

July 2018 Board presentation

Marty asked me to give a brief educational offering on our finances. Please feel free to ask any questions that pop up as we go along. This is for your benefit.

We have three categories of funds.

The first is the Endowment. These are funds that are typically donated to the church through somebody's will, and are intended for the long-term financial stability of the organization. We currently have approximately \$362,000 in the Endowment. The board can vote to use the income from this account toward operations, but the membership would need to vote to dip into the principle.

The second is our operating money. This money is generated from pledges, Sunday donations, rental income, etc. We use this money to pay our staff, operate our building and support our committees. Generally, this money gets deposited into our operating checking account, and bills are paid from that checking account. At some point in the past, money was given to the church for a emergency account for operations. This account totals just under \$50,000.

The third category of funds is the money that was left over from the building. At the time that the majority of the funds were donated, it was decided that \$225,000 should be set aside from these building funds to be used as an operating reserve to get us through the first few years between completion of the building and growth of the congregation adequate to cover our expenses through pledges and other forms of income.

There was also money set aside for major art purchases. The cranes were purchased from these funds, and there is approximately \$48,000 remaining in this fund. The Aesthetics Team and ART Team make recommendations to the board to purchase art.

The remainder of the money left over from the building was to be used for Capital Expenditures, or improvements to the building. At the end of 2017, any left over funds in this account were to be added to the operating reserve. Subsequent negotiations with the anonymous donor family resulted in agreement that the funds could be used for either operations or capital improvements. However, it can not be used for operations until the initial Reserve Account has been consumed.

So, you may be asking yourselves – what is the difference between operations and capital improvements? Simply put, day-to-day expenditures, including staff, maintenance of the building and grounds and committee work are operations.

Capital expenditures are new improvements to the building (as opposed to maintenance), as well as new furnishings. Certainly, there is a gray area between maintenance and capital expenditures, and I am not an expert. A new roof would be considered a capital expenditure, but painting is not.

Any questions so far?

Okay, let's look at our new home funds. The top five lines show the bank accounts holding the building funds, including the Operating Reserve. They include a checking account and money market account at Washington Federal, a savings account at SELCO Credit Union, and a savings account at Capital One. Lastly, we have a note receivable from Scott for \$100,000, which was donated to the Fellowship for the purpose of making it easier for Scott to buy a home close by. When he leaves UUFCO, that \$100,000 becomes due and payable, and will be available to loan to the next minister.

So, how much money do we have in the bank in the form of new home funds? \$643,000.

Now let's look at the bottom half of that page. This shows the allocation of the New Home Funds. You probably notice that there are more lines than I mentioned previously.

The first line is the Ongoing Building Expenditures Fund, which is the checking account for New Home Funds.

The second line is the Operating Reserve Fund. This is the money that was set aside to cover shortfalls until our membership and pledge income grew enough to adequately cover our expenses. It started at \$225,000 and is now at \$175,000, though Eileen only moved \$20,000 from this account this year, and in reality, our shortfall was about \$29,000. She used pre-paid 18-19 pledges to pay 17-18 expenses.

The third and fourth lines are the Asphalt Maintenance and Capital Replacement Funds. Each year, we put money from the operating budget (which we will go over shortly) into these funds to pay for major repairs, and Eileen keeps this money in the accounts that are classified as New Home Funds.

Next is the Minister Housing Fund, which we saw above. We do not have that money in the bank, but it is a note receivable from Scott.

Lastly, is the Building Reserve Fund, which we can use to make capital expenditures, or add improvements to the building and grounds. Again, after we have spent the Operating Reserve Fund down to zero, the agreement allows us to use these funds, if any are left, for operating reserves.

You receive this statement monthly.

You also receive another statement, which shows the operating funds. Before we look at that, let's talk about how money comes into and out of the operating fund.

As I mentioned earlier, the primary sources of income to the operating fund are pledges, money that people put in the plate on Sunday morning that is not identified as a pledge, and rental income.

We also receive income from Adult RE Classes and from artists who sell their art and give us a small commission. Auction income and Rental Income are also deposited in this account.

Any questions on income?

Now let's talk about expenses. Our major expense is compensation for our staff. The last weekday of each month is pay day. With permanent staff, R.E., and event staff, some months we have 15 to 20 people we are paying.

Any questions on staff expenses?

The remaining expenses are paid three ways. The first is by check. The second way we pay expenses is via credit card. Scott, Jenn, Chela, Ayla, and I have credit cards. The only time mine has been used is before Ayla got her own card and she traveled to a meeting.

The last way that bills are paid are with bill pay. Eileen has recurring bills, mostly the utilities set up on bill pay.

This year, we had each person or committee, responsible for a budget line submit a budget for this next fiscal year. When you put together the budget in March for a fiscal year that starts in July and ends fifteen months later in June, things change. When budgets look like they will be over-spent, I come to the board to ask for approval to increase the budget. If it is less than \$500, the president or the treasurer can approve it with coming to the board. Generally, I try to avoid doing it on my own.

Every three months, I produce a digital copy of the expenditures to date for each budget account line, and send it to the person responsible with a note indicating what their annual budget is and what they have spent to date.

Any questions on expenses?