

Editor's note: The figures used in United Methodist Communications' response to the Connectional Table Allocations Team are based on numbers that were included in the allocations team's initial budget proposal. Some of the allocations, such as the percentage of increase to the World Service Contingency Fund, were later changed for the Connectional Table Allocations Team's Jan. 29 budget proposal.



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January 24, 2019

Dear members of the Connectional Table Allocations Team,

We appreciate the opportunity to respond to the proposed allocations, to clarify our financial position and to share how the proposed cuts will impact our ability to fulfill our core mission. We have provided detailed information below responding to the points raised in your letter. However, it is important to state at the beginning that United Methodist Communications has experienced an \$11.2 million reduction in reserves during 2018. That represents an 18 percent decrease in our reserves from what was stated in the letter. Our starting point is significantly lower than at the end of 2017.

Affirmation of Connectional Table's work

We recognize that the Connectional Table has a complex job. Cuts must occur in order to sustain the ministry of The United Methodist Church, and deciding where those should occur is a difficult task.

We affirm that general church expenses must be reduced. In the past two years, United Methodist Communications (UMCom) has been aggressively managing for a new future. We have reduced our administrative expenses from 25 percent to 15 percent, for a savings of approximately \$2 million -- funds that we could instead refocus on the programmatic work of communications to better serve local churches and the global voices of the denomination. For example, we have taken cost-reducing measures like scaling down the size of our board, eliminating the position of a full-time receptionist, reassigning administrative assistants dedicated to our leadership, consolidating operational roles and reducing travel costs by engaging in more denominational meetings via WebEx.

We also affirm that duplication across the church occurs and should be addressed. To that end, we have discontinued certain functions such as health programming (for example, Imagine No Malaria and global health technology), producing calendars and developing sermon starters, recognizing that this work was happening in other agencies as well. The program calendar is an example of where UMCom discontinued a profitable item to better focus on our core mandates for the good of the larger church by eliminating redundancy. In addition to reinvesting in our support for local church communications and the build-out of multilingual communications for the global church, we have invested in 21st century communication platforms and technology for the entire denomination. For example, we've made marketing databases and websites free to all agencies, to avoid duplication in significant expenses. To date, there has been little adoption of such efforts. The Connectional Table allocations letter notes that agencies and funds consider seriously the greater use of shared services including communications; yet there are 13 agency communications departments, as well as communicators for the Connectional Table and Council of Bishops--in spite of a reduced budget. We stand ready to be in conversation on streamlining and absorbing communications from any agency with adequate resources, which would most certainly be more cost-effective than current parallel communication structures.



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We affirm the opportunity for consolidation and have been proactive in working with other agencies. In fact, we started the dialogue on possible Nashville property consolidation over a year ago. We stand ready for back-office function consolidation such as finance, HR and IT. We even invite revisiting exploration of agency consolidation.

As noted in your letter, we also affirm “that the smaller commissions have more limited revenue sources and reserve capacity.” Because of this, we have sought to be good communication partners in absorbing many of their communication-related costs this quadrennium so their budgets can be spent on advancing their core missional work, while enabling us to do ours.

Allocation fairness and reserves reality

We recognize that there is an expectation of the Connectional Table that United Methodist Communications would take the largest budget cut of all of the agencies because of our reserves. We anticipated that. However, we were not anticipating such a wide difference between United Methodist Communications’ share of the budget cut and that of the other agencies. We appreciate the opportunity to provide feedback in line with Scripture and the values articulated in your letter.

One of those values is the question of fairness and justice. UMCom is proposed to take a 37 percent cut, while all other agencies are at 20 percent or less. GBGM, for example, which also has substantial reserves, takes the same cut as other agencies with inadequate reserves. If the size of reserves were the overriding factor, fairness would dictate the use of a sliding scale of some sort across all large agencies with the cut amount driven by a ratio of reserves to the total budget. A similar scale could also be used based upon World Service funding as a percent of total budget or upon total assets as a percentage of budget. Instead, UMCom’s seemingly arbitrary 37 percent reduction is 17 percent more than any other peer large agency.

Moreover, while we affirm our willingness to use a portion of our reserves to fund our budget in the next quadrennium, we are following the reserve policy put in place by the General Commission on Communications. Under the policy, the reserves will naturally decrease as the budget decreases, so some funding will be freed to supplement World Service allocations as proposed. However, the board has determined that spending down reserves more rapidly than the reduction provided by this policy would not be prudent. Our reserves and net assets have already dropped over the past year by \$11.2 million (see chart).

Net Asset and Reserve Balance comparison		
	2017 Audited	2018 Preliminary
UMCom	\$ 41,721,018.00	\$ 35,891,052.00
Foundation	\$ 17,936,185.00	\$ 12,589,587.00
Kingswood	\$ (80,265.00)	\$ (90,197.00)
<i>Net Assets *</i>	\$ 59,576,938.00	\$ 48,390,442.00

Assessed Property Value	\$ 10,462,300.00	\$ 10,462,300.00
Property value on books	\$ (965,611.00)	\$ (821,807.00)
Net Assets @ market val	\$ 69,073,627.00	\$ 58,030,935.00

* Year over year difference include planned reserve spend-down, transfer of restricted INM obligations to GBGM, and market performance.



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The use of reserves for our operating budget will further lower our investment capital and income. Ultimately, using reserves would not be sustainable, but only provide funding for a limited duration.

We support Biblical stewardship

The CT's letter states, "... we also celebrate the faithful and wise stewardship of our general agencies, commissions, national plans, and funds" including managing "resources in order to set aside reserves for the future." Yet there seems to be an implication that having reserves is unacceptable or undesirable or that UMCCom is not practicing good stewardship because our reserves are higher than some others. Not only have we been following acceptable accounting principles and standards and complying with the guidelines as set forth by our board, we have been following precedents set forth in the Bible, which illustrates for us the need for saving, investing, expecting a return and managing resources prudently:

Let them gather all the food of these good years that are coming, and lay up grain under the authority of Pharaoh for food in the cities, and let them keep it. That food shall be a reserve for the land against the seven years of famine that are to befall the land of Egypt, so that the land may not perish through the famine. – Genesis 41:35-36 NRSV

So Joseph stored up grain in such abundance—like the sand of the sea—that he stopped measuring it; it was beyond measure. – Genesis 41:49 NRSV

On the first day of every week, each of you is to put aside and save whatever extra you earn, so that collections need not be taken when I come. – 1 Corinthians 16:2 NRSV

Then you ought to have invested my money with the bankers, and on my return I would have received what was my own with interest. – Matthew 25:27 NRSV

Do not be one of those who give pledges, who become surety for debts. – Proverbs 22:26 NRSV

Adequate reserves are a result of good financial management. However, it appears that United Methodist Communications is being penalized for being good financial managers, while other agencies who have low reserves and who are in difficult budget positions today because of their fiscal management are taking low cuts. Thus, in effect, the allocation is rewarding poor fiscal management and penalizing Biblical fiscal management.

There is also an implication that our board's philosophy toward managing our budget should be usurped. The General Conference has created agency boards to manage each agency, including fiscal and programmatic oversight. The General Commission on Communication has set our current fiscal and programmatic strategy and affirms it, as has been discussed between leadership of UMCCom and the Connectional Table. Removing the fiscal oversight relegates our board to a programmatic oversight only.



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While we do understand that our reserves are higher than some others, having reserves allows us to respond to the unexpected on behalf of the church – as the Bible would have us to do.

They are to do good, to be rich in good works, generous, and ready to share, thus storing up for themselves the treasure of a good foundation for the future, so that they may take hold of the life that really is life. - 1 Timothy 6:18 NRSV

And whoever does not provide for relatives, and especially for family members, has denied the faith and is worse than an unbeliever. – 1 Timothy 5:8 NRSV

Reserves are meant as a safety net for emergency and one-time expenses, not ongoing costs. If we must use reserves to fund a significant portion of the operating budget, we will have no way to fund our essential responsibilities once the reserves are depleted. Additionally, we will limit our ability to respond to emergency needs. For example, we have provided funding for the 2019 Special Session to alleviate the necessity for registration fees so anyone may attend without charge. The whole church will benefit because there was money available to make it happen. Similarly, we have supported smaller agencies and subsidized communicators. We have used reserves for disaster communications following terrorist attacks, earthquakes, hurricanes, and typhoons across the globe when the message of Christ is needed most.

We do affirm that there needs to be more clarification and standardization on appropriate levels of reserves for all agencies. However, we believe that the level of reserves must also be determined by the function of the agency, rather than a one-size-fits-all approach.

Recognizing uncertainty and volatility within and outside the church, the reserve guidelines set by the General Commission on Communication state that we will strive to maintain a reserve between 12 and 18 months budgeted operating expenses: “These levels allow UCom the resources to reassess its strategy while covering contractual financial obligations, providing for an orderly shutdown of operations, and/or ensuring operations for a reasonable and clear period to communicate and explain information within the denomination and to the external world regarding the future of the Church and any changes to its structure and witness. Additionally, these levels allow for an inherent fluctuation in investment earnings and losses due to volatility in the financial marketplace.”

Communication is essential for the Great Commission

The very heart of making disciples – our core mission as a denomination -- is sharing the Good News.

Go therefore and make disciples of all nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit, and teaching them to obey everything that I have commanded you. And remember, I am with you always, to the end of the age. – Matthew 28:19-20 NRSV



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And he said to them, 'Go into all the world and proclaim the good news to the whole creation.'
– Mark 16:15 NRSV

Communication has been essential to the church since the earliest days of Christianity. The earliest thing we know about the Church is from communication: the letters of Paul. Paul's epistles helped to shape the church and record its history. Paul wrote letters for the same reasons that we at UCom communicate on behalf of the church today: to inform, encourage, motivate, inspire, and engage followers of Christ.

John Wesley understood the importance of communication. After all, the world was his parish. He wrote numerous books, sermons and pamphlets and used a printing press to make them as widely available as possible. He equipped his circuit riders with resources much as we seek to equip church leaders and local churches today. No doubt, he would have been elated by the availability and diversity of communication channels and tools available to us today and the ability to share the church's messages with people around the world. We believe that he would encourage the bold use of communications to reach new people, not reducing the capacity to communicate at a disproportionate level.

There is greater opportunity to reach people with the message of God's love than ever before. No doubt, John Wesley would have seized the opportunity to utilize communication tools and technology to the highest level possible. This is at the very core of "finding innovative ways to reach out to a changing mission field."¹ UCom has recognized that now is the time to make investments in communications that pay big dividends in terms of sharing the Good News—especially as we are commanded to share the teachings of Jesus Christ with all nations. New technologies make this more possible than at any time in history. It's unlikely that Wesley would have scrimped in that area going forward. And yet, the agency charged with helping the denomination communicate messages of faith to the world is slated to get the largest budget reduction. What does this bode for the future of The United Methodist Church or have we accepted further decline and loss of influence as *fait accompli*?

Communication has shifted greatly in recent years. While it is easier to communicate today than ever before, it's more challenging to target and influence audiences. Today's communications landscape is increasingly fragmented. With so many different ways to communicate and so many competing messages, it is harder to get people's attention. As a denomination, we have to be present in more places to reach people with different communication preferences, so it's challenging to tell "the United Methodist story through innovative and needed communications platforms"² with significantly less resources.

Communication is vital for church growth. Our mandate is the sharing of the message of Jesus Christ for the transformation of the world. Limiting our ability to do that will have worldwide implications.

¹ Connectional Table allocations letter January 11, 2019

² Connectional Table allocations letter January 11, 2019



The impact of a 37 percent cut

Because we already have taken steps to spend responsibly and frugally, such a large cut becomes more difficult; had we been spending extravagantly, it would be more feasible. Cuts will come from programmatic work as administrative functions have been significantly reduced already as discussed above.

It is important to begin with the human impact of the cut. Communications personnel will be impacted disproportionately and clearly see the message that their jobs have been deemed non-essential *vis-à-vis* other positions in the church. Retention of our staff of communications personnel will be difficult. They have diverse, marketable skills that are in demand in a world that values communications expertise more than ever.

Turning to the specifics of ministries impacted by reduction in our operating budget, local churches stand to lose communications support under the proposed budget cuts. We recognize that local churches and extensions ministries are “the most significant arenas through which disciple-making occurs.”³ We support local churches in the form of grants and communications resourcing, including outreach strategies, social media, advertising, website hosting, website development and materials for evangelism. These services will have to be eliminated or significantly reduced. Creation of resources and training that relate to the leadership development area of focus and help to prepare “lay and clergy leaders for the Church and the world of tomorrow”⁴ are also at risk.

We will have to review all of our communications channels to determine which will have to be curtailed. Storytelling that captures the life of the church—and of those “advocating for justice and for the inclusion of all people”⁵ – will be compromised, which further impedes ministry of the church to communities that are already marginalized. We’ve been expanding how we communicate in the various languages of the church, which now will need to be reduced. Hispanic, German, Korean and Native American communications stand to be lost due to the funding required to sustain them for smaller relative audience sizes, yet we feel communication in these areas is vital to their future. We will also have to scale back our growing coverage of stories from where The United Methodist Church is present in Africa, Europe and Asia, limiting our ability to support a growing global church. Content decisions will need to be made with consideration to readership and cost; stories that are important to the church but costly to produce and in lower demand may not be covered, such as denominational body meetings.

Our advertising campaigns have helped to keep our denominational awareness levels up and top of mind for people when they consider a church. Reductions in evangelism outreach through communication and advertising will take place, potentially having a negative impact on the missional priority of church growth, as well as church-wide giving.

³ United Methodist Book of Discipline (BOD), ¶ 120

⁴ Connectional Table allocations letter January 11, 2019

⁵ Connectional Table allocations letter January 11, 2019



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The use of UCom's board-designated reserves to fund our operating budget will also affect the future of communications within the denomination. For example, the continued development of infrastructure in the Central Conferences and Internet connectivity for Episcopal offices will have to be significantly curtailed, halting progress towards "making inroads in global health and worldwide mission."⁶ The lack of same-day communication solutions in developing countries is indeed an issue of fairness and justice. Funding for digital, radio, and television evangelism in the areas of the world where United Methodism is growing will not be available. Such development of communication infrastructure is funded by a board designated reserve the Connectional Table is proposing be used instead for UCom's general operating budget.

Contrary to the direction taken by some other agencies, UCom has in recent years moved from a fee-for-service model with other church agencies and groups to absorbing costs within our budget, offering free training, making grants to other agencies, providing website hosting, subsidizing communication staff and making investments in technology that benefit other agencies. The reason we made a conscious effort not to charge other entities for these platform services was because we felt strongly the World Service funding we received should cover the cost to ministry partners. With reduced World Service funding, we are forced to look at external revenue models both within and outside of the church by charging for services, which will have impact on other agencies and bodies like the Connectional Table and Council of Bishops. In addition, searching for revenue from sources external to the denomination could also divert the focus of program staff to such efforts that lead to more focus on revenue than on missional priorities. We've seen where this can lead to difficulties when revenue-generating sections begin to dominate the program aspects of an organization. Establishing communications partnerships by absorbing costs rather than a fee-for-service are funded by a board designated reserve that the Connectional Table is proposing be used instead for UCom's general operating budget.

As we move beyond the special session and General Conference 2020, sharing a new vision of the future for the denomination becomes more important than ever. In a time of anxiety and uncertainty for the foreseeable future, communication becomes more critical. But a reduced budget for 2021 and beyond will make that difficult. Such messaging is funded by a board designated reserve that the Connectional Table is proposing be used instead for UCom's general operating budget.

Over the years, we have made extensive efforts to support the Four Areas of Focus, developing stories and resources both to increase awareness and move people to action. Both the Imagine No Malaria and the Abundant Health campaigns are prime examples of successful, significant campaigns that we have developed and supported in partnership with our colleagues at GBGM. Any new vision for the church would need that level of communication as well; but a severely reduced budget will provide no money for extensive campaigns. Such campaigns are funded by a board designated reserve that the Connectional Table is proposing be used instead for UCom's general operating budget.

We had also planned to use reserves to bring together church communicators for visioning for the new quadrennium following the 2020 General Conference. Such a conference is funded by a board

⁶ Connectional Table allocations letter January 11, 2019



designated reserve that the Connectional Table is proposing be used instead for UMCom's general operating budget.

Clarification of UMCom's financial information

Finally, we believe that the Connectional Table's recommendations may be based on numbers that, while accurate, are not presenting a current and complete picture for UMCom. It's difficult to determine how some of the allocation recommendations have been made and whether they are consistent from one agency to the next. With any data set from your presentation, UMCom does not have the highest percentage of funds available within one year from reserves (with or without board designation). Additionally, our net assets are below three other large agencies who are taking only a 20 percent reduction or less. We perceive this as being inequitable and without transparency.

Furthermore, based on our audited 2017 financials, our net asset valuation is \$59.5 million which includes a property value of 1 million. Even if we were to include the full current property value of 10 million (2017 assessed), it adds up to about \$69 million, not \$75 million as stated in your documents. We think your calculation of the value of our property at \$14-15 million is inflating our total net assets. Additionally, our property is not liquid and will still have to be replaced if we were to sell as we still must have an office space, so the entire hypothetical value of the property cannot be counted.

Because of market losses, transfer of Imagine No Malaria funds to GBGM and use of reserves in the last year, the \$59.5million in net assets is actually projected to be down to \$48.4 million at the end of 2018, of which \$10.4 million is restricted (see chart for consolidated numbers, see below for discussing of UMCom Foundation). As pointed out previously, investment dollars and performance make up a large percentage of our revenues, and due to a poor market in 2018, this also heavily impacts our return on reserves.

While the UMCOM Foundation funds are also included in the UMCom's consolidated statement, the Foundation maintains a separate board and governance that defines how its funds are allocated and spent. We hope that there has been consistency in how associated entities have been considered in calculations of available net assets, such as Higher Ed Foundation to be included in the allocation calculation to GBHEM. UMCom Foundation is a separate legal entity over which the Connectional Table has no disciplinary authority to determine how funds are used. Therefore, including Foundation funds in our calculation of reserves that may be used as a replacement for UMCom's agency World Service funding is a judicious overreach of responsibility. At the end of 2018, we project \$12.6m of the \$48.4m reserves belongs to the foundation and should not be included in UMCom's World Service allocation recommendations. Therefore, UMCom's projected available net assets are \$35.8m.

Additionally, your letter indicates that the \$1.432 million World Service fixed charge for promotion of giving would not be reduced, meaning that the cuts would have to come from other areas within the agency with the same expectation that UMCom continue to promote and increase revenues for all the funds. It seems that this area should be brought down commensurate with UMCom's on-ratio



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allocation, particularly since the resources to support this promotion will be reduced. There should also be an expectation that giving may also be reduced due to decreased support.

Our ask

In closing, we have received the largest cut, but we believe the discrepancy is too great and that we cannot sustain our mission with a cut this egregious and disproportionate. With a prudent use of reserves, our cut to expenses will still be in excess of 29 percent in the 2021-2024 quadrennium with the 37 percent reduction in allocation as proposed. This reduction significantly exceeds the World Service reduction at other agencies. However, UMCom relies on World Service funds as a higher proportion of our operating budget than many peer large agencies.

We would like to request that the 37 percent cut be revisited. We propose a 25 percent reduction, which is still well above other agencies, but more sustainable to our continued missional relevance. We would recommend that could happen by giving up \$9 million from the contingency fund that has been increased by nearly 3,000 percent. Additionally, we ask that the World Service fixed charge be reduced by the same final percentage.

Additionally, UMCom asks that the Connectional Table drive dialogue on reducing redundancies across the general church and agencies. Particularly in the area of communications, there is significant waste across the denomination, in addition to a fragmented network of communication with competing voices. We believe if everyone “lived in their lane,” there would be significant reductions in overall church budget.

Again, we appreciate the opportunity to provide further information. Should you have any additional questions, please let us know. We look forward to the continued work ahead to bring the message of God’s transforming love to a broken world.

In Christ,

Daniel Krause
General Secretary

Danny Mai
Chief Operating Officer

Cashar Evans
President, GCOC