

Treasurer's Report  
Fiscal 2019 and 2020

to the Members of  
Community Church of Chapel Hill, Unitarian Universalist

Andrew Wright, CPA, Treasurer

October 2020

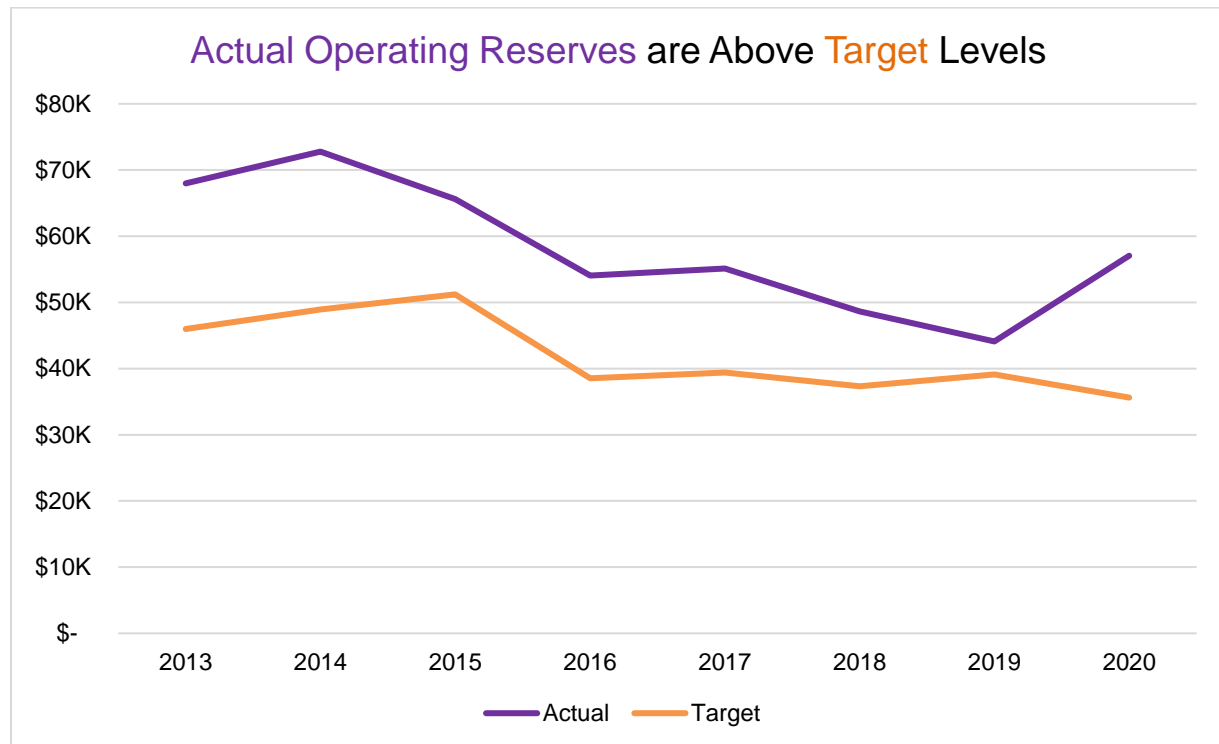


## Executive Summary

This report covers both the fiscal year ending June 30, 2019 (FY2019) and the fiscal year ending June 30, 2020 (FY2020), but the focus is on FY2020. Amounts without a fiscal year referenced are for FY2020.

The financial health of the Community Church of Chapel Hill Unitarian Universalist (CCCHUU) was very strong during FY2020. As a safeguard, the church maintains operating reserves of funds on the balance sheet that help to smooth out uneven cash flows. The Board of Trustees (BOT) requires the church to maintain these operating reserves at or above 6% of annual expenses. At the end of FY2020, operating reserves were 9.6% of FY2020 actual 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

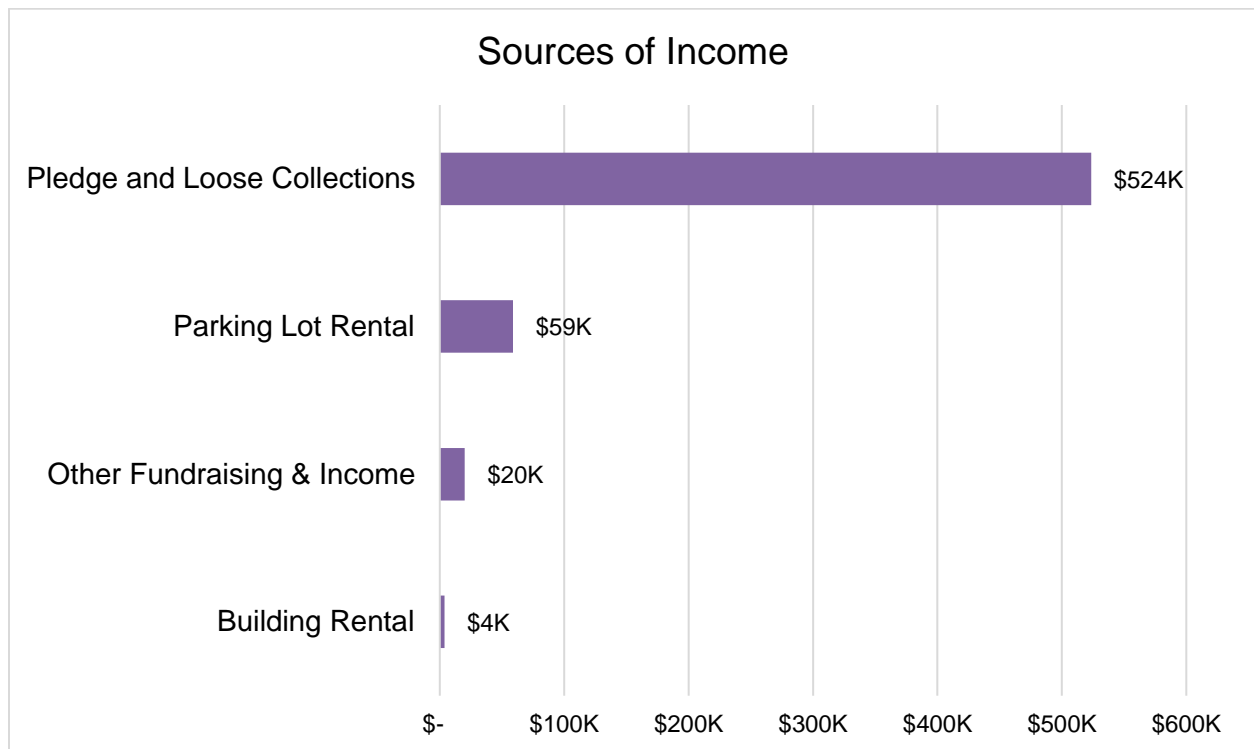


The gap in fundraising for the building project is a concern, but the church is in a good financial position otherwise. There are many members working on closing the gap, and progress is being made.

## Income

The primary source of income for CCCHUU is member pledges and loose collections, making up 77% of total income. Total income for FY2020 was \$606k, down from \$647k in FY2019, driven by the loss of preschool income. Figure 2 shows all sources of income.

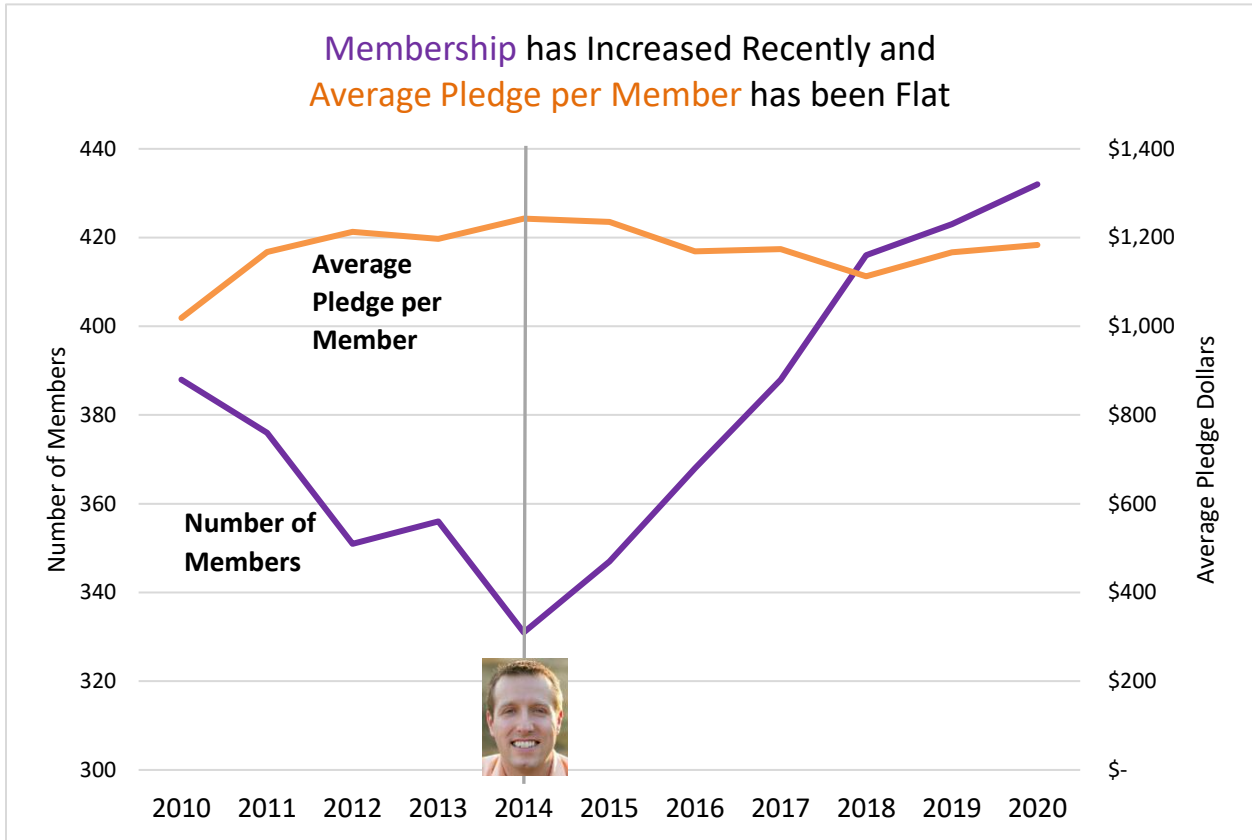
Figure 2 – FY2020 Sources of Income



The Pre-School Lease ended in June 2019. Excluding preschool income, FY2019 had \$584k of income, so comparable sources of income were up in FY2020. The church has planned to offset this loss of income with elimination of debt related to capital projects. The prior debt was retired with certain early pledges to the building project in January 2018.

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 since then 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 been fairly consistent since 2011. Figure 3 shows the trends 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 very encouraging to see the average increase slightly in FY2019 and FY2020.

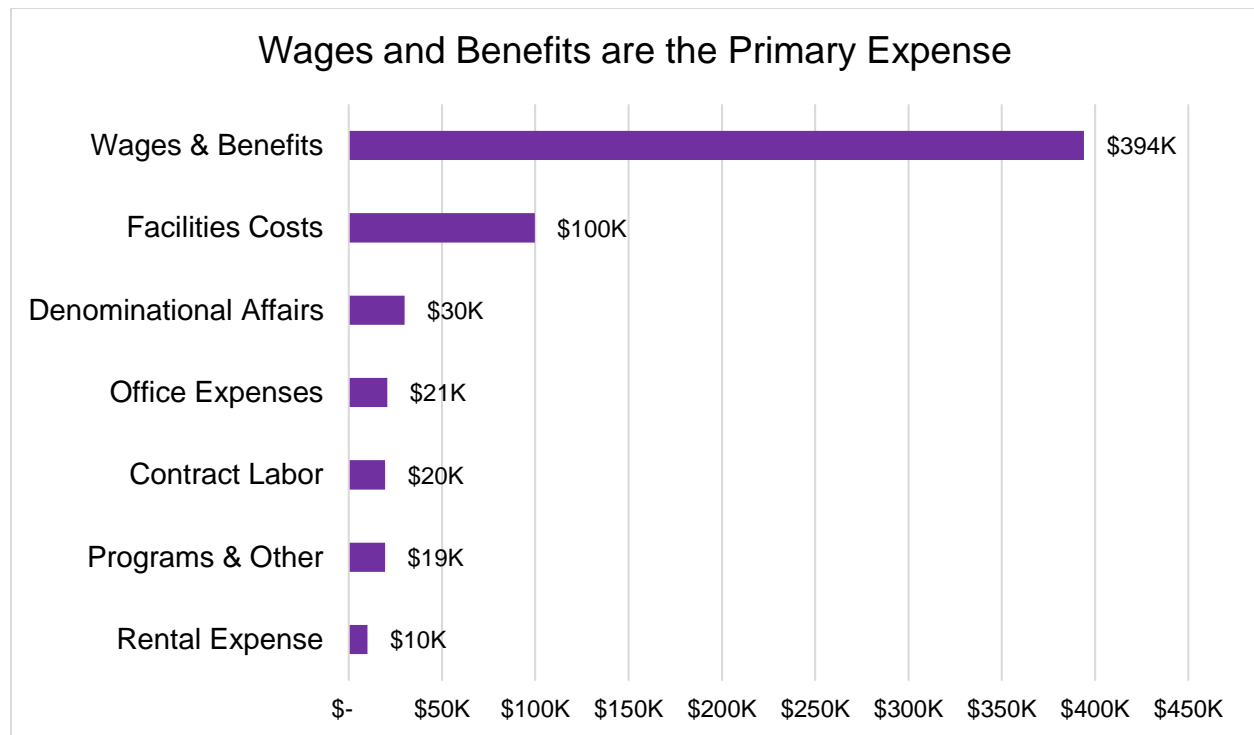
## Expenses

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 mostly in 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.
  - o 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<sup>1</sup> in the operating Balance Sheet.
  - o See Table 4 for a full list of Restricted Funds, including their receipts and expenditures.

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

Figure 4 – FY2020 Operating Expenses by Type of Expense

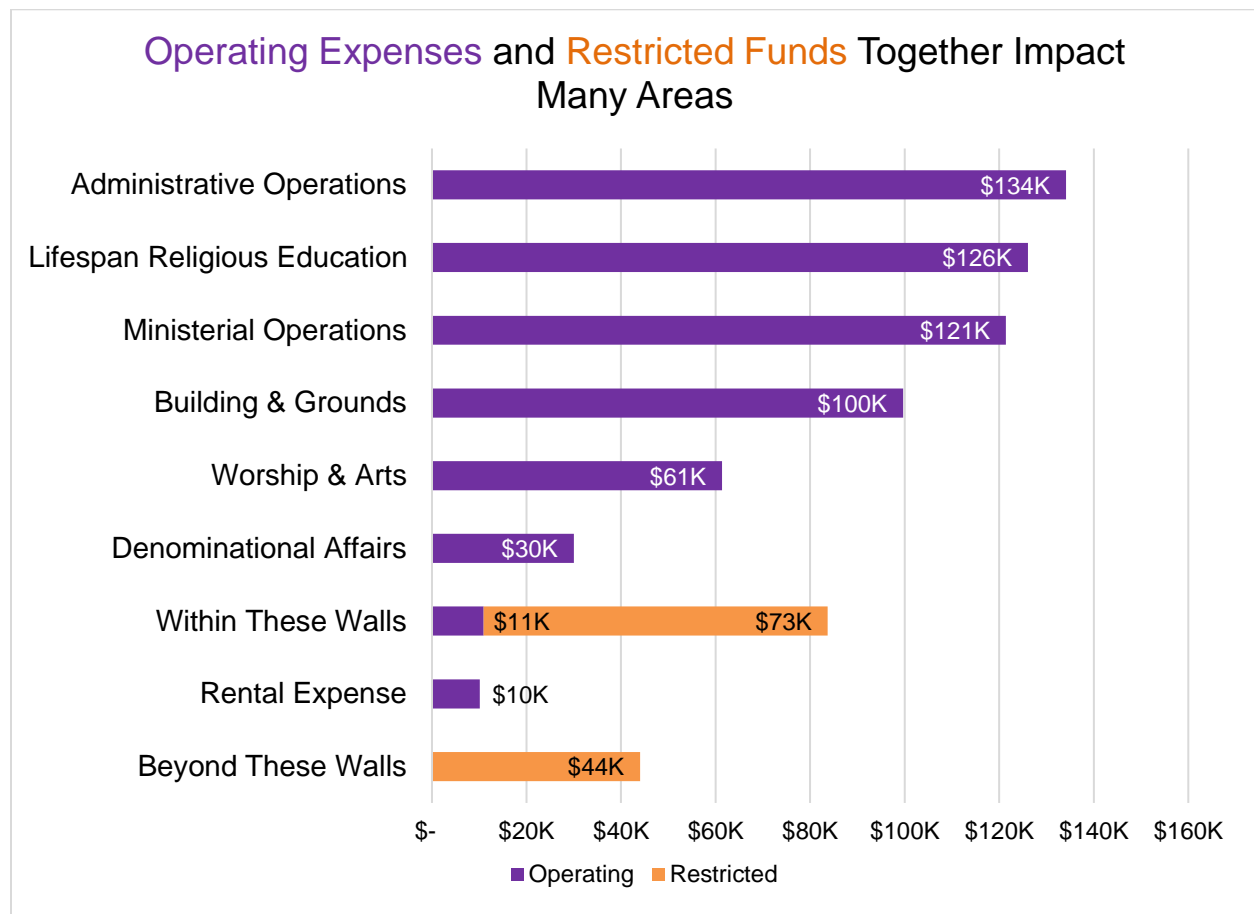


<sup>1</sup> The technical accounting distinction of temporarily and permanently restricted funds was eliminated in 2018, but is still used informally here for ease.

Wages and benefits for our staff make up the majority of our operating expenses, at 66%. Facilities costs consist of putting money away for repairs into the Maintenance Reserves, janitorial expense, and other building costs. Facilities costs made up 17% of operating expenses in FY2020. 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's dollars. The Restricted Fund Expenditures have been grouped together into either Within These Walls or Beyond These Walls. Note that I exclude the Capital Fund (discussed later).

Figure 5 – FY2020 Operating Expenses and Restricted Funds by Purpose of Expense (excludes Capital Fund)



- Building and Grounds - putting money into our maintenance reserves, janitorial services, insurance, utilities and other maintenance
- 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
- 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 parking lot (taxes paid on the income and tax filing expenses)
- 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 states that 7% of total income be set aside as maintenance reserves each year, which are to be used for maintenance expenses that are more than \$1k, now or in the future. 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 board maintains a 10-year maintenance plan of forecasted expenditures.

During FY2020 the church set aside \$44k for maintenance reserves and spent \$26k on exterior painting (\$22k), Jones building renovation (\$1k), and other projects (\$3k). The ending balance was \$56k. In the prior year, FY2019, \$51k was spent from maintenance reserves, primarily on the Manse sewer (\$50k).

### Building Project

The history of the building project can be found in the FY2017 and FY2018 Treasurer's Reports. The congregation has raised, through pledges and fundraisers, \$1.8 million, of which \$0.5 million was used to pay off debt from the prior building project. The estimate for construction of the Jones Building expansion is \$1.6 million, leaving a gap of \$0.3 million. The BOT and its appointed task forces are asking for additional pledges to close the gap, and are extending the time to fulfill additional pledges. 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. The task forces are committed to raising enough funds to prevent an impact to the operating budget.

At the end of FY2020, the Capital Campaign cash account, included in the Checking/Savings amount in the balance sheet had a balance of \$934k.

### **Financial Risks and Other Considerations**

The building project could put pressure on the operating budget if the gap is not closed in the next two to four years. If it is not closed, payments on long term debt as a result of the building project will require either new sources of operating income or cuts to existing operating expenses.

Maintenance costs, especially for the aging Manse building, continue to be a concern.

### **Acknowledgements and Sources**

The raw data in this report is from our Congregational Administrator, Dana Lundquist, whom I thank for her excellent work.

Thanks to Bill Poteat, Assistant Treasurer, for assistance in many areas.

Editing and data visualization assistance by Demia Wright.

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 funds received for the building project (\$934k).

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

Long Term Liabilities consists of a Paycheck Protection Program loan that we obtained in FY20. We expect this loan to be forgiven in FY21.

### **Notes on Table 2 – Income Statement**

Building and Grounds expenses are down in FY2020 due to \$47k of interest paid in FY2019 on the prior debt.

### **Notes on Table 3 – Reconciliation of Operating Reserves**

Table 3 shows the beginning balances of operating and maintenance reserves, as well as additions and charges to the reserves.

### **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.

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

<b>ASSETS</b>	<b><u>Jun 30, 20</u></b>	<b><u>Jun 30, 19</u></b>	<b><u>Jun 30, 18</u></b>	<b><u>Jun 30, 17</u></b>
Current Assets				
Checking/Savings	1,279,737	1,005,042	527,547	260,098
Other Current Assets	10,214	22,306	9,444	18,608
Total Current Assets	<u>1,289,950</u>	<u>1,027,348</u>	<u>536,991</u>	<u>278,705</u>
UU Common Endowment Fund	198,905	204,106	197,646	181,653
Fixed Assets	<u>3,112,731</u>	<u>3,112,731</u>	<u>3,112,731</u>	<u>3,112,731</u>
<b>TOTAL ASSETS</b>	<b><u>4,601,586</u></b>	<b><u>4,344,186</u></b>	<b><u>3,847,368</u></b>	<b><u>3,573,089</u></b>
<b>LIABILITIES &amp; EQUITY</b>				
Liabilities				
Current Liabilities				
Payroll Liabilities	19,978	26,353	25,997	30,005
Accrued Payables	2,205	1,048	3,235	3,077
Unearned Income	57,545	80,758	59,114	61,605
Total Current Liabilities	<u>79,729</u>	<u>108,159</u>	<u>88,347</u>	<u>94,687</u>
Long Term Liabilities	68,462	0	0	225,267
Total Liabilities	<u>148,191</u>	<u>108,159</u>	<u>88,347</u>	<u>319,953</u>
Equity				
Financial Reserves				
Operating Reserves	57,074	44,274	48,658	55,122
Maintenance Reserves	55,625	38,388	44,066	35,072
Ministerial Transition Res.	13,865	13,865	13,865	13,865
Total Financial Reserves	<u>126,563</u>	<u>96,526</u>	<u>106,588</u>	<u>104,058</u>
Illiquid Equity	3,113,947	3,113,947	3,113,947	2,888,556
Permanently Restricted Funds	199,808	206,442	199,079	182,961
Temporarily Restricted Funds	1,013,077	819,111	339,407	77,561
Total Equity	<u>4,453,396</u>	<u>4,236,027</u>	<u>3,759,021</u>	<u>3,253,136</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>4,601,586</u></b>	<b><u>4,344,186</u></b>	<b><u>3,847,368</u></b>	<b><u>3,573,089</u></b>

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

<b>Income</b>	<b><u>Jun 30, 20</u></b>	<b><u>Jun 30, 19</u></b>	<b><u>Jun 30, 18</u></b>
Collections			
Member Pledges	511,359	493,618	462,799
ID Contributions	1,445	3,780	9,940
Loose Collection	10,766	8,466	8,610
<b>Total Collections</b>	<b>523,569</b>	<b>505,865</b>	<b>481,348</b>
Other Income			
General Operating Fundraising	17,904	17,856	18,172
Other Income - Other	2,192	1,635	574
<b>Total Other Income</b>	<b>20,095</b>	<b>19,491</b>	<b>18,746</b>
Rental Income			
Building Rental	3,791	4,350	5,645
Parking Lot Rental	58,959	54,151	54,248
Pre-School Lease	0	63,153	68,607
<b>Total Rental Income</b>	<b>62,750</b>	<b>121,653</b>	<b>128,500</b>
<b>Total Income</b>	<b>606,414</b>	<b>647,009</b>	<b>628,594</b>
<b>Expense</b>			
Administrative Operations	134,103	138,905	106,654
Building & Grounds	99,670	152,634	133,598
Denominational Affairs	30,000	30,000	30,000
Lifespan Religious Education	126,064	119,706	114,571
Ministerial Operations	121,387	119,474	120,382
Rental Expense	10,113	18,172	17,530
Within These Walls	10,901	9,747	34,469
Worship & Arts	61,377	62,755	58,268
<b>Total Expense</b>	<b>593,614</b>	<b>651,392</b>	<b>615,473</b>
<b>Net Income</b>	<b>12,800</b>	<b>(4,384)</b>	<b>13,122</b>

**Table 3**

**Reconciliation of Certain Reserves for Fiscal Years Ending June 30**

(unaudited)

	<u>Jun 30, 20</u>	<u>Jun 30, 19</u>	<u>Jun 30, 18</u>
<b>Operating Reserves</b>			
Beginning Reserve	44,274	48,658	55,122
Net Income	12,800	(4,384)	13,122
Payment of Loan Principal	-	-	(19,585)
Ending Reserve	<u>57,074</u>	<u>44,274</u>	<u>48,658</u>
<b>Maintenance Reserves</b>			
Beginning Reserve	38,388	44,066	35,072
Additions to Reserve	43,501	45,207	44,085
Expenditures	(26,264)	(50,885)	(35,090)
Ending Reserve	<u>55,625</u>	<u>38,388</u>	<u>44,066</u>

**Table 4**  
**Activity in Temporarily Restricted Funds, FY2020**  
(unaudited)

<u>Fund</u>	<u>Balance at 6/30/19</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Other</u>	<u>Balance at 6/30/20</u>
<u>Within These Walls</u>					
Art Resources Fund	4,278	761	(500)	-	4,540
Benevolence Fund	4,941	100	-	1,201	6,242
Campus Ministry Activity Fund	319	50	-	-	369
Capital Fund	757,492	250,572	(73,979)	-	934,085
Children Ministry Activity Fund	4,525	12,945	(7,667)	-	9,804
Church Fellowship	74	892	-	-	966
Concert Series	7,115	30,832	(30,048)	-	7,899
Frances Brewer Flower Fund	1,469	20	(214)	-	1,274
Services Auction Fund	-	75	-	-	75
Memorial Rock Fund	5,624	-	-	-	5,624
Minister Discretionary Fund	4,129	6,500	(5,605)	1,201	6,225
Music Activity Fund	-	19,048	(18,811)	917	1,154
Quilting Group Clearing Fund	659	-	(27)	-	632
Sanctuary for Dialogue	1,206	-	-	-	1,206
Sarah Insch Youth Leadership	2,036	100	-	-	2,136
SEA Activity Fund	1,238	-	(83)	-	1,155
Women's Circle	-	2,000	(670)	-	1,330
Youth Ministry Activity Fund	9,171	12,769	(9,202)	-	12,738
Total Within These Walls	804,276	336,664	(146,805)	3,319	997,453
<u>Beyond These Walls</u>					
Community Service Ministry	(10)	1,237	(3,168)	1,942	-
Faith in Action	(55)	-	-	-	(55)
Habitat Fund	6,407	50	(4,546)	3,715	5,626
Sanctuary & Immigrant Support	948	11,027	(9,269)	-	2,706
Share the Plate Sunday	1,563	32,312	(24,074)	(7,822)	1,979
SOSL Ministry Team Fund	5,982	2,366	(2,980)	-	5,368
Total Outreach	14,835	46,991	(44,038)	(2,166)	15,623
<b>Total Restricted Funds</b>	<b>819,111</b>	<b>383,656</b>	<b>(190,843)</b>	<b>1,153</b>	<b>1,013,077</b>