bank manager, and submitting our correct PPP application late on the first day HomeStreet accepted PPP applications, we were able to qualify during the second and to date, final, round of PPP fund disbursements. Now we are in

the very important part of tracking and spending these PPP funds (eight week period) in a way that will allow/ensure that HomeStreet Bank will approve the loan forgiveness and move funds to “grant” status.

As a basic summary relating to these PPP funds, (\$213,900) the CARES Act and PPP guidelines states we will qualify for this desired “loan forgiveness” if funds are used in the following manner: At least 75% of this total must be used for payroll purposes such as pay and benefits and a maximum of 25% may be used for mortgage interest on existing mortgages and utility expenses. It is fine if the percentage goes higher than 75% for payroll but if lower than 75% the PPP forgiveness amount will be reduced. The payroll amount is based on employees on payroll earning the funds during the eight weeks, not cash paid out for payroll purposes during the eight weeks.

For ELT Board purposes, I’ve been asked to have you confirm in writing the answers to the following questions, so thank you in advance for your key assistance:

- 1) With mortgage interest amounts at \$8,000 a month x 2 or \$16,000 and utilities (electricity, gas, water, phone, internet use) were about \$4,000 a month x 2 or \$8,000. If we take this \$24,000 (16+8) off the \$213,900, this leaves a maximum payroll forgiveness amount of $\$189,900 / 2 = \$94,950$ every 4 weeks. Is this scenario correct? Y/N
- 2) Typically the actual amount of payroll earned/paid (including benefits paid out such as medical insurance, social security and housing allowances...) is included in this potential loan forgiveness. Y/N
- 3) St. Luke’s furloughed 12 staff including 2 full-time and 10 part-time. Our payroll was significantly reduced based on these furloughs. These 12 are typically covered by the Pandemic Unemployment Assistance (PUA) program as they were “furloughed due to the Coronavirus”. (In our case we worked closely with our employees to assist with the PUA application process and all but 1 or 2 are receiving weekly PUA funds.) Y/N
- 4) An appropriate and intended use of these PPP funds is to pay employees for not working, due to the C-19. Several of our staff that were not furloughed had their hours reduced due to the C-19 and during these 8 weeks we plan to pay them at their pre-C-19 hour levels. Acceptable for loan forgiveness? Y/N
- 5) We hired two painters as hourly employees, to paint our Malkow Hall gym (in serious need of paint/repair) during these eight weeks. My understanding is seasonal payroll workers are covered in the PPP amounts. Including their payroll as part of the loan forgiveness is acceptable? Y/N
- 6) Instead of calling back our furloughed janitorial service in May, we hired two employees on payroll to do the campus cleaning. This is an appropriate use of payroll following the PPP guidelines in order to receive loan forgiveness? Y/N

- 7) We hired a part-time summer interim Director of PS/K who was acting as a consultant for us. These payroll costs during the eight weeks will qualify toward the PPP loan forgiveness? Y/N
- 8) If we were to hire a seasonal maintenance person for the next 5 weeks, this payroll would be covered as well? Y/N
- 9) Payments made to contractors for services or payments made for materials are not items that qualify for PPP loan forgiveness. Y/N
- 10) PPP guidelines released last week state no SBA audits will take place on any businesses or non-profits who receive PPP funds if the amount is under \$2,000,000. Y/N
- 11) The local bank through which the PPP SBA application was processed, will determine if the funds spent during the eight weeks qualify for PPP loan forgiveness, (based on directives and guidelines issued by the CARES Act/PPP) and using their judgment the final PPP “grant” amount will be determined between 2-6 weeks after the PPP loan forgiveness application (with documentation) is submitted to HomeStreet Bank. Today an 11-page application was made available to those receiving PPP funds. Previously you/we were told this application was to be one page. You will be helping us with this 11-page application to best ensure we fill it out and file it correctly in order to optimize our loan forgiveness-grant opportunity. Y/N

Thank you for responding to the above 11 questions via email today, so that our St. Luke’s ELT Board will have additional confidence we are handling PPP related financial matters in the most appropriate manner per CARES Act/PPP guidelines issued as of today.

Sincerely,

Jonathan

Jonathan McVety
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Addendum A:

After discussion, we came to a general consensus to move forward based upon the following:

1. Need for proactive maintenance.
2. While painting of the main building is not yet a critical need, it is becoming weathered and will require painting at some point in the near future.
3. The main benefit to proceeding now is:
 - a. Very competitive quote from Black Pearl Painters of \$39,600 w/tax.
 - b. With the campus shut down, the timing is perfect for such a disruptive project.

With respect to (3b), we asked Jonathan to check with the painters to assure they could start soon in order to complete the project while the campus remains in low occupation.

Black Pearl confirmed they can start June 8 and should be completed by June 26.

Motion via email on May 22, 2020: Motion to approve the painting project with Black Pearl Painters to commence June 8 with a budget of \$40,000.

Motion: Keith Cook

Seconded: John Taylor

Motion Approved - one dissenting vote.