

The Community Church of Chapel Hill

UNITARIAN UNIVERSALIST

106 Purefoy Road, Chapel Hill, NC 27514 • 919-942-2050 • c3huu.org

BOARD OF TRUSTEES

Meeting Minutes

December 11, 2018

Members:	Lilie Bonzani	Steve Day	Bianca Rodriguez
	Russ Bowen	Andy Hencke (absent)	Jenny Warnasch, chair
	Barb Chapman (absent)	Dave Klibanow	Steve Warshaw
Ex Officio:	Thom Belote	Bonnie Nelson	Andrew Wright
Guests:	Scott Edinborough	Mary Beth Powell	Douglas Shier
	Gail McKinley	Bill Rote	

Chalice Lighting/Opening Reading (7:00) J. Warnasch called the meeting to order. R. Bowen provided a reading on living authentically while A. Wright lit the chalice.

Reading of the Mission (7:02) J. Warnasch read the Board of Trustees (BoT) mission.

Check-in (7:03) The BoT members and guests shared during a check-in.

Consent Agenda (7:09) J. Warnasch asked if there were any changes that needed to be made to the Consent Agenda. As there were none,

S. Warshaw made a motion to approve the Consent Agenda and the September BoT Minutes, and to accept the Minister's Monthly Report and the Treasurer's financial report.

D. Klibanow seconded the motion.

All in favor with none opposing and none abstaining.

Stewardship Campaign 2019 (7:10) B. Rote, co-chair of the 2019 Stewardship Campaign, provided a brief overview of the planned campaign. Recent campaigns were cottage meetings, where congregants discussed what the church meant to them. The upcoming campaign will encourage congregants to show how UUs live our mission. Co-chair M.B. Powell said that this will happen through a "Day of Service" (DoS) on March 2, 2019. The selected date was checked against other church calendars. D. Klibanow asked what would happen if the weather was bad. M.B. Powell replied that they are working on a back-up plan.

M.B. Powell continued outlining the current planning for the campaign. They are asking the various church ministries and committees to come up with a community-focused activity for that day. Ideas are due to the co-chairs by January 15, 2019. They will then table about the activities

and the goal of a one-day blitz to show our love for the world. They are already hearing back from some groups. The activities can be out in the community or take place at the church with the results being sent out into the community. It will be a celebratory day with refreshments available through the day with a time for a gathering and sharing at the end. The co-chairs will have stewardship packets available that day to return the next day (Sunday, March 3, 2019) through mid-March (Sunday, March 16, 2019). B. Rote said that they are encouraging the BoT, as the primary leadership group in the church, to be actively involved in the campaign.

M.B. Powell said that there will be a Within-These-Walls (WTW) on January 20, 2019. S. Warshaw circled back to the length of each activity. B. Rote replied that they are expecting them to last 3-4 hours. M.B. Powell added that they are intended to be daytime activities. S. Warshaw asked if there were any guidelines about what the activities should be, as he has heard different things from different people. M.B. Powell said that additional information would be given during the WTW but that there should definitely be a community focus. B. Rote added that the church should be effecting change in the world. D. Klibanow suggested that this could be a possible sermon topic. M.B. Powell said that in addition to the activities, they will need help with set-up and organizing the day's activities. R. Bowen closed the discussion by stating that the BoT will address the BoT participation during their annual retreat in January.

Building Project Update/Funding the Gap (7:20) J. Warnasch confirmed that all BoT members had received copies of the planning documents distributed prior to the meeting by G. McKinley.

D. Klibanow tendered a motion to adopt the document on meeting the funding gap and approve its release to the congregation. There being no further discussion,

S. Warshaw seconded the motion.

All in favor with none opposing and none abstaining.

J. Warnasch told the BoT that as part of this plan, a new building task force is being convened for managing the gap funding initiatives. The charter will be distributed as soon as it is finalized. G. McKinley will mention the new task force, if the issue is raised during discussion on meeting the funding gap. Additional communication efforts on the plan include an item in the newsletter, a hand-out during tabling, and an insert in the Order of Service. These efforts will continue through the Congregational Meeting on January 13, 2019. The Communication Task Force has had some preliminary discussions with a few church members and did receive some push-back about the gap issue.

G. McKinley said that the agenda for the Congregational Meeting is to ask for an affirmation of the plan and a vote to approve of taking on debt as a construction loan. The Finance Task Force is recommending that the Congregational Meeting be only a vote on the debt. Roundtable discussion included accepting the suggestion by the Communications Task Force, accepting the suggestion by the Finance Task Force, presenting the plan and debt as a single package, presenting the plan and debt similar how the budget affirmation/vote is handled, concern that the two issues might splinter the congregation and lead to a prolonged discussion, a question if there is a need for an affirmation vote on the plan to meet the funding gap, a belief that the congregation will have already gotten most of the information before the meeting, and including

the affirmation as part of the vote. It was decided that the congregation would not be asked to affirm the plan separately. The consensus was that a vote for the loan would also be an affirmation of the plan. G. McKinley will bring these thoughts and the decision to the next Communications Task Force meeting.

A. Wright asked what constituted the required advance notice of a meeting. J. Warnasch replied that fourteen days before the meeting an all-church email will be sent. G. McKinley and R. Bowen will draft the email, which will be sent out under R. Bowen's name.

Finance Task Force Leadership Change [vote] (7:42) Lawrence Kirsch has requested to be removed as co-chair of the Finance Task Force, although he will remain on the task force.

J. Warnasch made a motion to approve this change in leadership.

L. Bonzani seconded the motion.

All in favor with none opposing and none abstaining.

J. Warnasch noted that as of December 31, 2018, A. Wright will be the sole chair of the Finance Task Force. A. Wright said that he will distribute a new charter for the task force at the next BoT meeting.

Endowment Update (7:44) B. Chapman, BoT liaison to the Endowment Committee, was unable to attend this BoT meeting so J. Warnasch provided an update. She noted that the Endowment Committee has yet to meet with Mark Ewert, our generosity consultant. However, B. Chapman and A. Hencke have met with him for approximately two hours and reported that the meeting went well.

Preschool Lease Update (7:45) J. Warnasch announced that she is signing the new lease on Friday morning. She will send a copy to the BoT once it is signed. L. Bonzani asked if the lease went through May 31, 2019. J. Warnasch confirmed that it did; however, the language allows for a mutually agreed upon extension, if necessary. D. Klibanow asked about the distribution of material assets. J. Warnasch said that those would be covered in a separate document. S. Warshaw suggested that those be addressed in person, with preferably two people from the Preschool and two people from the church.

Farewell to Class of 2018 (7:50) J. Warnasch thanked S. Warshaw, D. Klibanow, and A. Hencke for their service to the BoT. In particular, she was appreciative of their support of a successful year as president. She also welcomed the new BoT members: S. Edinborough, D. Shier, and Caroline Sherman.

Process Evaluation (7:53) R. Bowen said that the meeting went smoothly, due to the outgoing president's leadership. All concurred.

New Business (7:56)

R. Bowen noted a schedule change for the BoT retreat. Friday night will be just for the new members and then the full BoT will meet on Saturday.

J. Warnasch informed the BoT that the real estate interest letter regarding the Manse, which was previously received and distributed, is being followed-up by A. Hencke.

B. Nelson is not continuing as the BoT secretary. She will be co-chairing the new Building Project Capital Stewardship Task Force.

Action Items (7:58) B. Nelson indicated the following items require follow-up:

R. Bowen will address the BoT participation in the Stewardship Day of Service during their annual retreat in January.

G. McKinley and R. Bowen will draft and distribute a church-wide email about the January 13, 2019 Congregational Meeting.

A. Wright will update the charter for the Building Project Finance Task Force and distribute it at the next BoT meeting.

J. Warnasch will email a copy of the Preschool lease to the BoT once it is signed.

Chalice Extinguishing/Closing Reading (7:59) R. Bowen shared an English proverb about knowing oneself and A. Wright extinguished the chalice. J. Warnasch adjourned the meeting.

ATTACHMENTS:

Board Agenda

Minister's Monthly Report

Finance Treasurer's Report

BP Communication TF Document

Real Estate Letter of Interest

BoT Election Results

The Community Church of Chapel Hill

Unitarian Universalist

December Board Meeting
December 11, 2018
7-9pm; Straley Room
Board Member of the Month: Russ

Item	Responsible Person	Time
<u>Chalice Lighting/Opening Reading</u>	Russ	7:00-7:02
<u>Reading of the Mission</u>	Jenny	7:02-7:03
<u>Check-in</u>	All	7:03-7:15
<u>Consent Agenda [vote]</u> <ul style="list-style-type: none">• Approval of Agenda• Approval of November Minutes• Acceptance of Minister's Monthly Report• Accept Treasurer's Report	Jenny	7:15-7:20
<u>Stewardship Campaign 2019</u>	Bill/Mary Beth	7:20-7:30
<u>Building Project Update/Funding the Gap</u>	Gail/Jenny	7:30-8:15
<u>Finance Task Force Leadership Change [vote]</u>	Jenny	8:15-8:20
<u>Endowment Update</u>	Barb	8:20-8:30
<u>Preschool Lease Update</u>	Jenny	8:30-8:35
<u>Farewell to the Class of 2018</u>	Jenny	8:35-8:38
<u>Process Evaluation</u>	Russ	8:38-8:40
<u>Action Items</u>	Bonnie	8:40-8:42
<u>Chalice Extinguishing/Closing Reading</u>	Russ	8:42-8:45

December Minister's Report
Rev. Thom Belote
December 11, 2018

Since Last Report (November 13, 2018)

- Preached and led worship on November 18. Worship attendance was 210.
- Preached and led worship on November 25. Worship attendance was 245.
- Preached and led worship on December 2. Worship attendance was 220.
- Met with Worship Ministry on 12/4.
- Held weekly staff meetings.
- Pastoral Care included hospital visits, visits to health centers at CCRCs, home visitation, office appointments, phone calls, emails, and cards. Also coordinated pastoral care with members of the Caring Ministry.
- Attended "Let's Talk Trans" event on 11/29 organized by Spiritual Exploration for Adults.
- Planned and scheduled my Spring 2019 SEA offerings.
- One new member since last report: Monica Cooke
- Attended "Friendsgiving" potluck with the 20/30s group on 11/27.
- Attended Greening of the church on 12/1. This year's Greening was very well-attended.
- Will attend Grinch Night on 12/6.
- Met with Gail McKinley to discuss "Minding the Gap" plan on 12/5.
- Will co-lead my daytime Covenant Group with Joyce Allen on 12/6.
- Met with Sanctuary & Immigrant Support Ministry on 12/3.
- Was the featured speaker at a Wednesday night program at Binkley Baptist Church. I spoke on my recent trip to visit the Stewart Detention Center in Georgia.
- Hosted two meetings of the Religious Affairs Committee of the Chapel Hill / Carrboro NAACP. We are again planning our town's Martin Luther King Day service. I serve as the chair of this committee.
- Attended monthly meeting of the Tar Heel Unitarian Universalist Minister's Association (UU ministers of the Triangle and Triad) on 11/29.

Treasurer's Annual Report

to the Board of Trustees

Community Church of Chapel Hill Unitarian Universalist

Andrew Wright, CPA, Treasurer

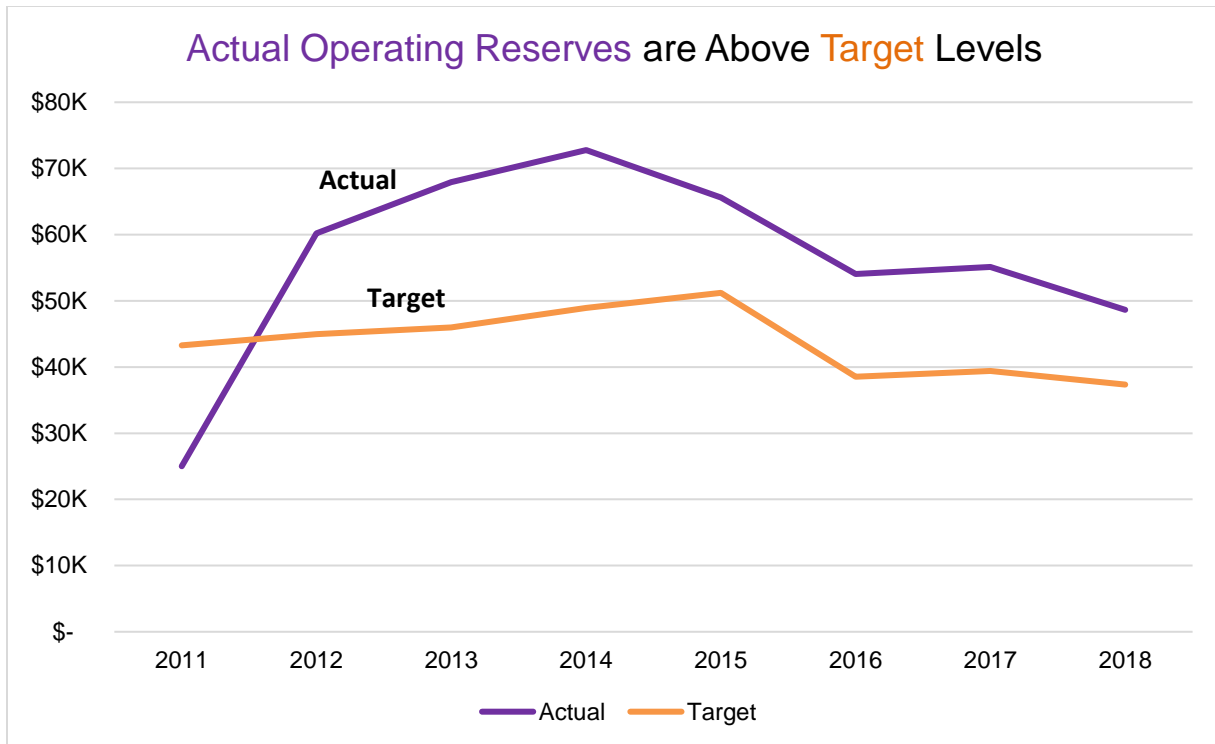
December 2018



Executive Summary

The financial health of the Community Church of Chapel Hill Unitarian Universalist (CCCHUU) was very strong during the fiscal year ending June 30, 2018 (FY2018). The Board of Trustees (BOT) considers a budget to be balanced if ending operating reserves are at or above the target set by the BOT, currently 6% of annual expenses. At the end of FY2018 actual operating reserves were 7.9% of FY2018 actual expenses and 7.8% of FY2019 budgeted expenses. Figure 1 shows actual operating reserves compared to target operating reserves for the past eight years.

Figure 1 – Actual Operating Reserves and Target Operating Reserve Amounts for the Last Eight Years



Income was up 3% as a result of new members and expenses were under budget.

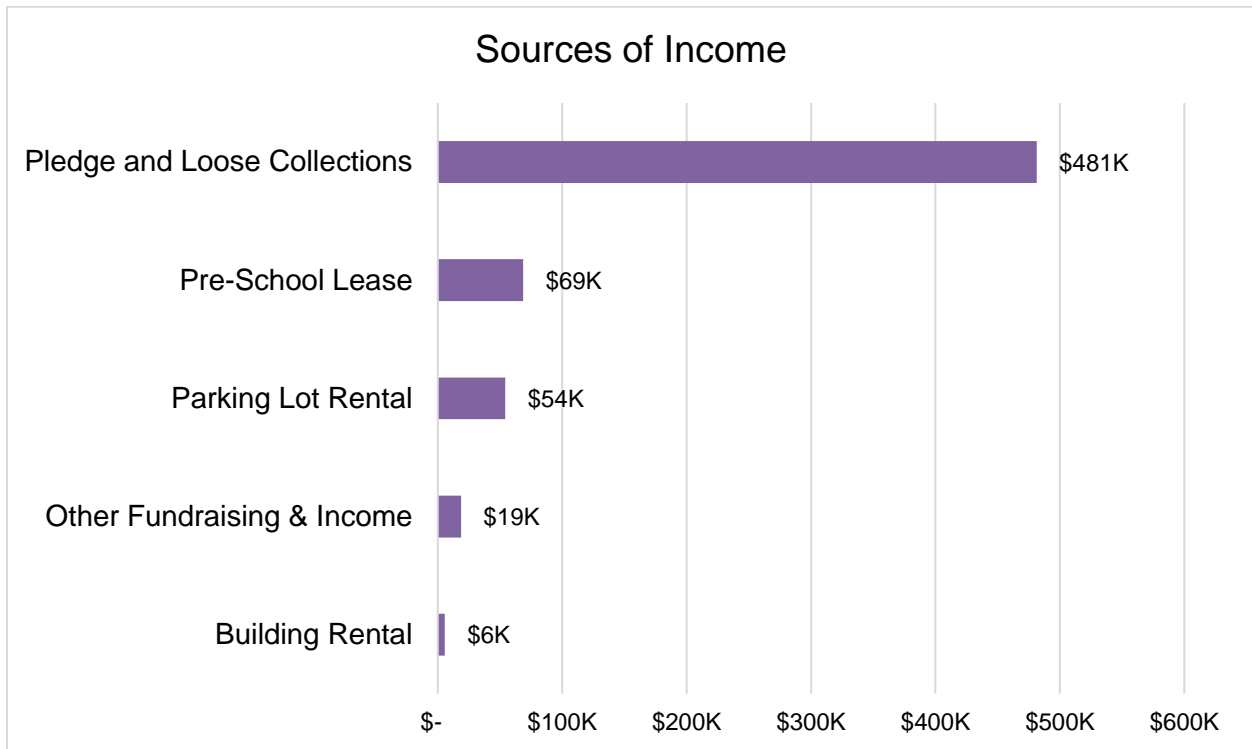
The building project is moving ahead and has put some pressure on operating pledges. During the time that members are fulfilling both capital and operating pledges, the BOT and Minister may need to rely on operating reserves if there are unexpected increases in expenses.

While we are entering a time of greater financial strain for the next several years due to the building project, we are entering with a strong financial position.

Income

The primary source of income for CCCHUU is member pledges and loose collections, making up 77% of total income. Total income for FY2018 was \$629k as compared to \$610k in FY2017, a 3% increase. Figure 2 shows all sources of income.

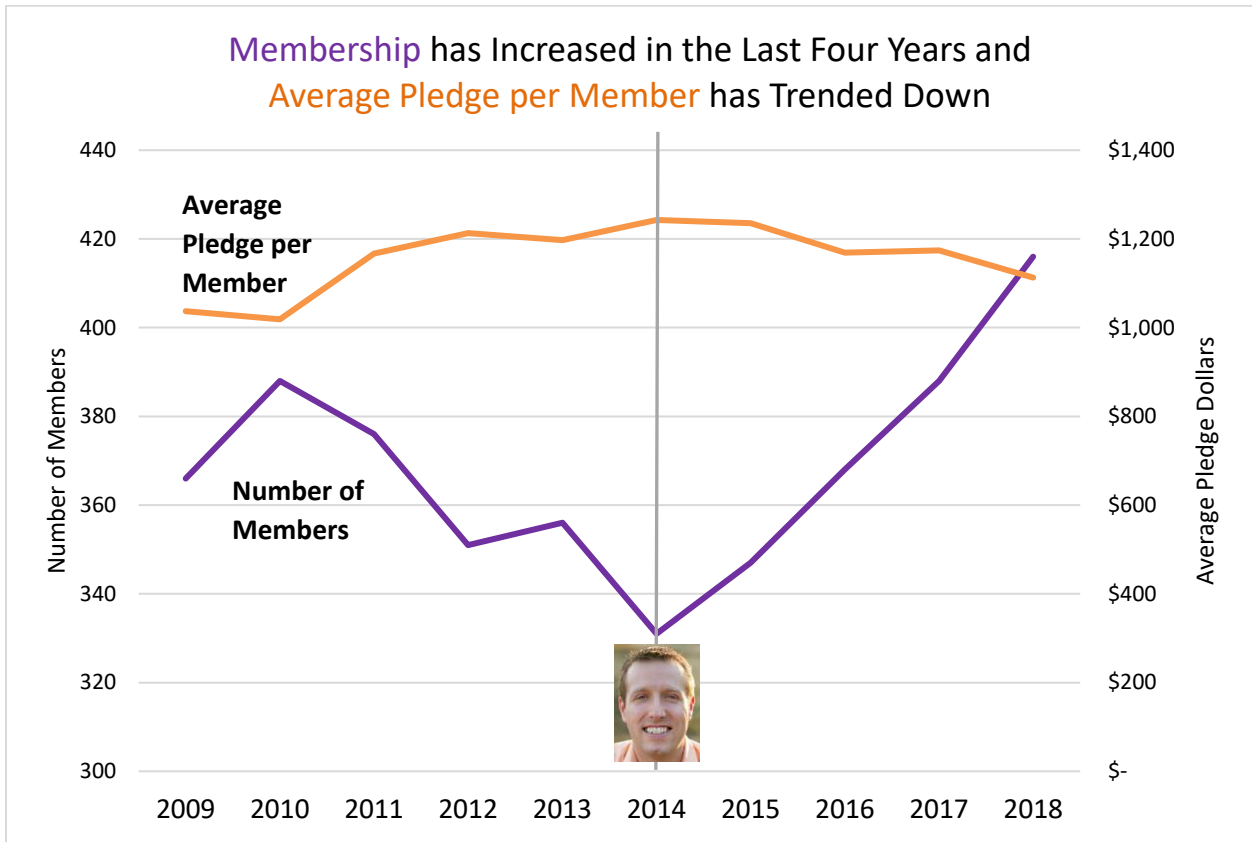
Figure 2 – FY2018 Sources of Income



The Pre-School Lease is scheduled to end in December 2018, with an extension likely to be signed to extend to May 2019, after which a comparable reduction in expenses must be found. The church has planned to offset this loss of income with elimination of the existing debt, whose payments approximately equaled the pre-school income, net of related janitorial expenses. This debt was retired with certain early pledges to the building project in January 2018. The early payment of the debt saved approximately \$25k of interest.

The total income from member pledges is a function of number of members and average pledge per member. There is a great deal of variability in pledges per member, but looking at an average is a valid way to evaluate income. After falling from 2010 to 2014, membership has been increasing in the last four years to above 2010 levels. It should be noted that 2014 is the year that our current minister, Thom Belote, joined the church. Average pledge per member has dropped slightly. Figure 3 shows the trend of these two numbers.

Figure 3 – Membership and Average Pledge for the Last 10 Years



In general, new members pledge at lower rates than older members, so it is not surprising to see downward pressure on the average pledge as there is an increase in net new members. Therefore, I am not worried about this trend as it is a function of growth rather than a sign of financial stress.

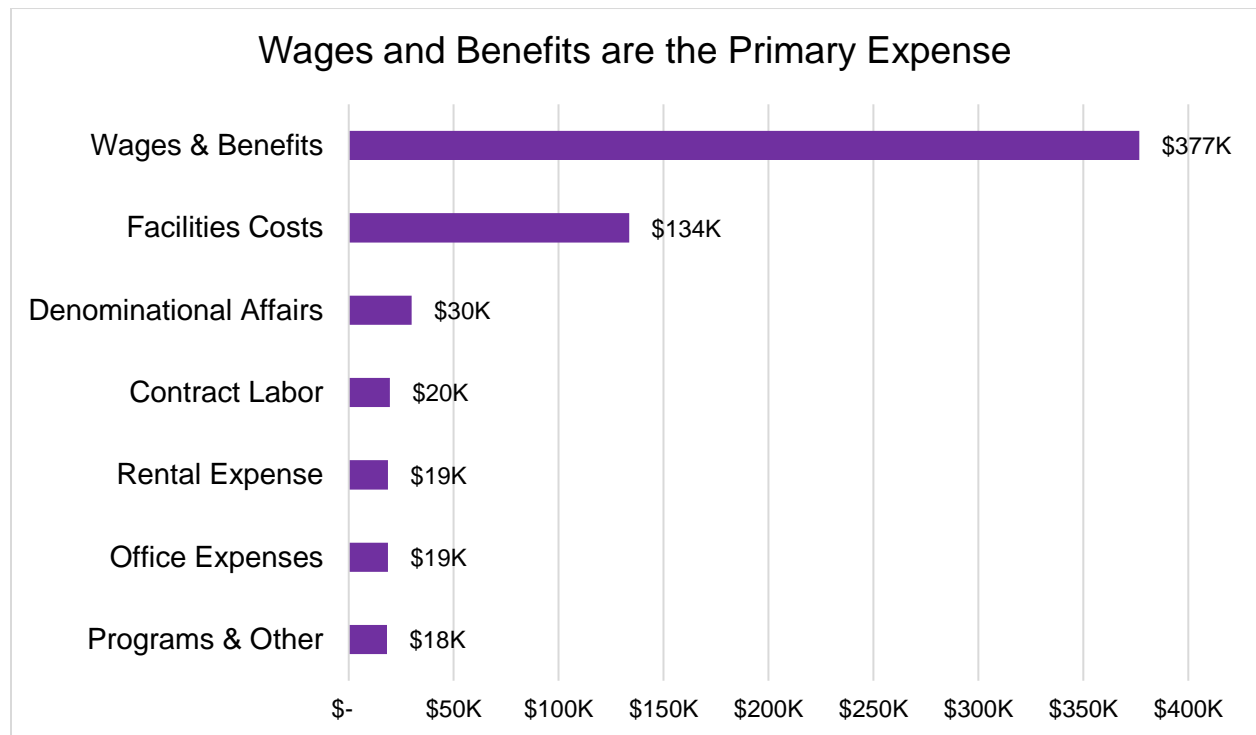
Expenses

There are two ways the congregation spends money.

1. The Operating Budget is funded from the income described earlier, primarily member pledges. These expenses are primarily paying staff and maintaining the facilities in support of the core mission of the church.
2. Restricted Funds are self-contained categories which have separate sources of income not described above, and their own expenditures. These expenditures are specific to the fund.
 - An example is the Share the Plate (STP) Sunday fund. All collections during a STP Sunday are earmarked for that STP recipient. None of the STP collections are counted in the income described in the earlier section for our operating budget, and the BOT and/or church staff cannot spend those receipts on anything other than the purpose of the fund. This is why neither the income nor the expenditures show up in the operating Income Statement, and any balance left at year end shows as Temporarily Restricted in the operating Balance Sheet.
 - See Table 4 for a full listing of Restricted Funds, including their receipts and expenditures.

Figure 4 shows operating expenses by type of expense for the **operating budget only**.

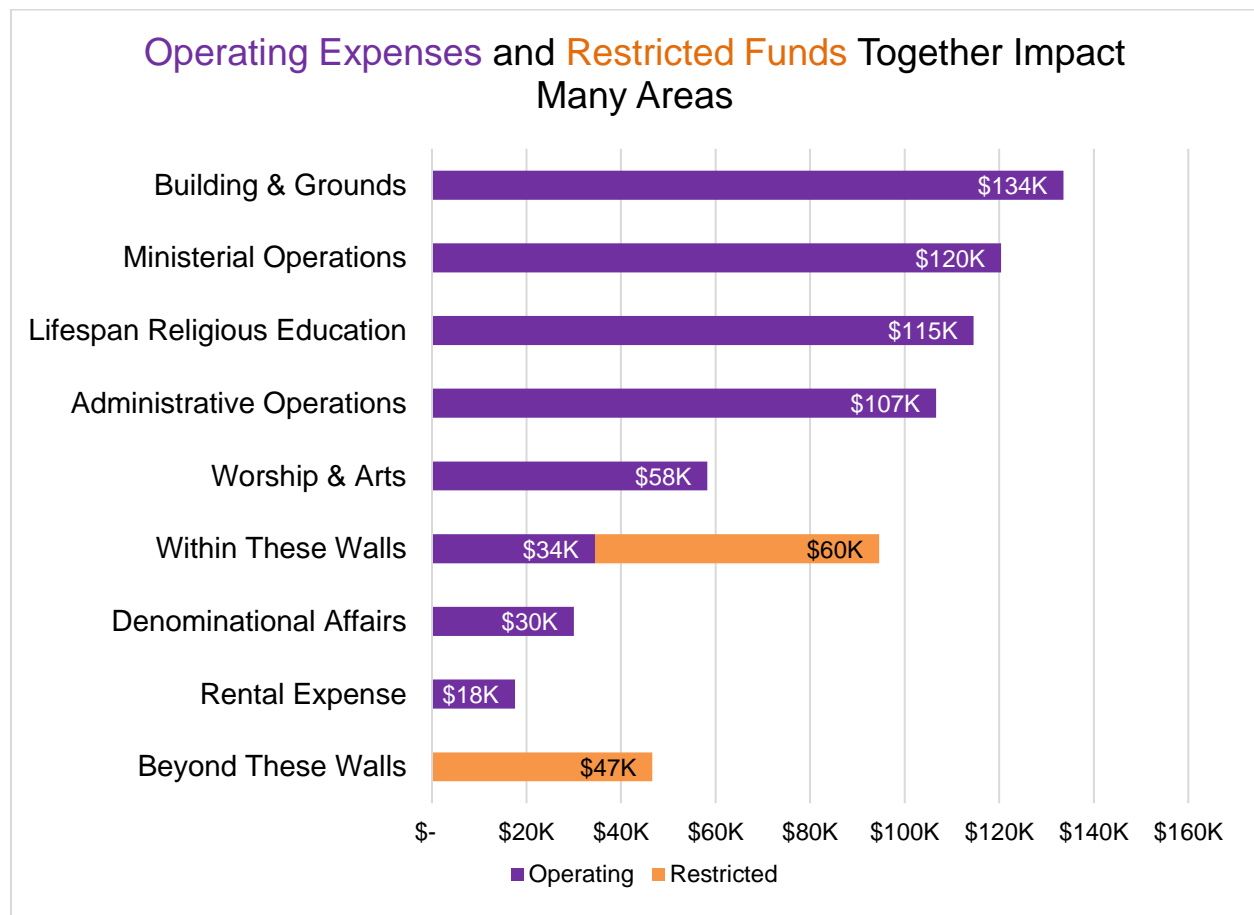
Figure 4 – FY2018 Operating Expenses by Type of Expense



Wages and benefits for our staff make up the majority of our operating expenses, at 61%. Facilities costs consist of putting money away for repairs into the Maintenance Reserves, interest on our existing debt¹ from the last building project, janitorial expense not related to the pre-school, and other building costs. Facilities costs made up 22% of operating expenses in FY2018. All other items in the operating budget made up the remaining 17% of expenses.

Another way to look at how we spend money is to categorize it by what impact it has or what purpose. For this we will add together both the operating budget and expenditures by the restricted funds, to get a complete picture of the impact of our congregation. The Restricted Fund Expenditures have been grouped together into either Within These Walls or Beyond These Walls. Note that we will exclude the Capital Fund as it is discussed later.

Figure 5 – FY2018 Operating Expenses and Restricted Funds by Purpose of Expense (excludes Capital Fund)



- Ministerial Operations - primarily salary and benefits for our minister
- Lifespan Religious Education (LRE) - Director of LRE and the LRE Assistant and expenses for education programs for all ages

¹ The principal portion of debt payments are a balance sheet transaction, are not expensed, and are therefore not included in Figure 5.

- Building and Grounds - putting money into our maintenance reserves, interest on our existing debt, janitorial services, insurance, utilities and other maintenance
- Administrative Operations - Congregational Administrator and Office Assistant, office equipment and technology
- Worship & Arts - Director of Music and the Accompanist, and music expenses
- Within These Walls - the operating budget funds the Membership Director, Sunday hospitality and expenses for some programs, while the Restricted Funds spend money primarily on children and youth ministries and musical activities
- Denominational Affairs - payments to the national/regional UU organizations
- Rental Expense - expenses needed to generate income from the pre-school (janitorial expense) and parking lot (taxes paid on the income)
- Beyond These Walls - distributions by Share the Plate and other restricted funds

Maintenance Reserves

Included in Figure 4 under Facilities Costs, and in Figure 5 under Building & Grounds is an expense for maintenance reserves of \$44k. This is where the operating budget sets aside money to the balance sheet in a line called Maintenance Reserves. BOT policy for FY2018 was that 6% of total income be set aside as maintenance reserves, which are to be used for maintenance expenses more than \$1k in any year needed. The idea is to show an expense each year, even if we don't have any major maintenance expenditures, so that when a major issue comes up it does not impact the operating budget all in one year. The minister maintains a 10-year maintenance plan of forecasted expenditures.

During FY2018 the church set aside \$44k for maintenance reserves and spent \$23k on replacing portions of the Jones roof, \$7k on mold remediation at the manse, and \$5k on other projects. The ending balance was \$44k.

Capital Campaign and Building Project

The history of the building project and associated capital campaign can be found in the FY2017 Treasurer's Report. In June 2018 the capital campaign concluded, and as of October 31, 2018, the congregation has raised \$1.5 million in pledges. The debt from the 2006 building project was \$0.4 million, leaving approximately \$1.1 million in pledges that can be used for the construction of an expansion to the Jones building. The current estimate for construction is \$1.3 million, leaving a gap of \$0.2 million. The Board of Trustees (BOT) and its appointed task forces are exploring several options to close the gap, with an expected presentation at the January congregational meeting. Any gap remaining at the end of pledge fulfillments will be carried as long term debt and require payments from either the operating budget or a new source of operating income.

At the end of FY2018, the Capital Campaign cash account, included in the Checking/Savings amount in the balance sheet had a balance of \$280k. Since fundraising expenses are materially complete, this balance will grow from pledge fulfillments until construction begins, currently estimated for June 2019. The congregational administrator and I are in the process of moving the balance to a money market account to earn interest until it is used for construction.

With regard to the operating budget, during the time that members are fulfilling pledges to a capital campaign a church should not expect average pledges to rise at all. This is normally a three year period but the financial strain on members can be as long as five years. If average pledges do not rise for five years, and/or if there is debt remaining after the project, this will put a strain on the operating budget.

Financial Risks and Other Considerations

In the FY2017 treasurer's report three risks were identified:

The building project will put downward pressure on operating income for the next five years as described previously. If CCCHUU does not continue to attract new members and retain existing members, income may not keep pace with expense inflation. In addition, payments on any long term debt as a result of the building project will require either new sources of operating income or cuts to existing operating expenses.

Medical expenses were a concern of the treasurer in FY2017, as they tend to rise faster than inflation. Fortunately, the rate of growth has been modest. This is not a concern at this time.

Maintenance costs, especially for the aging Manse building, are also a concern that was raised and continues to be a concern. The septic system for the Manse failed during FY2018 and is not replaceable due to updated building codes. Tying the plumbing into the city sewer system is expected to cost approximately \$60k and is underway in December 2018. This will be paid for with the \$44k of Maintenance Reserves carried into FY2019 as well as a portion of the money set aside during FY2019. This risk of being low on Maintenance Reserve funds due to the sewer repair is mitigated by a Letter of Credit dated November 1, 2018 with the Endowment Committee, which would allow us to borrow funds at an interest rate equivalent to what the endowment investments are getting.

Acknowledgements and Sources

The data in this report is from our Congregational Administrator, Andrea Sordean-Mintzer, who is not responsible for any of my errors of interpretation.

Editing and data visualization assistance by Demia Wright.

Thanks to Laurence Kirsch for check signing help.

Thanks to Scott Provan and the Sunday counters for their help in managing the collections.

Financial Statements

The financial statements are on an accrual basis.

Notes on Table 1 - Balance Sheet

Both Checking/Savings and Temporarily Restricted Funds balances are up due to the pledges received for the building project (\$280k).

Fixed Assets are not depreciated in the accounting books but the previous repaving of the parking lot is being depreciated for tax purposes. Being tax-exempt, CCCHUU has not depreciated other fixed assets in the past.

Long Term Liabilities, which is our debt, has been paid down to zero during FY2018. Whether we emerge from the current building project in FY2022 with any long term debt is not yet known.

Maintenance Reserves ending FY2018 were \$44k due to the Building and Grounds Committee saving up for the Manse sewer replacement. Groundbreaking began in December 2018 so we expect to spend a significant portion of the maintenance reserves in FY2019.

Notes on Table 2 – Income Statement

Table 2 presents the income and expenses of the operating budget.

Notes on Table 3 – Reconciliation of Operating Reserves

Table 3 connects the income statement to the balance sheet by showing the beginning balance of operating reserves at the end of the prior fiscal year, adding net income from FY2018, subtracting principal paid by the operating budget² on the existing debt, and arriving at the operating reserve amount at the end of FY2018.

Notes on Table 4 – Restricted Funds

Table 4 shows activity within the Restricted Funds, which are self-contained and separate from the operating budget. The ending balance matches the Temporarily Restricted Funds on the Balance Sheet.

² This reconciliation is for the operating budget only. Most of the principal paid on the loan was from the Capital Fund in FY2018.

Table 1
Balance Sheets at the End of Each Fiscal Year
(unaudited)

ASSETS	<u>Jun 30, 18</u>	<u>Jun 30, 17</u>	<u>Jun 30, 16</u>	<u>Jun 30, 15</u>
Current Assets				
Checking/Savings	527,547	260,098	248,906	196,206
Other Current Assets	9,444	18,608	11,591	15,648
Total Current Assets	536,991	278,705	260,497	211,854
UU Common Endowment Fund	197,646	181,653	159,638	144,818
Fixed Assets	3,112,731	3,112,731	3,112,731	3,112,731
TOTAL ASSETS	<u>3,847,368</u>	<u>3,573,089</u>	<u>3,532,866</u>	<u>3,469,402</u>
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Payroll Liabilities	25,997	30,005	22,706	12,971
Accrued Payables	3,235	3,077	4,605	4,380
Unearned Income	59,114	61,605	49,032	43,133
Total Current Liabilities	88,347	94,687	76,343	60,484
Long Term Liabilities	0	225,267	497,157	522,305
Total Liabilities	88,347	319,953	573,500	582,789
Equity				
Financial Reserves				
Operating Reserves	48,658	55,122	54,041	65,631
Maintenance Reserves	44,066	35,072	122	13,085
Ministerial Transition Res.	13,865	13,865	9,865	5,865
Total Financial Reserves	106,588	104,058	64,027	84,581
Illiquid Equity	3,113,947	2,888,556	2,615,574	2,590,426
Permanently Restricted Funds	199,079	182,961	160,846	145,340
Temporarily Restricted Funds	339,407	77,561	118,919	66,267
Total Equity	3,759,021	3,253,136	2,959,366	2,886,613
TOTAL LIABILITIES & EQUITY	<u>3,847,368</u>	<u>3,573,089</u>	<u>3,532,866</u>	<u>3,469,402</u>

Table 2
Income Statements for Fiscal Years Ending June 30
(unaudited)

Income	<u>Jun 30, 18</u>	<u>Jun 30, 17</u>	<u>Jun 30, 16</u>
Collections			
Member Pledges	462,799	455,459	430,207
ID Contributions	9,940	3,266	5,241
Loose Collection	8,610	7,718	7,250
Total Collections	481,348	466,443	442,698
Other Income			
General Operating Fundraising	18,172	16,029	15,979
Other Income - Other	574	432	1,554
Total Other Income	18,746	16,462	17,533
Rental Income			
Building Rental	5,645	7,427	6,566
Parking Lot Rental	54,248	53,546	55,267
Pre-School Lease	68,607	66,287	64,045
Total Rental Income	128,500	127,260	125,878
Total Income	628,594	610,165	586,109
Expense			
Administrative Operations	106,654	104,091	102,240
Building & Grounds	133,598	114,834	109,721
Denominational Affairs	30,000	30,216	29,300
Lifespan Religious Education	114,571	114,971	108,812
Ministerial Operations	120,382	121,899	118,732
Rental Expense	17,530	17,346	18,463
Within These Walls	34,469	32,910	29,097
Worship & Arts	58,268	59,699	56,187
Total Expense	615,473	595,966	572,552
Net Income	13,122	14,199	13,558

Table 3

Reconciliation of Operating Reserves for Fiscal Years Ending June 30

(unaudited)

Reconciliation of Operating Reserves:	<u>Jun 30, 18</u>	<u>Jun 30, 17</u>	<u>Jun 30, 16</u>
Beginning Operating Reserves	55,122	54,041	65,631
Net Income	13,122	14,199	13,558
Payment of Loan Principal ³	<u>(19,585)</u>	<u>(13,119)</u>	<u>(25,148)</u>
Ending Operating Reserves	<u>48,658</u>	<u>55,122</u>	<u>54,041</u>

³ The Capital Campaign fund paid the principal for the last six months of FY2017, making the amount paid by the operating budget approximately half of what it would have been. This policy was ended on June 30, 2017 when it became clear that the ending date of the pre-school was extending to fall 2018 and the operating budget could support the full debt payments. During FY2018 the Capital Fund paid off the balance of the loan early. This payment does not show in Table 3 but can be seen in Table 4 as part of the total expenditures of the Capital Fund.

Table 4
Activity in Temporarily Restricted Funds, FY2018
(unaudited)

<u>Fund</u>	<u>Balance at 6/30/17</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Other</u>	<u>Balance at 6/30/18</u>
<u>Within These Walls</u>					
Art Resources Fund	4,067	1,340	(33)	0	5,374
Benevolence Fund	3,250	0	(500)	1,148	3,898
Campus Ministry Activity Fund	119	140	0	0	259
Capital Fund	27,602	439,649	(213,730)	30,158	283,679
Children Ministry Activity Fund	1,882	5,150	(5,025)	104	2,111
Church Fellowship	74	0	0	0	74
Concert Series	7,401	16,776	(15,142)	0	9,035
Frances Brewer Flower Fund	1,732	170	(215)	0	1,687
IT Fund	29	0	(29)	0	0
Memorial Rock Fund	5,624	0	0	0	5,624
Minister Discretionary Fund	4,023	15	(3,526)	1,148	1,660
Music Activity Fund	(2,087)	12,947	(9,146)	(0)	1,714
Quilting Group Clearing Fund	562	86	(38)	0	610
Sanctuary for Dialogue	1,205	0	0	0	1,205
Sarah Insch Youth Leadership	779	0	(360)	663	1,082
SEA Activity Fund	1,216	310	(363)	25	1,188
Services Auction Fund	180	0	0	(180)	0
Youth Ministry Activity Fund	6,527	18,159	(25,734)	4,494	3,445
Total Within These Walls	104,431	494,742	(273,842)	37,561	322,646
<u>Beyond These Walls</u>					
Community Service Ministry	479	1,095	(2,508)	1,625	692
Faith in Action	(55)	0	0	0	(55)
Habitat Fund	5,523	0	(4,000)	4,890	6,413
Peace & Justice Clearing Fund	1,621	0	0	0	1,621
Sanctuary & Immigrant Support	0	4,100	(1,250)	0	2,850
Share the Plate Sunday	0	47,536	(36,261)	(11,275)	0
Social Concerns/Special Project	260	0	0	(260)	0
SOSL Ministry Team Fund	5,547	2,257	(2,615)	50	5,239
Total Outreach	14,489	54,988	(46,633)	(4,970)	16,760
Total Restricted Funds	118,919	549,730	(320,475)	32,591	339,407

MINDING THE GAP

INTRODUCTION

The “gap” is defined as the shortfall between the estimated cost of the current building project (\$1.3M) and the expected total money in the Capital Fund available for paying that cost (\$1.1M). The gap is approximately \$200,000. **We can’t know the exact figures at this point, but we have confidence in these cost estimates, which are based on architect and builder projections and experience, and in our extrapolated current pledge data.**

- The project scope from last year was carefully adjusted to lower the cost to \$1.3M, by focusing on maintaining the dimensions and features of the new building essential to meet priority program requirements and our standards of simple quality, accessibility, and environmental sensitivity, while postponing all but critical renovations to the existing building.

The Board’s draft Plan was shared with the congregation for comment through October. Of the 105 respondents to our October survey, 89% were supportive of this approach, even most of those who expressed concerns or regret about postponing renovations.

- **The Board is committed to supporting a multi-faceted strategy for resolving the remaining \$200,000 Gap, without impinging on the church’s annual operating budget.** We have been exploring ways to CLOSE THE GAP by raising earlier and additional funds through June 2021, and ways to AFFORD EXTENDED BORROWING, if necessary, by finding new fund sources to cover the cost of any debt service beyond June 2021.
- **To enable flexibly addressing the coming year’s many unknowns, we have assembled a framework of promising strategies for further development.** This is the start of the discussion, not the conclusion. Strategies will depend on people’s contributions of their time and talent for organizing and working on specific tasks in 2019-2020. Some are already stepping forward, wonderful! While the team is forming up, folks are asked to get in touch with ad hoc Team Contact Andy Hencke (andy.hencke@gmail.com) if they are interested in considering a role whether large or small.

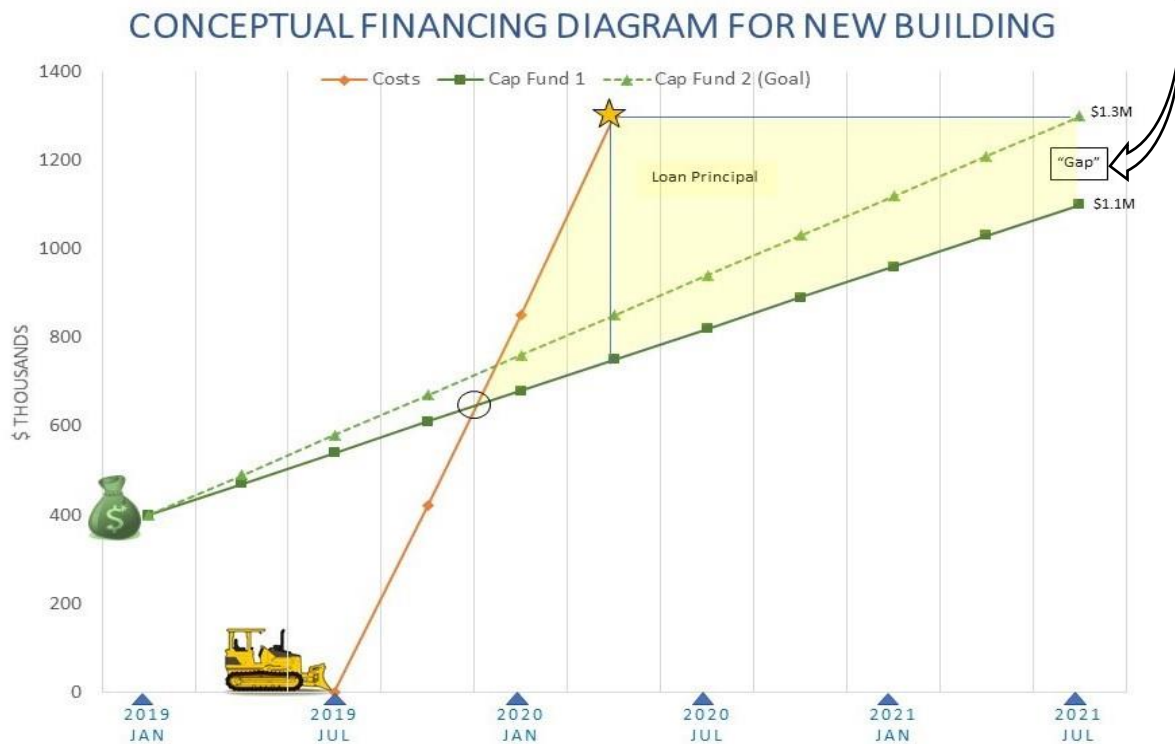
SUMMARY (See following pages for further explanatory details)

- PLAN A: INCREASE CAPITAL FUNDS AVAILABLE BY 2021. Our goal is to raise the value of the capital fund by \$200,000 via new and earlier revenues so that, once all pledges are fulfilled (June 2021), we will pay off the construction (aka “bridge”) loan and have no further debt.
- PLAN B: EXTEND BORROWING BEYOND 2021. If we come up short on the fundraising goal, a reduced Gap amount would remain as of July 2021, that would require us to extend our borrowing. Contingency strategies will aim to develop alternative sources (extended pledge terms and rental income) to pay off any such interest and principal.

MINDING THE GAP – Page 2

INCREASE CAPITAL FUNDS AVAILABLE BY 2021

The 3-year capital pledge payment period concludes June 2021. Between January 2019 and then, the capital fund (“Cap Fund 1”) will have accumulated \$1.1M in collections, will have disbursed it all to pay for construction, and will be about \$200,000 short (i.e. the “Gap”) *unless we have augmented the capital fund (“Cap Fund 2”) in the meantime.*



Timing is an important factor because invoices for the new project will come due during the construction period June 2019 - April 2020, *before* all the pledges are collected. We will use up our current capital fund balance paying invoices sometime in late 2019 in the above example (see circled area in diagram above). At that point, we will resort to a standard, short-term bridge loan, to continue paying subsequent invoices. **The bridge loan will shrink as it is paid off with the remaining pledge collections and other gap-filling additions to the capital fund, as they come in.**

On the graph, the vertical line connecting the starred top of the “Cost” curve to the Cap Fund 1 curve represents the approximately \$550K loan maximum which this straight-line example illustrates. Different trajectories (if proceeds lag or costs come in higher or quicker) could produce different maximum estimates. **Our Church Treasurer stipulates a ceiling of \$700K to cover such contingencies.**

MINDING THE GAP – Page 3

How would earlier payment of pledges help? (Refer to graph on page 2)

- To the extent that pledges could be paid early, the balance in the capital fund (whether Cap Fund 1 or the augmented Cap Fund 2), instead of growing at a straight-line rate, would arch upward sooner before ultimately leveling off. That dynamic would help defer our need to start borrowing “bridge” money to a later date – reducing the total cost of the loan.
- Early payment of pledges could save several thousand dollars in interest, letting more of our dollars pay for construction instead.

How, in addition to helping fill the gap, would raising additional money in 2019 help?

- For one thing, the more we increase the capital fund before we start paying invoices, the more interest our funds will earn before construction costs gobble them up.
- Beyond that, the more we can add to the capital fund before all the invoices come in, the less money we will have to borrow, meaning less interest to pay.

The following fundraising initiatives would each potentially contribute a yet-to-be-determined amount, over the next two fiscal years. The benefit would come partly from the money raised, and partly from the fulfillment of coming together for this church-wide goal of closing the gap.

We know there are people who would like to donate more, and who may find it possible to do so in the near term.

- We will readily accept new pledges and pledge additions.
- We will encourage early payment of existing capital pledges.

We know there are multiple church fundraisers which raise funds for particular church purposes, and which often have overages beyond the income specified in the church budget.

- We will offer help toward boosting revenues in exchange for designating that overages will go to the capital fund.
- We may also sponsor pop-up benefits such as events featuring talented performers and experienced organizers in our midst.

We know the Endowment Fund is interested in helping meet needs for the new building.

- We will request grants for key features such as water fountains and room furnishings and playground facilities which are embedded in the total building cost estimate.

Nearly half the survey respondents offered comments about ways to close the gap. Most of the suggestions were ways to **raise money**, particularly: ask for more pledges; get help from the Endowment Fund; and tap into existing church fundraisers or have special fundraisers. The creative optimism of these comments has inspired the Board to explore a multi-faceted approach to closing the gap.

MINDING THE GAP – Page 4

EXTEND BORROWING BEYOND 2021 (Convert to extended conventional loan)

Of the 50 survey respondents offering comments about ways to close the gap, a few voiced opposition to encumbering the church with a loan beyond the usual, short-term construction loan. On the other hand, several commented that they have no objection to a reasonable loan and trust we'll refrain from burdening the church's budget.

We want to ensure that, if our fundraising goal falls short as of June 2021, there would be a way to pay the debt service for an extended, conventional loan without tapping into the church's annual operating budget.

The annual cost for a ten-year \$200K loan would be about \$27K, a small percentage of the church's annual budget of \$560K but nonetheless an important factor in program activities. Over ten years, the interest cost of this loan would be \$70K, a strong incentive for making the loan as much smaller and shorter as possible.

How could we ensure that extended debt service would not burden the church budget?

- The possibility of new rental income from our facilities is being explored, being mindful of rental costs and hassles and trade-offs with our own potential uses. In particular, short-term rentals might offer acceptable flexibility and feasibility. For example:
 - Airbnb rentals of the manse (e.g. for UNC alumni on sports weekends, families for commencement or wedding weekends, or for professional retreats) could be compatible with sanctuary use.
 - Occasional weekday or Saturday rentals of our new and newly-available Jones Building spaces could be accommodated within our calendar of program meetings and activities.
- A complementary approach under consideration is an “additional fourth year” offered to those congregants for whom an additional capital pledge or donation in 2021-2022 would be possible without cutting back on their annual operating fund pledges. If we had those additional proceeds in the year July 2021 – June 2022, we would be able to retire some or all of the extended loan at that time.

ACTION ITEM: A congregational authorization vote is needed for the church to borrow up to \$700K in a short-term bridge loan, to ensure we can make invoice payments throughout the construction period, before all the pledges are paid (see explanation on page 2). **A vote will be requested at the Congregational Meeting on January 13, 2019.** All members are asked to discuss any remaining questions with Task Force leaders by then and come to the meeting (or send a proxy) with their vote.



Bonnie Nelson <nelsonbjmj@gmail.com>

Election Results

1 message

Jenny Warnasch <jennywarnasch@gmail.com>
Bcc: nelsonbjmj@gmail.com

Wed, Nov 28, 2018 at 8:11 AM

[forwarded from Nominating Committee]

Jenny Warnasch

Dear Members of the Board,

We are pleased to announce that the congregation has elected the following candidates to serve on the Board of Trustees for 2019:

Bianca Rodriguez, Vice-President

Doug Shier, Board Member (Three-Year Term)

Caroline Sherman, Board Member (Three-Year Term)

Scott Edinborough, Board Member (Two-Year Term)

We are most appreciative for their willingness to serve our church community during this exciting time. This Class of 2019 has been notified that they will be contacted by a current member of the Board regarding attending the December 11 Board meeting and their pending orientation.

It has been a pleasure serving on the Nominating Committee. The two members who will be continuing for the 2019 elections are Abbie Beasley-Crombie and Jane Provan.

Warm Regards,

The Nominating Committee

Jean Masse

Selden Holt

Abbie Beasley-Crombie

Jane Provan

BANKS COMMERCIAL REAL ESTATE

November 24, 2018

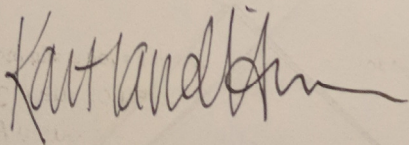
Hello,

My name is Kaitland Hinson and I am a Commercial Real Estate Broker in downtown Charleston, SC. I am contacting you regarding your property at 106 Purefoy Road in Chapel Hill, NC. (**please note this is not a solicitation to list your property*)

I represent a qualified buyer who is interested in purchasing a portion of your property. I was hoping I could schedule a time to speak with you regarding the value of the property and to inquire as to any interest you may have in selling. My client is prepared to make you an offer.

I am available by phone at 843-455-7691 (call or text) or by email at kaitland@bankscre.com. Again, I would appreciate the opportunity to discuss your current and future plans for the property and look forward to speaking with you.

Thank you for your time and consideration,



Kaitland Hinson

Broker-in-Charge

843-455-7691 | kaitland@bankscre.com



BANKS COMMERCIAL