

# Mid-year Financial Update

January 18, 2017

This is the time of year when East Shore's Budget Team goes into action to prepare a budget for the next fiscal year. The Budget Team includes the Board Chair and Treasurer, the Minister and Director of Finance and Operations, and the Chair and one additional member of the Financial Stewardship Committee. This group starts by assessing the current year's budget for adjustments needed and then projects forward what the new year's costs will be. We always begin with a "bare bones" budget as well as one that includes more ambitious programs than last year as parameters for our planning. The Budget Team will be seeking input from all groups at East Shore.

Our review, at midpoint of this fiscal year (June 2016-June 2017), currently shows we are ahead of the budgeted income. However, we may be losing a couple regular rental incomes in the next six months. And the Board decided to provide health benefits for staff as of the first of this year. These may leave us with a deficit at the end of the fiscal year, unless we find new renters to provide new income, have some less-than-budgeted costs or decrease expenses through cuts. We also do have money from last year's overage in the General Reserve that will help with this deficit if needed.

At this time, the Financial Stewardship Committee that serves the Board of Directors is working on a 5-year financial plan for East Shore. This will include mapping various scenarios, positive and less positive, regarding our member growth, pledge income levels, other potential revenue as well as ongoing and new costs. The goal is to have this ready for members prior to the June congregational vote.

For the past few years, our true membership numbers have decreased somewhat, pledge totals have mostly kept pace with expenses to break even or have an end of year surplus to fund our reserves. Over the years, prices for everything to support our extensive facilities have increased, as have wages for our staff. Through tight management we have reduced or kept many facilities costs flat and used skilled volunteers to cut costs, however bringing staff wages and benefits to UUA guidelines for a midsized church did increase costs for labor over the past 3 years. In addition, a new facilities study of our buildings and grounds shows we do not have adequate reserves to maintain our campus and its needs moving forward. In the past we have had capital campaigns when a large cost repair or upgrade was needed, but raising money that way is always uncertain. The preferred way to move forward is to create a reserve that will adequately support the known repairs and replacements coming our way. Creating a new way to manage our finances, hopefully more holistically, will be part of the work of the Financial Stewardship Committee in their planning.

Right now, the Holly House Task Force is exploring options for the Holly House property. Some options would provide a significant one-time payment or ongoing income to the church. Most of the options, if approved by congregational vote, would take years to get any cash flow to use for other purposes. Keeping the ageing house in useable condition to rent to Sophia Way would either incur significant repair expenses or require raising the rent considerably to offset those

costs. The rentals for parking and the PNW office in the Education building have been cut back or eliminated. We are actively seeking new renters for both. The recent refinance of our ongoing mortgage is saving us approximately \$11K annually for the rest of the ten-year payback.

This year we have converted to a new accounting system that integrates with our membership database and should help keep better records on our members and pledges. Plus, members can access their information online from home. As part of this software changeover, we have taken the opportunity to update our systems to current accounting standards, creating a new chart of accounts and setting up systems to track and report the revenues and expenses of various projects. Any new minister will want to know our house is in good order.

Our Endowment fund distributes approximately \$40K annually to the operating budget and other church needs. This year, new and less costly financial advisors were chosen and a new bequest campaign will begin. In addition, the best ways to invest and utilize this fund are always being discussed. Currently the plan is to invest conservatively and continue to grow the fund, but include a pay out to the operating fund and other projects each year. The funds are also invested in socially responsible index funds as much as possible (currently 24%).

Other groups at the church contribute with their fundraising. The Auction team has been a steady source of significant revenue for the church (\$40-50K annually) as have teams such as the Gallery, Women's Perspective, East Shore Live, etc. A number of ministry groups currently sponsor their specific projects with other fundraisers or by asking for donations at various meetings. The Second Sunday offering allows East Shore members to contribute to the wider community with donations that are sent directly to other nonprofits. Currently we are transitioning to having all donations fund the church operating budget which will then fund the various projects. As part of the budget planning process, groups are being asked to project their annual expenses. There will still be some restricted funds which must be tracked and used only for specific projects, however we hope to reduce the number of these to ease the burdens of an overly complex accounting system.

Our valuable East Shore community is, as many have stated, land-rich and cash-poor. Our annual pledge drive is always a stretch and our large campus requires much upkeep. Membership growth and bigger pledges can account for some of this, but additional sources of income from our facilities are also required. To accomplish all the programs and support all the meetings and activities of our very involved members, demands a very talented and hardworking staff as well as many member volunteers. Our resources must be well managed and utilized for the good of our church as well as the surrounding community and world. Hard decisions must be made based on real commitments of time, money and talent of our members and staff.

Those of us who love our church and who are inspired and guided by our 7 principles, must make firm plans to sustain and move our community forward. Each member's involvement in the process of setting our course with our new Mission and Vision is highly important, as is sustaining our work to be a positive force in a very uncertain world. As your Treasurer, I hope for reason and kindness in caring for our community. I hope we can find a way forward that supports all, nourishes all, and allows us to bring our principles into the world.

(Please attend this month's Town Halls on Jan 28th and 29th and Congregational Summit the first weekend in February to participate in this!)

Submitted by Ryam Hill, Treasurer