***2020 FINANCIAL REPORT (prepared on the basis of pre-audited accounts)***

**Church Finances (non-Mission)**

When the COVID-19 lockdowns started in 2020, there was a lot of worry in the Church about its financial sustainability. Since 2017, the Church had been more or less breaking even, with roughly the same amount of income being received as there were expenditures being made to keep it going. This was a good thing in the short-term, but it meant that the Church had no real ability to withstand a major shock, either in terms of a large drop in income or a major increase in expenditure.

Until 2020, it was hoped that a solution might still be found before such a shock occurred. Various ideas were put in place but none with a great enough impact when the big shock happened: COVID-19 and the consequent lockdown hit us all. Church services moved online with considerable success but the physical constraints hit the Church income in two main ways: there was no cash collection on a Sunday morning any longer and quite possibly no Church Fair. In 2019, these two had made up 39% of total income. Without them, the Church would face a huge drop in income. At the same time, expenditures would remain at their current and ongoing levels. Most of the Church’s expenditures now are fixed costs which remain regardless of circumstances[[1]](#footnote-1): employment costs, rental and maintenance of the Auditoire, the Salle and the Manse, assessment dues to the Church of Scotland and so forth. There simply wasn’t, and still isn’t, any room to achieve a significant fall in costs. The Church has enough reserves to keep going for a short while in cases like these but not indefinitely at all.

The Congregation responded magnificently in the face of this crisis. What was not hit was the Freewill Offering system and the similar capacity to provide donations online. These two increased together from CHF 78k in 2019 to an impressive CHF 106k in 2020. The Church Fair made CHF 15k in 2019. Its online equivalent in 2020 made CHF 10k, as people realised the crucial value of it to the Church, both as a source of finance as well as something which encourages community. Members of the Congregation sold home-made produce online and many simply made generous donations to the concept of a Church Fair. In short, members of the Church stayed the course with their existing givings through the Freewill Offering scheme, switched from cash offerings to online donations or increased both through boosted donation amounts. In the end, the deficit of CHF is unfortunate in itself but hardly represents an overwhelming disaster, such as had been feared earlier during the year.

The question remains: is this a cause of relief or a serious concern for the Church ? The answer is basically both. A deficit of CHF 20k is not to be taken lightly. This level of deficit has not been seen for over a decade (although it comes close to the 2014 deficit of CHF 17.5k if adjusted for inflation). In the longer term, a worrying concern shows:

*\*2016 surplus adjusted downwards to take into account redemption of reimbursable loan for expenses on former Manse made in 2014*

To unpack the above, the dotted red line represents the breakeven point, where income and expenditure equal each other. The solid orange line shows the budgeted levels, the dashed purple line the actual levels observed. The good news is that the actuals have exceeded the budgeted trends since 2015. The bad news is that since 2017 they have still been following them and since the Church has consistently budgeted for an increasing deficit since then, this is a downward trend which cannot continue forever.

So the next question is, what is driving this ? This is much simpler to answer, at least at a superficial level: the income levels are falling:

Expenditure has remained more or less stable since 2016 but income has been declining since 2014 and has continued to do so, even while expenditure has remained approximately stable.

The good news is that the experience of 2020 has shown that there may be hope of finding a strategy to solve this. Income in 2020 fell off sharply, mainly because there were no cash offerings after early March. In 2019, these amounted to CHF 39.2k or 29% of non-Mission income. In 2020 they amounted to CHF 6.8k, entirely received up to mid-March. At the same time, the Congregation moved dramatically to giving through bank transfers, whether through increased Freewill Offering contributions or individual donations. Freewill Offerings and donations in 2020 together amounted to CHF 105.6k while in 2019 they had been at CHF 77.8k. So a loss of CHF 32.4k in cash was compensated by an increase of CHF 27.8k from Freewill Offerings and donations. The additional loss in income was mainly from reduced levels of special fundraising and Church Fair income although these were not as severe as was initially projected (see above).

The important point is that the increase in electronic transfers showed the Congregation taking full responsibility for maintaining itself. Some of the cash income in a regular year with a Service each Sunday comes from visitors to the Church and those passing through. These people, for obvious reasons, did not continue to give in 2020 through bank transfers. So the increases in other forms of income which offset that drop were only coming from members of the Congregation themselves, in many cases even contributing more than usual by bank transfer in response to the Church’s situation in 2020. If the Congregation can sustain this level of giving once the Church opens its doors again, then the additional income from visitors and other sources could help to close the gap between income and expenditure. It isn’t immediately clear quite how much this would entail (it is not possible to distinguish between cash contributions from Congregation members and from visitors) but nonetheless, it is a reason to be optimistic going forward.

Not everybody has always appreciated the ongoing calls for electronic giving but in a way, it is only the virtual equivalent of the weekly offering plate in the Church. The Church is about much more than money but it does need funds simply to keep it going. There is still a deficit to address and future surpluses will have to come into reality to address this. Large income increases are needed so as to build increased shock resistance into the system, should another emergency occur. It is also worth noting that almost halfway through 2021, the Church is still not operating physical Services so the crisis is hardly over.

Nonetheless, the figures show both that while things are not in a good way per se, at the same time, the Church is fully capable of sustaining itself. In that much, the giving levels in 2020 are a message of real hope: faced with a crisis, the Congregation has risen to it. Church life has continued online, even in terms of the greatly missed Church Fair. The key lesson is that with enough energy and determination, the Church and its Congregation can keep going. In fact, the Church may even see itself not only recovering but even growing again. The hope is there and so is the way forward.

**Mission Finances**

What was achieved by the Church’s Mission work is reported in the section on it in this report. From a financial perspective, 2020 saw a total income of CHF 58,567. This was split at approximately CHF 42.3k for work in Nepal and CHF 16.2k for work in Malawi. The figure for Nepal included a special donation of CHF 16k for Lalgadh Hospital in Nepal. Without this, the total Mission income was CHF 42,567.

This represented an increase over the levels of Mission giving seen in 2019 (CHF 37,525 in total, adjusted for special Nepal contributions). It was certainly encouraging to note that the income for Mission work did not diminish under the restrictions of 2020 but this is not in itself surprising. Unlike Church income, which typically relies to a large extent on cash donations and the Church Fair, Mission income has, at least in recent years, relied heavily on bank transfers, especially from a handful of very generous, key donors. Restrictions on Church Services on a Sunday would not have affected these givings. The breadth of Mission giving may have declined without the donations of Mission envelopes on Sunday mornings but in a purely financial sense, these were never anywhere near as significant as support through bank transfers. It is worth noting, however, that as always, this does leave Mission income quite vulnerable to the loss of any of its handful of key donors for whatever reason. There is not a great deal of shock resistance in the current structure. However, the extent of smaller donors is perhaps encouraging since they might be able to cover the loss a major donor if requested to do so in case of a particular emergency. This is a particular risk for Malawi which is extremely reliant on the Church for most its support although the work supported in Nepal is also of great importance.

Extensive support was provided to both projects, since the income received for Mission work in one year is considered fully expensed in the same year as the funds received already carry an effective commitment made that year to be made payable in future. In practice, it means that the cash flow of Mission funds can remain high enough to sustain operations from one year to the next, subject to the absolute levels in question.

The high level of support provided to Malawi meant that the cash balance still available at the end of 2020 was CHF 5,547 for that project, which was an improvement over the balance of the previous year. The cash balance for Nepal was CHF 7,373. This left the Church with a sufficient cash flow to provide ongoing support into 2021.

**Note of Appreciation**

Following the end of the Church’s contract for tax assistance purposes with Geneva Tax and Audit SA, the Church was recommended to seek the assistance of Mr Peter Rupf of SOFAD SA. Mr Rupf and his colleagues have provided generous guidance and assistance to the Church on a pro bono basis over the course of the past year, providing payroll calculations and documents, and assisting greatly with taxation requirements and queries. This has been a real blessing to the Church, which would like to thank Mr Rupf and SOFAD SA, with whom it looks forward to continuing our relationship.

1. Total non-Mission expenditure in 2019 was CHF 140.6k, rising to CHF 143.4k in 2020, mainly due to slightly higher employment costs and the Church of Scotland Mission and Renewal Assessment [↑](#footnote-ref-1)