

United Church of God, an International Association
Council of Elders Meeting Report
Dec. 15, 2008—Milford, Ohio

The December quarterly meeting of the Council was called to order this afternoon by Chairman Robert Dick. (Council members had met in committee meetings on Friday, Sunday and this morning). Mr. Dick noted that he, Clyde Kilough and Strategic Planning Committee Chair Roy Holladay agree that we must be looking at the budget, and that we must be looking at the current financial state of the world. Strategic planning will be all the more important in these uncertain times.

Mr. Kilough presented the President's Report. Afterward, Treasurer Jason Lovelady led the Council in a discussion about the current financial picture of the Church and presented suggestions for the Council to consider regarding the current budget.

The President's Report

In his opening remarks, Mr. Kilough remarked that he would give an overview of the activities of the Church, but that the main discussion will take place tomorrow when the entire day will be devoted to strategic planning.

Ministerial Services

In September, a survey was sent to all elders in the United States requesting information on possible employment by the Church. There were 134 responses to the survey, which is 58 percent of the total. From this survey we have a list of 20 candidates who have expressed interest in the full-time U.S. ministry within the next one to three years. Each will be contacted by Richard Pinelli, coordinator for Ministerial Development.

Two congregations are still waiting on a pastor. This is an improvement over last year, primarily due to Tom Kirkpatrick entering the field ministry and Bill Jahns returning from South Africa to pastor. We are still in the process of hiring two men into the full-time ministry this fiscal year.

Britton Taylor, in addition to his pastoral responsibilities, has been asked to serve in a newly created position of retirement coordinator. He had been on the ministerial retirement and remuneration task force previously, and is a certified financial planner and a registered investment adviser. He will be the liaison from the administration to those who will be considering retirement. He will also keep in contact with pastors who are on retirement, including widows of our full-time pastors, so that their needs are met.

In January 2009, the third pastoral training classes will begin. There will be three sessions, each lasting 10 days. The program is for new hires and pastors. It began with those pastors who had the least seniority, and this year will include those who have from

18 to 21 years in the field. Twelve men, including some from the international areas, will participate. Roy Holladay asked if it would be less expensive if the classes could be held in one session. Mr. Kilough responded that doing so would take the men out of their pastorates for a prolonged period. Richard Pinelli noted that usually after the seventh day, most men are looking forward to going home, and that “information overload” sets in. Hence—three sessions.

Educational Program Updates

ABC: We accepted two new students for second semester (January 2009). We have so far accepted three students for the 2009 fall semester and applications continue to arrive.

Travel Education: We are planning a spring education tour of Israel during the Passover and Days of Unleavened Bread. Over 50 participants have made deposits for this 10-day trip. Approximately 16 hours of instruction is planned during the tour by elders. We have now posted six lectures from the Greece tour on the Members’ Web site.

Continuing Education Programs: We will continue to conduct both ABC and WNP continuing education seminars at the Winter Family Weekends in both Louisville, Kentucky, and Portland, Oregon. Members have noted on surveys that they appreciate opportunities to attend educational seminars. There will be 24 seminars in Louisville this year.

Preteen Youth Instruction: The Youth Education Task Force met in Phoenix, Arizona, in August 2008 and is currently reviewing and rewriting the Sabbath Youth Instruction Program.

Marriage Seminars: Ken and Kathy Giese are being trained as presenters for Intimate Life Marriage Seminars. Two other couples are also involved in this training: Dave and Pam Myers and Randy and Kay Schreiber. Marriage seminars will be introduced and presented following training.

Focused Education: In March 2008, the first focused-education seminar was conducted in Phoenix with over 175 attending. Three more seminars are planned in 2009. The “Breaking Free” Web site (<http://breakingfree.ucg.org>) continues to be popular, with the average viewer spending almost 15 minutes on the site. The most popular articles are about losing weight and dealing with sexual addictions.

Church Statistics Updates

Feast of Tabernacles Attendance: For the past three years our attendance has been static. This is a bit misleading in that we have had some adjustments in Africa that have affected our total attendance figures. In the past three years we have seen our numbers in Ghana decrease. Our current Sabbath attendance in Ghana is around 600 to 700, but our Feast attendance was 545. The Feast attendance this past year in Nigeria

was 125 with a total Sabbath attendance (including scattered members) of about 180. A similar pattern has taken place in Kenya. Our Feast attendance there has leveled off at 300, although there are close to 700 attending Sabbath services. We have several hundred people attending services in Ghana, Nigeria and Kenya who are unable to attend the Feast because of financial reasons.

Following are the Feast of Tabernacles figures for the past two years:

2007 Attendance: 21,196 (including shut-ins who received tapes).

2008 Attendance: 21,105 (including shut-ins who received tapes).

Following are the attendance figures from the Church Information System—the number listed as attending fluctuates from month to month:

U.S. Church attendance according to file Jan. 31, 2008: 15,498.

U.S. Church attendance according to file Nov. 26, 2008: 15,345.

U.S. baptisms 2008 through November: 134.

Following are the figures from Ministerial Services—Church pastors' monthly reports and MS reports: (*In a normal year, our attendance "spikes" two times a year — around the Holy Days in April and September.*)

Average weekly high attendance for the United States in April 2008: 13,562.

Average weekly high attendance for the United States in September 2008:
13,259.

The following are the average attendance figures for all services without taking into account highs and lows:

Average attendance for 2007: 11,500.

Average attendance for January through June 2008: 11,505.

Average attendance for 2008 through September: 11,491.

Total U.S. congregations: 216.

Media and Communications Services

Following the meeting between the administration and Leadership Strategies in October, we have revised and refined the action plans that will provide realistic metrics for future measurement. This first year is requiring more start-up time than originally anticipated. We were a little too optimistic in our due dates, considering that this is a complete change in the way we have functioned.

We continue to gather extensive information on the availability and costs of broadcast opportunities on television and radio. We believe that these belong in our media mix, but we must justify the high cost. We are considering the potential impact and

cost effectiveness of 30-minute programs on TV and the potential of 60-second spot ads and/or commentaries on both radio and TV. We will carefully consider how to test the effectiveness of any and all of these options.

The development of our Internet presence remains a high priority. Baselines are being established that will give us benchmarks for measuring growth. To this end, Aaron Booth is working closely with the Web Development Task Force. He is also working to improve our search engine optimization (SEO) skills. This process will speed up as a new Web designer comes on board and Mike Bennett is able to disengage somewhat from the *United News* details. This phase should be complete in March 2009 now that Liz Cannon has been hired as the associate editor for *United News*.

We are pleased with the results of both Aaron Booth's SEO efforts and Peter Eddington's search engine marketing (SEM) efforts. These terms can be roughly defined as: SEO—making our Web sites more visible and higher ranked on search engines by means such as better tags, keyword density, better descriptions, more links, viral content and a host of other tools; and SEM—purchasing online advertising including keyword ads and banner ads and using regular analysis to strategically place these. We have gained several notches in Google (and other) search rankings with minimal tweaking of SEO and lowered our cost per response through judicious SEM.

A task force at the home office is discussing and refining a list of key elements that best enunciate the uniqueness of the true gospel. This list will also become a basis for establishing keywords and phrases in our literature to improve our "findability" on the Web.

Writer training is a priority because a compelling message is the basis of greater impact. Training materials are in development and workshops and seminars are being scheduled. These include a workshop for beginners at the Winter Family Weekend in Louisville, and two days of classes and discussion in the Editorial Conference scheduled for March 16-19. Ongoing writer educational activities will be planned.

Also, in cooperation with Ministerial Services, we hope to begin a series of *Good News* lectures in congregations with high circulation numbers. We envision these to be cooperative efforts between the local pastor and the home office, with total involvement of the members. (Some pastors are already doing these on a test basis.)

Media Updates

In November 2008, animated display and banner advertising of our literature was added at Yahoo, Google and their partner Web sites. This now supplements the keyword search ads that have been running for many years. Statistically, it has been shown that search results improve greatly (an average of 26 percent) when accompanied by display advertising. In just the first two weeks we saw our cost per response drop at both Yahoo and Google for our search advertising since incorporating the display ads.

We have also noticed in the last four months an increase of visitor activity at the *Beyond Today* Web site (www.beyondtoday.tv) to a high of 40,000 for November. The average monthly visitor activity had been about 14,000. The average response per *Beyond Today* program continues on an upward track as well, and is presently at 194, up from 156 in February of 2007—a 24 percent increase. Some helpful suggestions have come in from members about the program, and so we are incorporating new ideas and continue to improve the quality and content of *Beyond Today*.

We recently revised our main Web site (www.ucg.org). Mike Bennett has prepared Frequently Asked Questions with responses. The questions were chosen based on Personal Correspondence and researching search words. We have also posted the daily *GN Commentaries* on www.YouTube.com, www.ucg.org and www.gnmagazine.org.

There have been several meetings dealing with the revision of the *Bible Study Course*. The plan is to develop an interactive online course. We plan to have a different approach by arranging the lessons in modules. This will be a topical Bible study course with progressive lessons for each topic.

The *World News and Prophecy* magazine has increased to 62,200 subscriptions—a 22 percent increase over a year ago. There has been very little advertising for this publication.

The Good News circulation now stands at 555,740. There are 417,284 U.S. subscribers. This figure will drop in the next few months as we have now moved into the annual renewal program (we had a two-year renewal program earlier). The annual renewal effort verifies the commitment of readers and helps us to more efficiently use our resources.

Our *Reader's Digest* ads continue to generate subscribers. We continue to receive responses every month from our March 2000 ad for the *What Is Your Destiny?* booklet. Our current ad in the November issue has generated 7,000 responses so far.

The Church's base of coworkers and donors is fairly steady. As of November 2008 we have 2,900 coworkers on file and 5,298 donors on file. Our coworkers receive four letters a year from the president, letting them know about the activities of the Church and how their donations are being carefully used.

Mr. Kilough explained that we previously had not dropped inactive coworkers, so in January of this year, we recalculated the figures. Currently, we consider a person a coworker who donates twice or more in a six-month period. If they then don't donate in over a year's time, they are no longer classified as coworkers.

Bill Eddington asked why the amount of incoming mail has dropped by 15 percent in the past 12 months compared with the year before. Mr. Kilough responded that major print ads had not been done as much this year. Larry Salyer also noted that cards from the *Reader's Digest* have just begun to arrive, and so incoming mail will increase.

Mr. Salyer also mentioned later that Tom Robinson has been deeply involved in the editing of our booklets and other editing projects. This has caused a lengthy interruption in the *Bible Reading Program*. He said that Mr. Robinson would like to have some lead time to write a number of the commentaries ahead of time so the program will not have to be delayed in the future. Richard Thompson asked if there are reviewers assigned to this project. Peter Eddington noted that there are seven men who review the *Bible Reading Program*, and that each publication the Church produces has reviewers that have been approved by the Doctrine Committee of the Council. Both Mr. Kilough and Mr. Salyer remarked how many men are volunteering and wearing so many hats that sometimes we don't thank them enough for all the extra hard work many are doing.

Mr. Holladay also asked why some radio stations are being dropped. Mr. Salyer replied that we are not cancelling, but that we are not renewing the contracts when they come up for renewal, because currently the cost on radio has risen to about \$114 per response, and that is a lot higher than a space ad in *Reader's Digest* that runs about \$6.50 per response. However, we are still looking at placing some spot ads on radio.

Financial and Budget Discussion

Mr. Lovelady began the discussion by noting that one of the objectives he presented in the May meetings was to move toward monthly budgeting. This means to take the annual budget and break it down to a monthly basis. Moving throughout the year comparing actual expenses to an annual budget works well if both the income and expenses are spread equally across each month, but if they aren't spread equally, then it is difficult to determine from budget reports during the year whether we are on budget or not on budget. So, he then presented an in-depth written report to the Council that included monthly income and expenses.

The report he presented summarized each expense by department for each month. It also gives an accurate reading of projecting cash flow throughout the year and when we come to the low point in our reserves, which happened in September. Another benefit of a monthly budget is that one can look and see how we are year to date with the annual budget instead of just seeing a percentage. For instance, through November 2008, we are almost \$295,000 below budgeted income, which is 2.8 percent below the budget.

Even though we have been running at a 2 percent increase over last year, we are still 2.8 percent below budget. One of the reasons for this is that, while the Holy Day offerings were higher than last year, they were actually 1.2 percent less than budget. This explains part of the budget shortfall year to date. Expenses, though, are running about 2 percent under budget, which is good.

Roy Holladay asked about the interest income. Mr. Lovelady replied that we budgeted \$250,000 for interest income, and most likely we will receive less than \$100,000. There are reasons for this. One, we don't have as much cash on hand as we did last year. Two, the interest rates were better last year. Thirdly, with the state of the

financial markets today, there are less short-term investment options available. The secondary market for Treasuries doesn't provide a yield anymore, and even AAA commercial paper, which traditionally has been our primary investment option, is no longer as stable as it used to be. Currently, Gerald Seelig, the Strategic Planning and Finance Committee and Mr. Lovelady are looking for investment options that will better secure our principal while still providing for us at least some level of return.

Mr. Lovelady then pointed out the statistics for Category One income, which includes tithes and offerings. This category accounts for almost two thirds of the overall income for the Church. He noted that in the last 52 weeks it was 1.61 percent above the previous year. For the last 24 weeks it was 0.94 percent above the previous year. For the last 14 weeks, it was 2.14 percent below the previous year, and for the last six weeks, it has been 3.81 percent below the previous year. So, we are trending down in the last few weeks.

Based on this trend and our current year-to-date performance, there are two scenarios we should consider for the remainder of this fiscal year. First, if we continue the 24-week trend for the rest of the year, which is 2.8 percent below budget, we would end the year with \$23,820,000 when we budgeted for \$24,500,000. This would be a shortfall of about \$680,000. The second projects a flat scenario or no increase over the previous year for the remainder of this fiscal year. We would then end the fiscal year with \$23,580,000, which is \$920,000 below budget.

Of these two scenarios, Mr. Lovelady stated that it would be prudent to look at things through scenario two, especially since we do not know what the anticipated income bump (which comes in every year during December and January) will be. In the past it has produced about \$800,000. We can revise the decision at the February meetings, but right now, the trends show scenario two as the most likely.

He then offered three suggestions of program areas that could be put on hold: First, the \$550,000 allocated in the budget to be used in developing the Denton property. This implementation wasn't expected to take place until later, so this would not have impacted the budget at this time. The second is the Cost of Living Adjustment (COLA) that was to take effect in January. This would have cost \$212,000 in this fiscal year. But, once this is put into place, the total yearly cost will be close to \$450,000. The other program is the \$150,000 that was set aside to determine the airtime feasibility of TV. If these three programs are put on hold, that would cover the shortfall in scenario two.

Mr. Lovelady also mentioned that we should be prudent in our spending in all areas. If income holds to at least scenario two and we enact holding off on these three items, we could actually end the year in a surplus, which will be a positive first step in beginning to restore our cash position to the 10-week reserve level.

During the August meetings, the question had come up about the 10-week reserve policy. As he pointed out during those meetings, there is no magic figure for how much a

reserve must be, but since then, he had done some research, and found recommendations for nonprofit institutions. He presented the following quote from Board Source:

“Most experts agree that if one year’s operating expenses are in reserve, the organization is in a strong financial position...practically speaking, 35-40 percent of a year’s expenses should provide sufficient breathing room for nonprofits with reasonably stable sources of income.”

In translating this to our 10-week policy, currently 19 percent of our income is in reserves. Mr. Lovelady also noted that we have a stable income because of the faithfulness of our members who tithe and give offerings despite financial difficulties in their own lives. He therefore stated that our 10-week policy is reasonable and should remain as a minimal reserve.

Robin Webber noted that we have \$700,000 budgeted for travel, and asked if some of that can be cut back. Mr. Lovelady responded that we have spent about \$300,000 and the remainder is still planned for the Council meetings, pastoral training sessions and the editorial conference that will take place in the last half of the fiscal year.

Mr. Lovelady also noted that the IRS has dropped the mileage reimbursement to 55 cents from 58.5 cents per mile. The Church has followed IRS guidelines in mileage reimbursements. What has increased though is the amount of reimbursement elders not employed by the Church have received in traveling to outlying areas to speak.

Mr. Holladay also mentioned that on Friday and Sunday, the Strategic Planning and Financial Committee met, and they discussed cutting out some things that are not essential to preaching the gospel and feeding the flock. He said that maybe we can cut some money out of travel by having teleconferences instead.

In addition, Mr. Holladay said that the committee decided that it was prudent to keep the 10-week reserves instead of the previously proposed eight weeks. Both he and Bill Eddington also mentioned that the committee had considered requesting a Financial Audit Committee of the Council, but since Mr. Lovelady has presented such detailed reporting, there is no need for that separate committee to be formed.

Mr. Lovelady said we must still position ourselves to cut programs even further if the income drops by February. He said we’ll need to target those areas that are noncritical to the mission of the Church. Mr. Kilough also stated that this exercise should be the process in the international areas that are subsidized by the United States as well.

Darris McNeely said that once we do this, in a time of crisis, then we have to be careful we don’t pad those items that are noncritical to our core mission back into the budget when days are better.

Mr. Lovelady concluded by saying his desire is to see the reserves back to 10 weeks, and to see how God will bless us during this time. He also said the guide to our

expense costs is found in the Strategic Plan, and that plan is the discipline we need in order to help us reach our objectives.

Mr. Dick said the reality is that strategic planning can't be separated from budgeting. A clearer picture will come from the strategic meetings tomorrow as to what programs and items will need to be put on hold.

John Foster
Council Reporter

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