

## Proposed LSA Budget for FY 2017

### GENERAL NOTES

#### Overview:

Several years ago, the Board of Directors recognized the need for significant change, both in response to declining financial contributions to LSA from the ELCA and the LCMS and the need to re-examine the services that LSA should provide to best fulfill its mission. As a result of this analysis, at its April 2013 meeting the Board approved a strategic investment plan over a three-year period for LSA to develop new revenue sources that would create a more sustainable funding model and realign its services for the future. This investment plan included the expansion of staff capabilities, the development of fundraising capabilities, and the development of new revenue sources both for itself and for LSA members.

In the three-year plan approved by the Board of Directors, LSA projected net losses over the FY 2013-2015 period and net revenue in FY 2016. To date, LSA has been ahead of plan with net losses less than half of those projected and net revenue of approximately \$10,000 in FY 2016.

Despite the turnaround, work remains to be done to establish a truly sustainable funding model for LSA. The FY 2017 proposed budget provides for net revenue of \$17,600, based on total revenue of \$3,461,600 and expenses of \$3,444,000.

LSA staff levels have remained stable over the last four years although since moving LSA's headquarters to Washington, DC in 2013, there has been a significant shift from operational and administrative skills to skills in member engagement, marketing and development. The initial personnel plan for FY 2016 provided for 13 staff. During FY 2016, LSA was awarded a \$2.5 million three-year grant from the Margaret A. Cargill Foundation ("MACF"), and to increase LSA's capacity, a position was added to provide project management and other member engagement support. The FY 2017 budget retains this same complement of 14 staff members.

LSA's cash position as of February 29, 2016, including investments in CDs, was \$1,996,206. LSA Board policy requires unrestricted cash balances to be maintained at levels at least equal to 50% of the prior fiscal year's expense budget excluding expenses for projects funded from temporarily restricted accounts. LSA is projected to end FY 2016 with unrestricted cash balances of approximately \$1,600,000. LSA does not expect to fall below the required cash reserve threshold of about \$1,125,000 at any time during FY 2017.

Key assumptions on which the proposed FY 2017 Budget is based include:

- Revenue of \$3,461,600, which is approximately \$318,000 higher than FY 2016 projected revenue. Of this total, \$885,500 is projected from the MACF for this second year of this grant, which is for a multi-member senior services program.
- Church body funding where the ELCA has agreed to a goal of \$400,000 and the LCMS has committed to a goal of \$130,000, in both cases slightly more than their respective contributions for FY 2016.
- The realization of \$100,000 in previous intentions by members to give to the LSA 20-500 Fund.
- Approximately \$300,000 in new grant revenue as well as additional contributions from individuals and organizations. Work is underway to obtain this funding; specific funding for the full amount, however, has not yet been identified.
- A modest 3% increase in member dues. The proposed dues schedule for FY 2017 is attached.
- Expenses of \$3,444,000, which is \$309,100 higher than FY 2015 projected expenses. Of these expenses, \$796,300 is for the re-granting of grant revenue, mostly from the MACF grant, to the members for the services

they will perform under grants. This represents a \$146,800 increase over projected FY 2016 re-granting expenses to members.

- Staff expenses of \$1,627,600, an increase of 5%, due in part to recognizing the full year effect of the new position created during FY 2016.
- A reduction of both Events revenue and expenses of \$30,000 to recognize that the Lutheran Leadership Summit, for senior executives below the CEO level will not be held in FY 2017.

As it moves forward in FY 2017, LSA will continue its focus on developing long term strategies that will result in strengthening the Lutheran network combined with potential revenue growth.

**Lutheran Services in America  
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\$ (000's)**

REVENUE	Fiscal Year 2015 Actual	Fiscal Year 2016 Budget	Fiscal Year 2016 Projection	Fiscal Year 2017 Budget
Contributions - Cash				
ELCA	431.4	450.0	385.8	400.0
LCMS	140.0	126.0	126.0	130.0
Organizations & Individuals	154.9	130.0	120.0	140.0
Membership Fees	754.7	780.0	840.0	890.0
LSA 20-500 Fund from Member Organizations	147.0	100.0	111.4	100.0
Programs & Services				
Events	304.6	400.0	365.0	335.0
Services delivered	164.5	185.6	177.8	206.6
Other Sources				
Investments	20.3	14.0	14.0	14.0
Royalties & all other	44.5	27.0	57.0	30.0
Reimbursed expenses	2.1	2.4	-	20.4
Sub-total - Unrestricted	2,164.0	2,215.0	2,197.0	2,266.1
Grants - Temporarily Restricted				
Berg Memorial	50.0	30.0	30.0	10.0
Other Grants	235.0	350.0	916.2	1,185.5
Sub-total Temp. Restricted	285.0	380.0	946.2	1,195.5
<b>TOTAL REVENUE</b>	<b>2,449.0</b>	<b>2,595.0</b>	<b>3,143.2</b>	<b>3,461.6</b>
EXPENSES - Natural Categories				
Human Resources				
LSA Staff	1,385.2	1,549.9	1,488.6	1,627.6
Professional Services	444.2	289.9	291.4	314.3
Sub-total - Human Resources	1,829.4	1,839.8	1,780.0	1,941.9
Travel	95.1	140.0	140.0	140.0
Events	227.7	270.0	235.0	205.0
External Communications & Relationships	61.4	49.6	64.5	65.6
Office & related	109.5	120.3	117.6	121.1
Printing & Mailing	25.8	34.0	34.0	30.0
Telecom & Info. Tech.	75.8	78.9	71.1	79.4
Financial Expenses	25.1	35.9	35.1	35.9
All Other Admin Expenses	3.4	10.0	6.3	5.5
Other Grant Expenses				23.4
Re-grants to Members			649.5	796.3
<b>TOTAL EXPENSES</b>	<b>2,453.2</b>	<b>2,578.5</b>	<b>3,133.1</b>	<b>3,444.0</b>
<b>NET -- REVENUES LESS EXPENSES</b>	<b>(4.2)</b>	<b>16.5</b>	<b>10.1</b>	<b>17.6</b>

**DETAILED ASSUMPTIONS OF LSA REVENUE AND EXPENSE CATEGORIES:**

**REVENUE**

- Contributions from ELCA and LCMS – Both the ELCA and the LCMS have agreed to the goals that would increase their FY 2017 contributions by a total of \$18,200.
- Contributions from organizations and individuals – assumes that FY 2017 contributions will be \$140,000, \$20,000 more than projected FY 2016 revenue.
- Membership fees – FY 2016 is based on a dues schedule that is 3% higher than in FY 2016.
- Events – Includes registration fees, exhibit fees and sponsorships associated with the Annual Conference and the CEO Academy. The Lutheran Leadership Summit will not be held in FY 2017.
- Services Delivered – This revenue is based on agreements that determine the amounts provided to LSA to support the LSA Disability Network, LSA Disaster Network, and other networks.
- Investments – FY 2017 investment income is based on beginning balances of \$1,300,000 in CDs and \$300,000 in money market accounts yielding a composite return of 0.7%.
- Royalties and all other – This reflects small recurring revenue amounts from preferred business relationships. During FY 2016, it included \$30,000 in non-recurring revenue.
- Grants – Temporarily restricted funds received in prior years will provide carry-over funding that will be expended by LSA into FY 2017. LSA will be pursuing additional resources in FY 2017 to obtain additional grant funding. The Berg Memorial Fund grant through Twin Lakes Community for the CEO Academy is expected to decline from \$30,000 to \$10,000 in FY 2017.

**EXPENSES**

- LSA Staff – FY 2017 proposed salaries and benefits are based on 14 FTEs. This line item includes salaries, payroll taxes, health and welfare benefits, and retirement plan matching.
- Professional Services - This line item includes consulting support for marketing and grant-related projects. This line item also includes costs associated with many activities LSA outsources in lieu of developing in-house expertise including accounting, auditing, legal and graphic design.
- Travel – Includes travel for LSA staff and Board members. In addition, limited travel for members funded by grants is included.
- Events – Includes facility and program costs for the Annual Conference and the CEO Academy.
- External Communications & Relationships – Includes LSA's membership in national organizations related to the services and missions of LSA's members, costs of LSA Board of Directors meetings, and a modest amount for communications.
- Office & Related – Rent, office equipment, and office supplies are the prime components of this line item.
- Printing & Mailing – The FY 2017 proposed budget is \$4,000 less than projected FY 2016 expenses, as LSA will continue to control expenses for LSA's Conference brochure, Annual Report, and other printed materials and use electronic communications where possible.
- Telecommunications & Information Technology – Telephone, network, computer support, computers, and software comprise this group.
- Financial Expenses – Includes depreciation, bank fees, insurance, and non-employment taxes.
- All Other Administrative Expenses – The FY 2017 proposed budget includes funding for e-commerce and other administrative expenses that are not classified elsewhere.
- Other Grant Expenses – This category is for programmatic grant-related expenses that are not classified elsewhere.

**NET**

- FY 2016 Projected – LSA expects to have revenue exceed expenses by \$10,100 versus a budgeted excess of revenue of \$16,500.
- FY 2017 Proposed – LSA expects net revenue of \$17,600 in FY 2017.



## LSA Proposed Dues Structure for FY 2017

July 1, 2016 – June 30, 2017

Dues increase of 3%

Numbers are rounded to the nearest \$5.

Annual Consolidated Operating Expense Budget (\$ in millions) From the most recently completed fiscal year. <b>Total combined budget for all affiliated and subsidiary organizations.</b>	Sustainer Minimum dues that contribute to our shared work	Futurist Dues that open new opportunities for members to strengthen our service capacity	Catalyst Dues that expand services such as leadership development, funding opportunities, advocacy, and telling our story more broadly  Add your target.
<= 1.0	130	150	150 + \$ _____
> 1.0 - 2.0	210	240	240 + \$ _____
> 2.0 - 3.0	350	400	400 + \$ _____
> 3.0 - 4.0	485	555	555 + \$ _____
> 4.0 - 5.0	625	715	715 + \$ _____
> 5.0 - 7.5	955	1,085	1,085 + \$ _____
> 7.5 - 10.0	1,325	1,520	1,520 + \$ _____
> 10.0 - 15.0	2,065	2,375	2,375 + \$ _____
> 15.0 - 20.0	2,825	3,240	3,240 + \$ _____
> 20.0 - 30.0	4,475	5,130	5,130 + \$ _____
> 30.0 - 40.0	6,120	7,005	7,005 + \$ _____
> 40.0 - 50.0	7,900	9,045	9,045 + \$ _____
> 50.0 - 60.0	9,655	11,050	11,050 + \$ _____
> 60.0 - 70.0	11,420	13,070	13,070 + \$ _____
> 70.0 - 80.0	13,175	15,080	15,080 + \$ _____
> 80.0 - 90.0	14,925	17,090	17,090 + \$ _____
> 90.0 - 100.0	16,695	19,105	19,105 + \$ _____
> 100.0 - 200.0	18,830	21,540	21,540 + \$ _____
200 +	20,995	24,020	24,020 + \$ _____