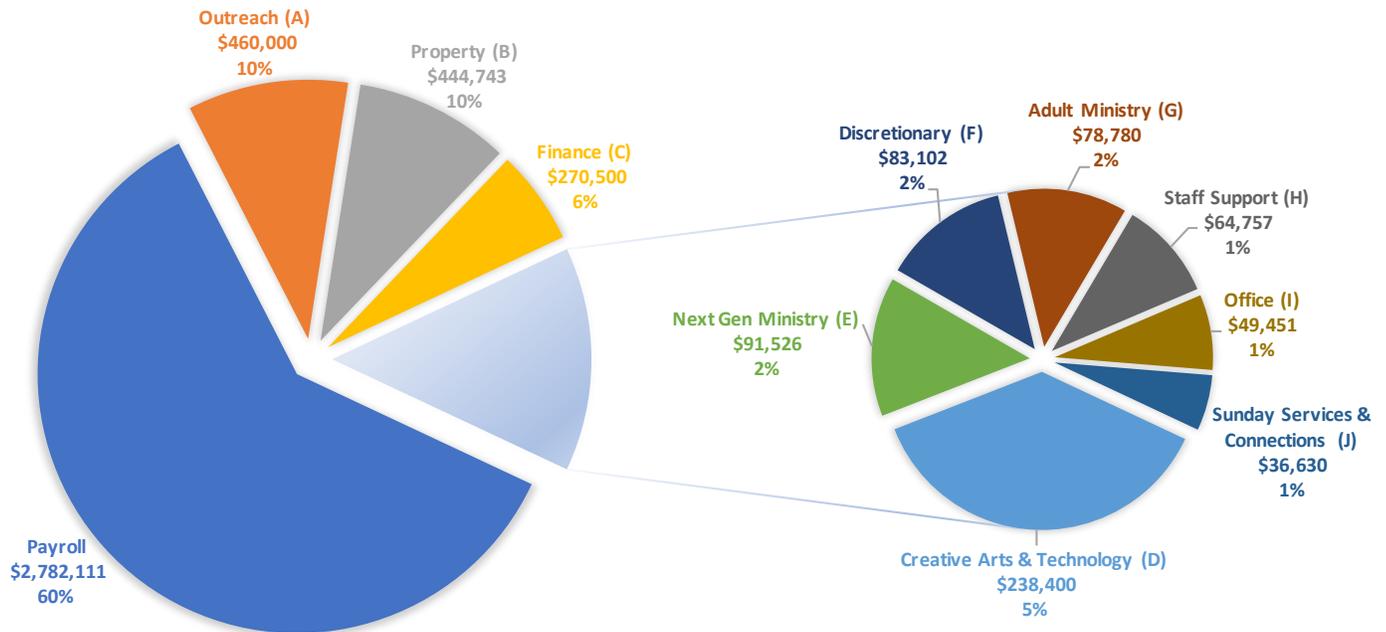


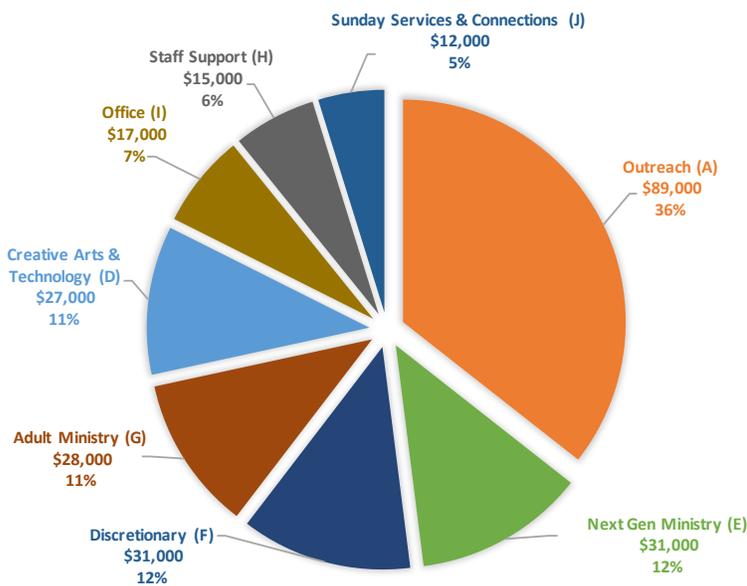
2021-2022 OPERATING BUDGET SUMMARY

The 2021-2022 Bethel operating budget is \$4.85M and contains two parts. The first is a \$4.6M baseline budget. The second is a \$250K reserve budget that will not be spent unless total yearly giving exceeds the \$4.6M baseline. If, for example, total giving is \$4.8M, then the reserve budget will be limited to \$200K. Below is a summary of each part.

PART 1 - \$4.6M BASELINE BUDGET



PART 2 - \$250K RESERVE BUDGET



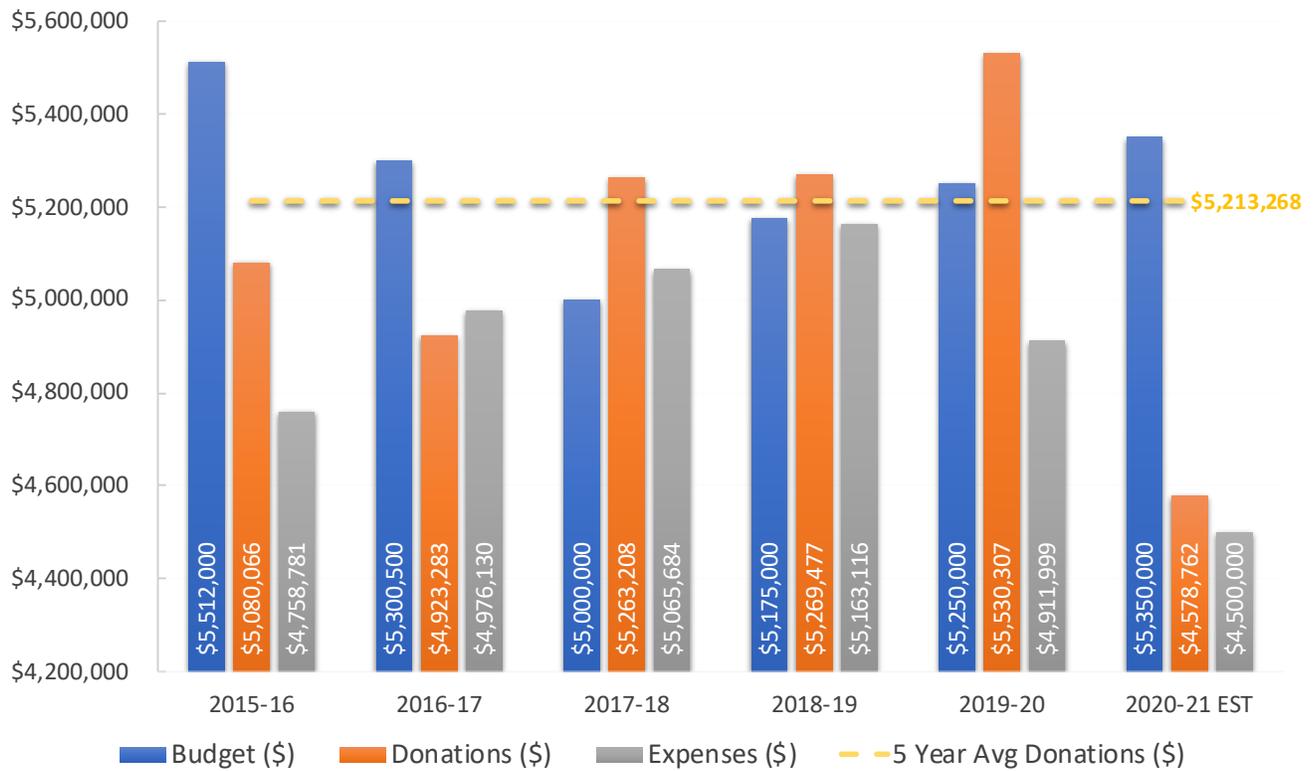
- (A) Outreach = Local and Global
- (B) Property = Lease Payments, Facility Maintenance, Utilities
- (C) Finance = Taxes, Bank Fees, Online Giving Fees, Insurance
- (D) Creative Arts & Technology = Music, Production, IT, Communications
- (E) Next Gen Ministry = Kids, Middle School, Pre-Teen, High School, Young Adults, Sports
- (F) Discretionary = Unallocated funds to be used as needed
- (G) Adult Ministry = Small Groups, Men, Women, Rooted, Pastoral Care, Healing & Recovery, Marriage
- (H) Staff Support = Internships, Staff Development, Expense Accounts, Recruiting
- (I) Office = Supplies, Postage, Printing, Background Checks
- (J) Sunday Services & Connections = Hospitality, Large Church-wide Events, Church Services

2021-2022 OPERATING BUDGET BY CAMPUS

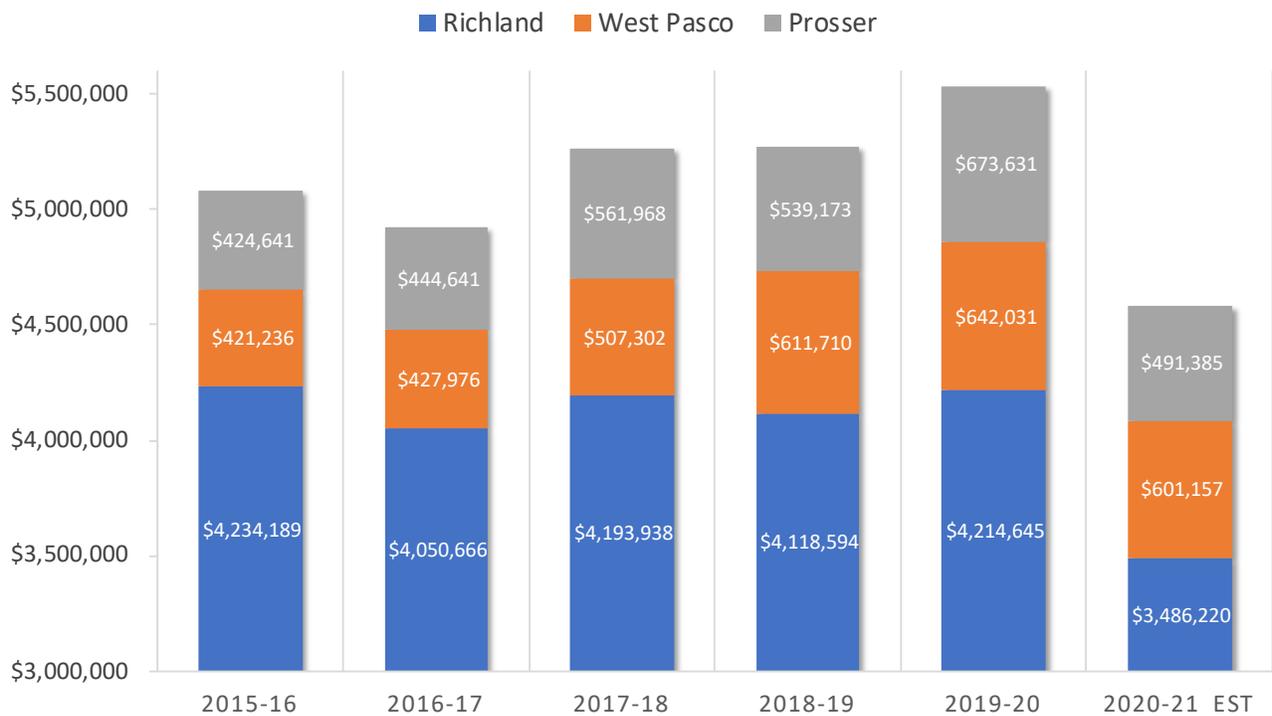
DONATIONS	
Richland	\$ 3,770,000
West Pasco	\$ 570,000
Prosser	\$ 510,000
	\$ 4,850,000

EXPENSES	
Shared Services	
Payroll	\$ 986,271
Property Lease Payments	\$ 175,324
Finance	\$ 270,500
Outreach (Local + Global)	\$ 405,274
Creative Arts & Technology	\$ 219,715
Adult Ministries	\$ 10,360
Staff Support & Development	\$ 51,174
Office	\$ 47,453
Discretionary & Contingency	\$ 42,180
	\$ 2,208,251
Richland	
Payroll	\$ 1,243,630
Property	\$ 178,764
Creative Arts & Technology	\$ 12,469
Sunday Services & Connections	\$ 22,496
Next Gen Ministries	\$ 68,697
Adult Ministries	\$ 49,254
Staff Support & Development	\$ 9,071
Discretionary & Contingency	\$ 27,010
	\$ 1,611,391
West Pasco	
Payroll	\$ 296,919
Property	\$ 30,080
Outreach (Local)	\$ 8,441
Creative Arts & Technology	\$ 3,996
Sunday Services & Connections	\$ 5,254
Next Gen Ministries	\$ 13,320
Adult Ministries	\$ 7,918
Staff Support & Development	\$ 2,256
Office	\$ 1,258
Discretionary & Contingency	\$ 7,030
	\$ 376,472
Prosser	
Payroll	\$ 255,291
Property	\$ 60,575
Outreach (Local)	\$ 46,285
Creative Arts & Technology	\$ 2,220
Sunday Services & Connections	\$ 8,880
Next Gen Ministries	\$ 9,509
Adult Ministries	\$ 11,248
Staff Support & Development	\$ 2,256
Office	\$ 740
Discretionary & Contingency	\$ 6,882
	\$ 403,886
\$250K Reserve	
Outreach (Local & Global)	\$ 89,000
Creative Arts & Technology	\$ 27,000
Sunday Services & Connections	\$ 12,000
Next Gen Ministries	\$ 31,000
Adult Ministries	\$ 28,000
Staff Support & Development	\$ 15,000
Office	\$ 17,000
Discretionary & Contingency	\$ 31,000
	\$ 250,000
Total Expenses	\$ 4,850,000

OPERATING BUDGET, DONATIONS & EXPENSES HISTORY



DONATIONS BY YEAR BY CAMPUS



FREQUENTLY ASKED QUESTIONS (FAQ)

Bethel is a large and complex organization, and time limitations during the Family Meeting (business meeting) prevent going into depth on the church's budget and finances. To prepare you for what you are being asked to vote on, please read through these FAQs prior to voting. **As a reminder, the Family Meeting is for all campuses on Sunday July 25th at 5pm in the Richland auditorium. Bethel members attending in person will cast their votes during the meeting. Bethel members watching live online on the 25th will be able to vote online. Those who watch a recording of the Family Meeting on the 26th or later will not be able to vote.** Anyone who attends Bethel is encouraged to participate, but only Bethel members vote.

If you have questions, please email Steven Wallace (Executive Pastor) at swallace@bethel.ch anytime throughout the year. Thank you for your continued generosity and participation in fueling God's mission to make disciples through Bethel!

WHAT IS THE OVERALL SUMMARY OF BETHEL'S FINANCIAL HEALTH AND THE IMPACTS OF COVID ON CHURCH FINANCES?

It has been a hard year for each of us individually and Bethel as a whole. That said, the Lord has been faithful to provide for Bethel in the past, and this last year was no exception. In short, Bethel is in a healthy place financially. While both giving and expenses are down, giving has exceeded expenses in 2020-2021 and the church is cashflow positive. Bethel did not participate in the Federally funded Payroll Protection Program (PPP), choosing instead to rely on the generosity of the body over a forgivable federal loan that would have amounted to several hundred thousand dollars. The church has more than \$1.6M in the bank, no debt, substantial capital in the form of undeveloped land, and an incredibly resilient and faithful community.

It isn't all roses, however. The 2020-2021 budget was modified mid-year from an original \$5.3M to approximately \$4.6M to maintain a balanced budget. You can see that this is well below the average donation history of the previous 5 years (reference the yellow line on the "Operating Budget, Donations, & Expenses History" chart on page 3). Thankfully, this process was relatively simple and was more of a natural reflection of reduced spending instead of significant ministry "cuts". At no time throughout the year were we unable to fund planned ministry initiatives or programs. Year-over-giving and "giving units" are down approximately 18-20%, as is attendance. It is difficult to measure "engagement" online, but it is forecasted that Bethel has lost between 20% to 30% of its congregation size during the last year. This is consistent with national trends. These departures are due to several reasons including folks who have grown accustomed to not attending church, others who don't feel comfortable attending church, and those with disagreements regarding Bethel's stance to follow the Washington State COVID guidelines throughout the pandemic.

Bethel staffing numbers have been reduced. In year's past, Bethel had around 145 employees on payroll. This year that number has been reduced to about 105. The reduction does not come from a "forced-labor reduction", as much as a natural reduction in workforce due to reduced scope. For example, there were less children in Kid's Express Pre-school this year, and so there were less teachers. Some hourly staff left because they weren't getting enough hours early in the pandemic, others retired as planned before the pandemic started. As staff left, some positions were combined with others, and organizational changes made to make it all work. With the exception of Kids Express Preschool, only one position was eliminated as the result of a leadership decision due to COVID reductions.

WHAT IS PART OF THE "OPERATING BUDGET" AND WHAT IS NOT INCLUDED?

Bethel's annual operating budget that members vote on every year consists of the Payroll, Ministry Budgets, Facility and Global/Local Outreach budgets that remain largely consistent year-over-year. The operating budget does not include the following:

- **Special projects or campaigns (e.g., Cultivate)** – these are not consistent year-over-year and vary based on a variety of circumstances.

- **Bethel Assistance Ministry (BAM)** – the benevolence fund balance ebbs and flows with giving and community needs. This account is managed outside of the operating budget and 100% of BAM funding goes to community support. All “overhead” (e.g., staff payroll) related to BAM is from the operating budget and is not paid from BAM donations.
- **Kid’s Express Preschool** – while it is considered a Bethel ministry, Bethel’s preschool is managed separately from the rest of the church finances. The preschool does not pay rent or other facility expenses, but otherwise breaks even each year (tuition income pays for all expenses including payroll).
- **Dedicated short-term mission trip giving** – participants in Bethel short-term mission trips typically raise financial support through Bethel. This money is person and trip specific, and not part of the operating budget.
- **Upward Sports** – Upward Soccer and Upward Basketball are large programs that generate a large cash flow (\$10s of thousands) through registration. Upward Sports breaks even each year, and the large cashflow can create confusion in the monthly income and expense reporting. This year we are removing Upward Sports from the operating budget for the first time. Note that we are NOT canceling Upward Sports.

THE PAYROLL BUDGET MAKES UP 60% OF THE TOTAL OPERATING BUDGET. CAN YOU PROVIDE MORE DETAIL ON WHAT IT INCLUDES?

The payroll budget includes funding for 58 staff at all three campuses. Of these 58, 20 are salary exempt, 5 are salary non-exempt, and 5 are full-time hourly, for a total of 30 full-time employees. These 30 full-time employees make up approximately \$2.17M of the \$2.78M payroll budget (78%). The remaining 28 employees are part-time hourly.

Note that this employee count does not include Kids Express Preschool employees, childcare workers, or on-call employees. In total, the church has about 105 people on payroll.

The payroll budget also includes all payroll taxes and employee benefits. Salaried employees receive full benefits including health care for their entire family. Full-time hourly (defined as 30+ hours/week) receive medical benefits for themselves only (not their family). Part-time employees do not receive benefits other than the Washington State mandated sick leave.

HOW MUCH DEBT DOES BETHEL HAVE?

Bethel does not currently have any debt and has no plans to take on debt at this time. Our most recent loan balance was paid off 1 year ago through an abundance of generosity from the Bethel family. Bethel does take on debt from time-to-time. Any debt incurred by Bethel must first pass a vote by Bethel members.

WHAT IS THE BALANCE IN BETHEL’S BANK ACCOUNT, AND WHAT IS THAT MONEY FOR?

As of May 2021, Bethel has approximately \$1.62M in the bank. This money is allocated as follows.

- \$535K for emergencies and to mitigate unforeseen circumstances. This balance is “protected” and only used if absolutely needed. This amount fluctuates with the operating budget and is pinned at 10% of the most current budget. The Lord has amply provided during COVID, and none of these funds were utilized during the pandemic. For the 2021-2022 budget, this amount will be reduced to \$485K based on the reduced \$4.85M budget.
- \$142K for Bethel Assistance Ministry (BAM). More information about BAM is provided later in these FAQ.
- \$471K is the Cultivate campaign balance (not the total giving). More information about Cultivate is provided later in this FAQ.
- \$58K is for other items outside of the operating budget such as Kids Express Preschool and dedicated missions giving.

The remaining \$414K ebbs and flows with monthly giving and expenses. In any given year, June and July expenses typically exceed income, and so this \$414K is expected to be reduced by approximately \$100K in the last two months of the current FY, resulting in a year-over-year rollover of \$300K+.

WHAT ARE SOME OF THE SUBSTANTIAL CHANGES IN THE PROPOSED 2021-2022 BUDGET COMPARED TO THE 2020-2021 BUDGET?

Department by department, the 2021-2022 budget is similar to the 2020-2021 budget. There are a few significant changes worth highlighting:

- **Reduced Budget** – Overall, the budget has been reduced by \$550K year-over-year to reflect the reduction in giving that has occurred during COVID. This reduction is across the board in nearly all departments (some with more fixed costs were not reduced as much). While ministries have had to be creative, these reductions have not resulted in the cutting of programming or ministry initiatives. The forecasted budget of \$4.85M is our best guess based on the data available.
- **Outsourcing** – We have experienced turnover in staffing for Human Resources, Finance, and Graphic Design. Rather than re-hire for these positions, we are moving to a new outsourced model for these services. The result is a decrease to payroll and IT budgets (from software licenses), and an increase to the Finance and Communications departments. The net impact of these changes is a slight cost reduction.
- **Payroll** – Payroll expenses have been reduced by 13.6%. This reduction is driven by changes made during COVID (discussed previously in this FAQ), the new outsourcing model (mentioned above), Cultivate funding (discussed in the next FAQ) and a reduction in “overlapping” employees that we had due to retirement and training.

WHAT HAPPENS IF 2021-2022 GIVING IS BELOW \$4.85M IN 2021-2022?

The 2021-2022 budget includes several layers of protection to ensure the church remains financially healthy, including:

- \$250K within the operating budget is being set aside to not be spent if FY giving is less than the \$4.85M budget. This is spread throughout the various departments of the church as outlined on pages 1-2 of this document.
- \$83K within the 2020-2021 operating budget is reserved for “Discretionary & Contingency”. We may use our discretion to not spend this money if needed.
- As mentioned above, there is a forecasted \$300K unallocated general fund “rollover”. Some of this balance is rollover from the 2019-2020 FY, and some is from 2020-2021 giving exceeding expenses.
- The church will maintain a balance of \$485K (or 10% of the operating budget) as emergency reserves in the bank. While we have no intent to use these funds, they are God’s provision for Bethel church, and they are available if needed.

So far, through God’s grace and protection, as well as the incredible generosity of the Bethel family, we have remained financially sound. We have created a few logical safety nets that we believe are prudent and wise and continue to have a confident faith that the Lord will provide financially for Bethel and her mission. Additionally, we are confident in the leadership of the church and are starting to see increases in attendance and giving. These trends have been confirmed in other states that had COVID restrictions ease before WA State.

WHAT IS THE STATUS OF THE CULTIVATE CAMPAIGN?

Cultivate was launched November 2019 as an 18-month campaign. The original Cultivate initiatives/projects (pre-COVID) included:

<u>Campus</u>	<u>Initiative/Project</u>	<u>Cost</u>
Bethel Wide	(1) Loan Payoff	\$750,000
Prosser	(2) Ministry Director, (3) Sharehouse Youth Initiative, (4) Playground	\$140,000
West Pasco	(5) West Pasco Remodel, (6) Hispanic Church Support	\$100,000
Richland	(7) Discipleship & Classroom Space, (8) Storage Structure, (9) Kids Zone Refresh	\$510,000
		<i>Total = \$1,500,000</i>

More information about these projects can be found here: <https://www.bethel.ch/cultivate>

The status of each project is as follows:

- (1) Bethel Wide Loan Payoff – The loan was paid off approximately 1 year ago. \$100,000 from Cultivate was used to pay off the loan, the rest was from increased generosity to the general operating budget in the 2019-2020 FY.
- (2) Prosser Ministry Director – This position was hired pre-COVID and didn't end up working out long term. It was not re-filled during COVID. This position will be filled again in the upcoming FY.
- (3) Prosser Sharehouse Youth Initiative – Due to COVID largely shutting down Prosser Sharehouse operations, this funding was never used. Bethel has continued to support Sharehouse with approximately \$50,000 per year as part of the Local Outreach operating budget. Sharehouse continues to operate in Prosser, and there are no current plans/needs for these Cultivate funds to go to Sharehouse.
- (4) Prosser Playground – This project was not started due to COVID. The need for this project will be reevaluated post-COVID with the new Prosser campus leadership.
- (5) West Pasco Remodel – The West Pasco campus needs for a remodel shifted because of COVID. The scope has been reduced from a more comprehensive remodel to some increased office space that will cost approximately \$10,000 (vs. the original \$80,000). This project is in process.
- (6) West Pasco Hispanic Church Support – This funding originally was to contribute towards a down payment for a permanent home for Cristo La Unica Esperanza (CLUE), a church which currently meets at the West Pasco Campus. Due to COVID, CLUE has remained at Bethel West Pasco Campus. Their tenure and future plans at Bethel are being reevaluated post-COVID and with new Pasco leadership.
- (7) (8) & (9) All Richland projects are being reevaluated post-COVID and with new leadership. While it is possible a version of these projects will continue, there are no current plans to start them.

Initially, Cultivate provided \$750K funding for loan payoff and \$750K funding for other initiatives. As of May 2021, \$615K has been donated to Cultivate in total. \$100K was used to pay off the loan, leaving \$515K of the original \$750K for other initiatives. God has been amazingly gracious to Bethel in the form of generosity through the Bethel community.

Total Cultivate spending has been \$146K, \$100K of which went to debt repayment. The balance as of May 2021 is \$471K.

Of the \$471K, the Bethel Elders have approved \$53,000 to fund programming for the first two years of The Bethel Institute. You will hear more about the Bethel Institute during the Family Meeting on July 25 and in the coming months. \$10,000 was also approved for the modified West Pasco Remodel previously mentioned. Additionally, we know that we are going to re-hire for the Prosser Ministry Director and that Cultivate will provide funding for this position for 1 to 2 years.

We could not have predicted the amount of time that COVID was going to impact church operations, nor the impact that COVID would have on the ongoing needs for Bethel and our community at large. Additionally, since Cultivate originally launched, we have a new Senior Pastor and two new Campus Pastors. The remaining balance will be used to further kingdom expansion in a way that is consistent with the original purpose of “preparing now for changed lives tomorrow”

by meeting the needs of the community and aligning with the vision of new leadership. This may include the original initiatives, revisions to those initiatives, or new initiatives. It may include capital projects or payroll funding for “champions” to launch those initiatives (e.g., The Bethel Institute). As decisions are made about Cultivate funds, they will be communicated to the Bethel body.

Finally, it is important to note that the original 18-months of Cultivate came to an end April 2021. Given the circumstances, we have decided that we will NOT stop donations to Cultivate at this time. We are confident that the funds will be utilized effectively for kingdom purposes. Combined with the fact that Cultivate was functionally put on hold for COVID, we don’t want to hinder anyone from giving in this way. If you have any questions about giving to Cultivate or would like to make changes to your existing Cultivate giving, please contact Steven Wallace (Executive Pastor) at swallace@bethel.ch.

HOW WERE THE BETHEL ASSISTANCE MINISTRY (BAM) FUNDS UTILIZED THIS PAST YEAR? HOW ARE BAM FUNDS MANAGED?

Through May of 2021, BAM donations were \$183K in the 2020-2021 FY. BAM donations were very high towards the end of the 2019-2020 FY (the beginning of COVID), resulting in a year-over-year rollover of \$196K from 2019-2020 to 2020-2021. \$237K has been spent through May of this year, leaving the balance at \$142K.

Nearly all BAM activities in 2020-2021 have been directly tied to COVID relief in one form or another. BAM requests were COVID related (e.g., a family needed help with rent because they lost their job due to COVID impacts) and we gave substantially to local agencies (\$158K) who were better equipped to provide community relief than we were.

BAM operates outside of the general operating budget, however the funding for staff that supports BAM is inside of the operating budget. All donations to BAM (including COVID relief) go 100% to supporting those in need in our communities (both inside and outside of Bethel). The money is used to support individuals and families in the form of paying bills, donations to agencies in the community who provide similar services, a food pantry at Richland campus, mental health counseling subsidies, and a host of other “one-off” needs/scenarios as they come up. BAM donations increased drastically during COVID, having only recently returned closer to “pre-COVID” levels.

WHAT IS THE STATUS OF THE RICHLAND LAND SALE?

Nearly three years ago we asked Bethel members to vote on selling the undeveloped acreage west of Richland Campus to the Richland School District for approximately \$775K. At that time, we were also authorized to utilize those proceeds to pay down the outstanding debt. That sale fell through, and, through God’s faithfulness, we still have the land but no longer have the burden of debt.

Since the original vote to sell the land and for the foreseeable future, there remains no intended use for this undeveloped acreage. Therefore, over the past three years we have worked with the city and neighbors to change the zoning rights, removed trees, and worked with Kennewick Irrigation District to remove the irrigation pond. The irrigation pond is still on the property but is no longer being used. With these updates, combined with the rapidly increasing value of real-estate in the region, we anticipate the value of the land has increased dramatically. Any future land sale opportunities will be presented to the congregation if/when the time comes.

WHAT ABOUT A WEST PASCO CAMPUS PERMANENT LOCATION?

Bethel owns approximately seven acres off Chapel Hill just east of Road 68 in Pasco. This land has been undeveloped for several years and was originally purchased with the intent of building a permanent location for Bethel’s West Pasco campus. There has been no progress in starting construction in this location during COVID, and we do not currently have plans to start construction or to sell the undeveloped land. We want to let the dust settle post-COVID and ensure that location remains the most effective for the vision of Bethel West Pasco and her new leadership. There is currently a

team at West Pasco campus evaluating Bethel’s options. Any movement in this space will be communicated to the Bethel body when the time comes. If you have any questions about this, contact Adam Phillips (West Pasco Campus Pastor) at aphillips@bethel.ch.

HOW ARE OUR LOCAL AND GLOBAL PARTNERS AFFECTED BY THIS YEAR’S BUDGET?

At the \$4.85M full operating budget, the 2021-2022 global and local outreach budget will exceed the amounts spent in 2020-2021. At the \$4.6M baseline budget, the local and global outreach budgets will be slightly less than the 2020-2021 FY outreach spending. In Global Outreach, COVID restrictions have significantly reduced our ability to launch short term trips, and this will continue into the new FY. Additionally, a number of missionaries have returned from the field and are not returning post-COVID. Thus far, we have not reduced support of any global or local ministry partner organizations due to a reduction in budget and we continue to dedicate a minimum of 10% of the Bethel budget to local and global outreach. In the future, it is possible there will be a small reduction due to budget restrictions, but 10% will remain our goal. Note that benevolence funds are not part of the 10% outreach budget.

WHAT IS THE GENERAL BUDGETING PROCESS? HOW DO THE FUNDS GET ALLOCATED TO THE CAMPUSES?

The budgeting process starts with each ministry and each campus creating an “Annual Ministry Plan” where they outline their vision for the ministry in the coming year. Part of the Ministry Plan includes a forecasted ministry budget to support the ministry. These individual budgets are submitted to the Executive Pastor, who combines them with the forecasted payroll budget and other churchwide expenses. The payroll budget is a combination of current staffing, forecasted future staffing needs, cost-of-living-adjustment, and raises. The Executive Pastor works with the Finance Commission to forecast giving for the new FY, and then balances the budget, making adjustments along the way. Creating the balanced budget is an iterative process led by the Executive Pastor involving ministry staff, the Finance Commission, and the Bethel Elders. Once approved by the Finance Commission and Bethel Elders, it is submitted to Bethel Membership for approval.

The budget reflects a “one-church-in-multiple-locations” philosophy. One example of this philosophy played out in the budget is in the fact that the largest portion of the budget is “Shared Services”, not belonging to any one campus. The zero-sum budget is created considering the entire church (all campuses) income and expenses. In other words, individual campuses are not required to “break even”. This model has helped to create a unified approach to ministry and prevent campus silos.

HOW DOES BETHEL HANDLE FACILITY AND EQUIPMENT MAINTENANCE/REPLACEMENT COSTS AND LARGE CAPITAL PURCHASES?

Equipment maintenance and replacement costs are under the Creative Arts & Technology, Property, or Discretionary & Contingency departments and are captured at a more granular level of the budget than what has been posted here. As part of the annual budgeting process, large purchase recommendations by the ministries are presented for approval in advance of the upcoming fiscal year. Other capital expenditures may be funded outside of the operating budget (e.g., a capital spending campaign).

WHAT ARE THE FINANCIAL “CHECKS AND BALANCES” IN PLACE AT BETHEL? IS THERE AN AUDIT PROCESS?

The church has multiple financial checks and balances. Overall, it may be viewed as a three-legged stool. The first leg is administrative staff (Executive Pastor, Accounts Payable, Accounts Receivable, etc.). The second leg is the Finance Commission. The third leg is the Bethel Elders. These three legs work together to plan and execute the budget. When it comes to the budgeting process, the Executive Pastor takes the lead with input from both the staff, Finance Commission and Bethel Elders. It is an iterative process before the final budget is approved to be submitted to members for vote.

On a day-to-day basis, Bethel staff manage the cash flow at the church, with policies and procedures being established and monitored by the Finance Commission. The Finance Commission is made up of mostly non-staff, many of whom are financial professionals. The Finance Commission is also part of the approval process for large purchases (\$10K or larger) and keeps close tabs on the overall financial health of the church, including an internal audit process to ensure that the financial procedures are being followed.

The Finance Commission is led by Bob Lagonegro (Finance Deacon) and currently includes Blaine Carr, Paul Hansen (treasurer), Kent Ladendorf (staff), Tom Matthieu, Joe Sapp, and Steven Wallace (Executive Pastor). If you are interested in serving the Bethel body by volunteering on Bethel's Finance Commission, contact Steven Wallace at swallace@bethel.ch.