

# Treasurer's Report Fiscal 2021

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

Andrew Wright, CPA, Treasurer  
November 2021

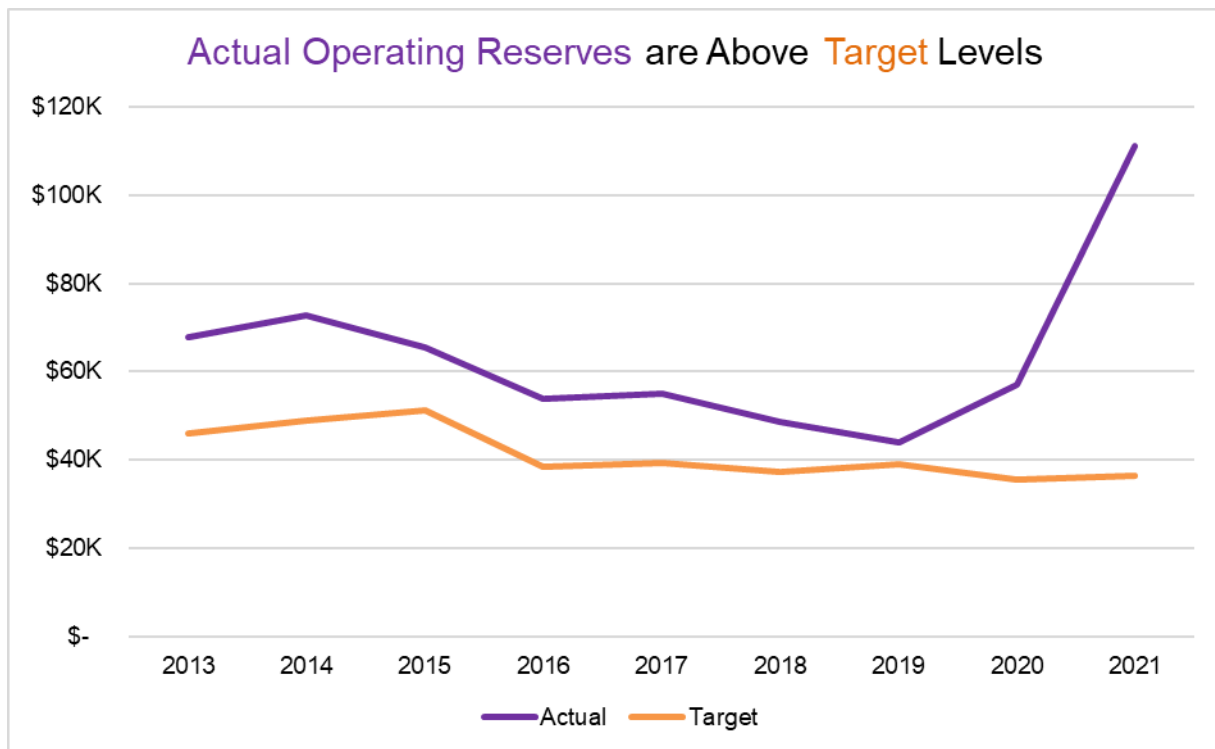


## Executive Summary

The financial health of the Community Church of Chapel Hill Unitarian Universalist (CCCHUU) remained strong during the year ended June 30, 2021 ("FY2021"), the first full year under COVID19.

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 FY2021, operating reserves were 18.2% of FY2021 actual expenses. This jump in operating reserves is a result of a Paycheck Protection Program Grant ("PPP Grant") which we used to pay staff salaries, freeing up other funds for adding to operating reserves. We will be using up excess operating reserves over the next few fiscal years, as discussed in the risks section of this report. Figure 1 shows actual operating reserves compared to target operating reserves for the past nine years.

Figure 1 – Actual Operating Reserves and Target Operating Reserves for the Last Nine Years

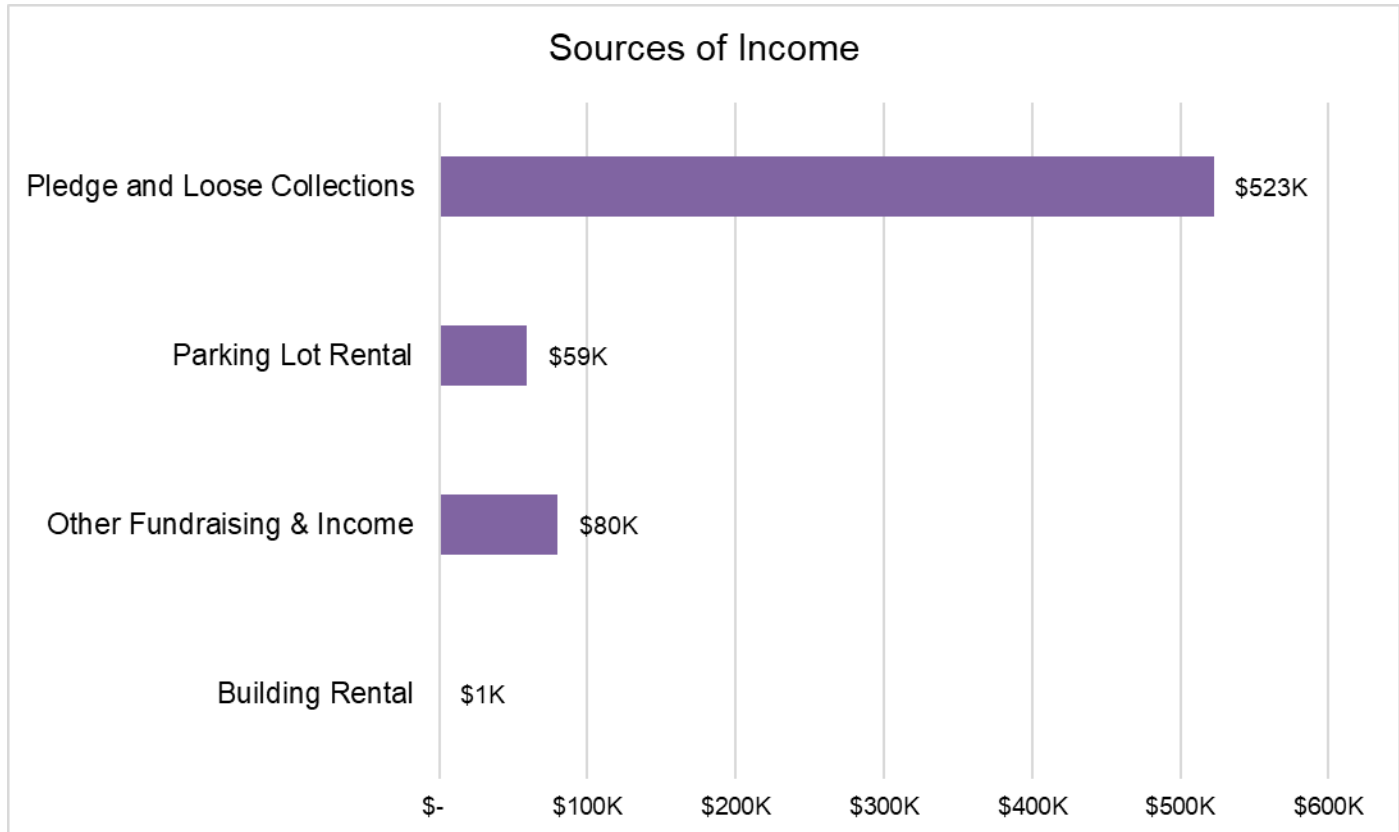


The other main point is that the building project received enough pledges to cover all of the building costs, with no gap, meaning that the operating budget will not be impacted by the construction.

## Income

The primary source of income for CCCHUU is member pledges and loose collections, making up 79% of total income. Total income for FY2021 was \$663k, up from \$606k in FY2020, driven by the PPP Grant. The PPP Grant was \$68k, and is included in Other Fundraising and Income below. Figure 2 shows all sources of income.

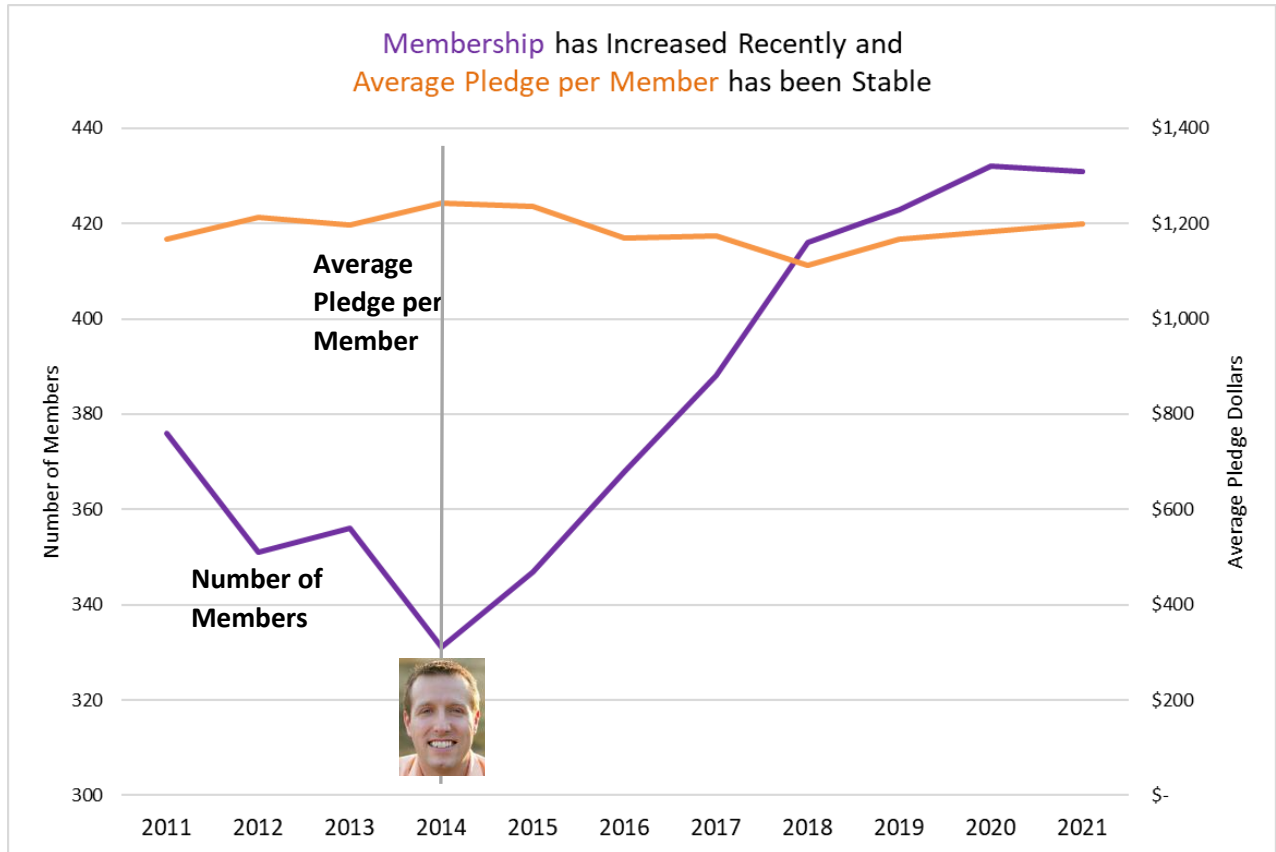
Figure 2 – FY2021 Sources of Income



Pledges and Loose Collections (primarily pledges) was \$523k, flat to \$524k in the prior year. This was a result of a more subdued pledge drive, recognizing the financial and emotional pressure the members were feeling as a result of COVID19.

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 2011 to 2014, membership has been increasing since then to above 2011 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. While not seeing pledges go down is good, being flat means that pledges are not keeping up with inflation. Figure 3 shows the trends of these two numbers.

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



Given the pressures of COVID19 on the members, it is very good to see that, on average, pledges were maintained for FY2021 from prior years.

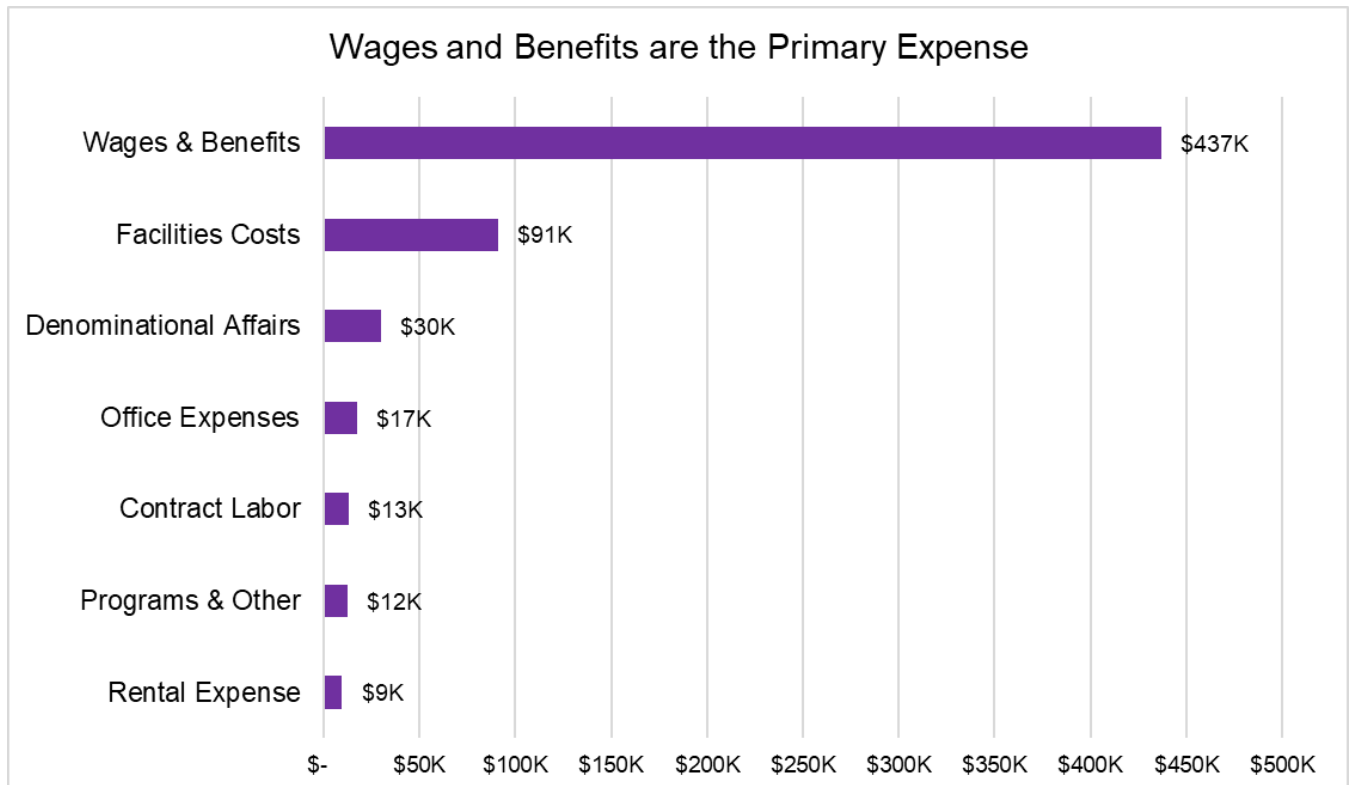
## Expenses

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 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 Other Restricted Funds in the operating Balance Sheet.
  - 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**.

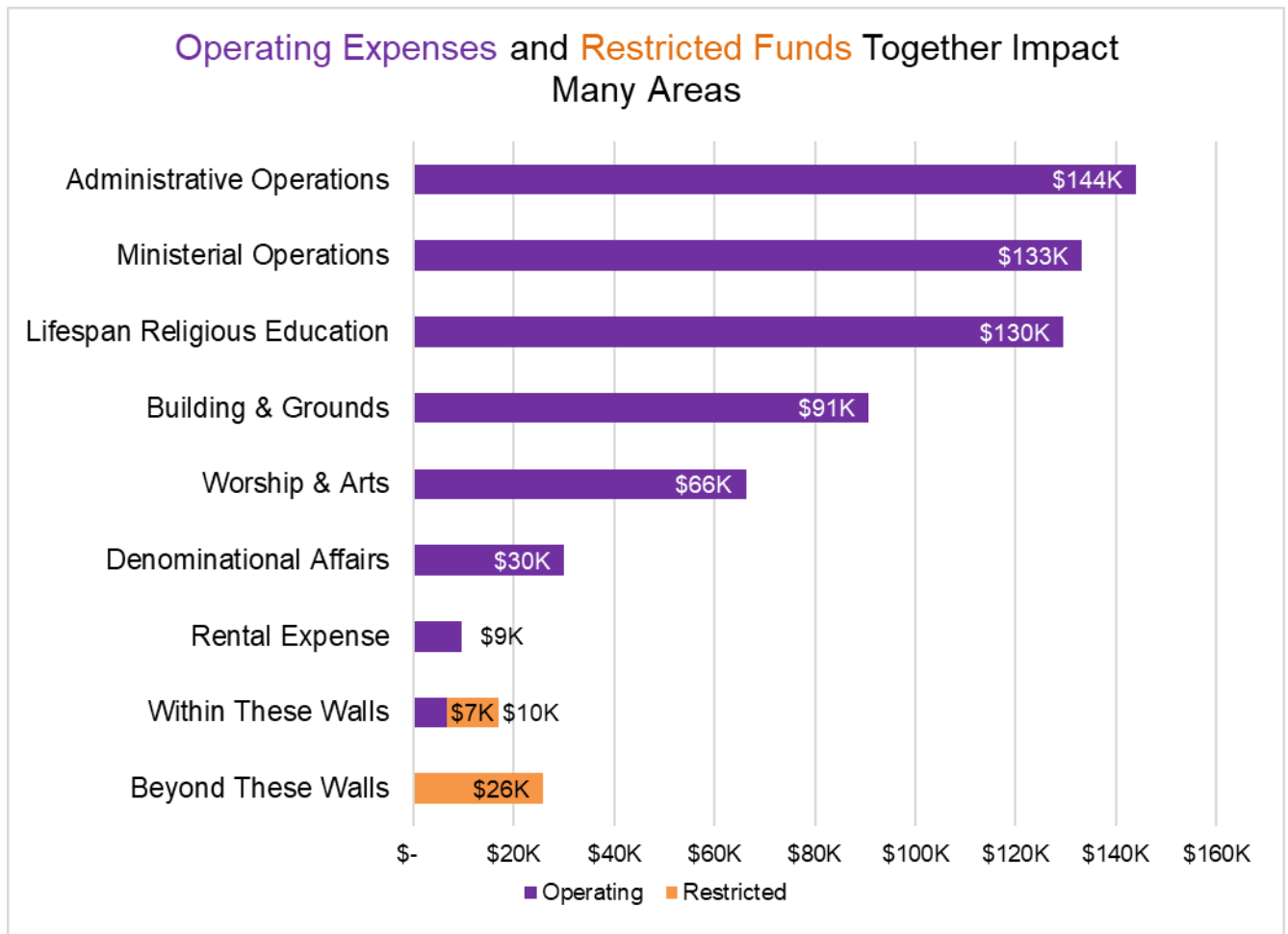
Figure 4 – FY2021 Operating Expenses by Type of Expense



Wages and benefits for our staff made up the majority of our operating expenses, at 72%. Facilities costs consist of putting money away for repairs into the Maintenance Reserves, janitorial expense, and other building costs, and made up 15% of operating expenses in FY2021. All other items in the operating budget made up the remaining 13% 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 – FY2021 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 \$46k. This is where the operating budget sets aside money to the balance sheet in a line called Maintenance Reserves. BOT policy states that at least 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 FY2021 the church set aside \$46k for maintenance reserves and spent \$7k on evaluating the sanctuary roof (\$5k) and playground regrading (\$2k). The ending balance was \$94k. During the last stage of the new building construction, volunteers were focused on that project rather than other smaller projects, allowing the reserve to build. There are several projects that will use the reserves in the next few years.

### Building Project

The history of the building project can be found in the FY2017 to FY2020 Treasurer's Reports. The congregation has raised, through pledges and fundraisers, \$2.1 million, of which \$0.5 million was used to pay off debt from the prior building project. The final bills for construction have not been received as of the writing of this report, but the project total will be \$1.6 million. The task forces appointed by the Board were successful in raising the funds to fully pay for the building.

The Capital Fund that we created at the onset of the building project has now been transitioned to a restricted fund for capital improvements that will remain on the books moving forward. The Board has created a subcommittee to evaluate proposals for smaller capital projects and approve them, known as the Capital Improvement Project Subcommittee or CIPS.

## **Financial Risks and Other Considerations**

### **Future Operating Budgets**

The expanded building brings with it increased costs in insurance, cleaning, and utilities. In addition, after a period of modest increases in health insurance costs, we saw a larger increase in the most recent renewal. This increase in costs is not fully offset by increased pledges, causing a deficit for the approved budget for fiscal year 2022 (“FY2022”). This deficit will be funded by the excess operating reserves mentioned earlier in this report. Approximately half of the excess operating reserves will be used for the FY2022 budget. The Board will emphasize in the coming annual pledge drive the need for additional pledging to prevent deficit budgets in the future. If pledge income does not rise enough by the time excess operating reserves are used up, we have the risk of not being able to adequately compensate our staff and could have to cut programming expenses.

Maintenance costs, especially for the aging Manse building, continue to be a concern. Maintenance reserves are sufficient for the forecasted repair needs for FY2022, but are predicted to be exhausted in FY2023. If we experience more mechanical failures than forecasted, particularly HVAC systems, the deficit will require more money from the operating budget than the normal 7% of income, driving up expenses.

### **Acknowledgements and Sources**

The raw data in this report is from our Congregational Administrator, Dana Lundquist, whom I thank for her excellent work. Thanks also to Franklin Hirsch who assisted Dana with bookkeeping.

Thanks to Bill Poteat, Assistant Treasurer, for help and hard work in many areas.

Data visualization assistance by Demia Wright.

Thanks to Scott Provan and the Sunday counters for their help in managing the collections. While we didn't have offertory during services in FY2021, I'm still grateful for their help in the past and future.



## **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 down due to the funds spent, net of additional receipts, during the year for the building project (\$757k).

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 consisted of a Paycheck Protection Program loan that we obtained in FY20. It was forgiven in FY21 and became the PPP Grant, and shows up in Other Income on the Income Statement.

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

Other Income in FY2021 was up due to \$68k of PPP Grant income used to pay salaries.

### **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. Other Activity in Operating Reserves was a correction of a misclassification on the Balance Sheet.

### **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 Other 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, 21</u></b>	<b><u>Jun 30, 20</u></b>	<b><u>Jun 30, 19</u></b>	<b><u>Jun 30, 18</u></b>
Current Assets				
Checking/Savings	567,243	1,279,737	1,005,042	527,547
Other Current Assets	30,204	10,214	22,306	9,444
Total Current Assets	597,447	1,289,950	1,027,348	536,991
UU Common Endowment Fund	286,290	198,905	204,106	197,646
Fixed Assets	3,112,731	3,112,731	3,112,731	3,112,731
<b>TOTAL ASSETS</b>	<b><u>3,996,468</u></b>	<b><u>4,601,586</u></b>	<b><u>4,344,186</u></b>	<b><u>3,847,368</u></b>
<b>LIABILITIES &amp; EQUITY</b>				
Liabilities				
Current Liabilities				
Payroll Liabilities	18,726	19,978	26,353	25,997
Accrued Payables	1,853	2,205	1,048	3,235
Unearned Income	81,687	57,545	80,758	59,114
Total Current Liabilities	102,266	79,729	108,159	88,347
Long Term Liabilities	0	68,462	0	0
Total Liabilities	102,266	148,191	108,159	88,347
Equity				
Financial Reserves				
Operating Reserves	110,978	57,074	44,274	48,658
Maintenance Reserves	94,375	55,625	38,388	44,066
Ministerial Transition Res.	21,865	13,865	13,865	13,865
Total Financial Reserves	227,218	126,563	96,526	106,588
Illiquid Equity	3,113,947	3,113,947	3,113,947	3,113,947
Endowment	287,394	199,808	206,442	199,079
Other Restricted Funds	265,643	1,013,077	819,111	339,407
Total Equity	3,894,202	4,453,396	4,236,027	3,759,021
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>3,996,468</u></b>	<b><u>4,601,586</u></b>	<b><u>4,344,186</u></b>	<b><u>3,847,368</u></b>

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

<b>Income</b>	<u><b>Jun 30, 21</b></u>	<u><b>Jun 30, 20</b></u>	<u><b>Jun 30, 19</b></u>
Collections			
Member Pledges	517,359	511,359	493,618
ID Contributions	498	1,445	3,780
Loose Collection	5,125	10,766	8,466
<b>Total Collections</b>	<u>522,982</u>	<u>523,569</u>	<u>505,865</u>
Other Income			
General Operating Fundraising	9,935	17,904	17,856
Other Income - Other	70,033	2,192	1,635
<b>Total Other Income</b>	<u>79,968</u>	<u>20,095</u>	<u>19,491</u>
Rental Income			
Building Rental	500	3,791	4,350
Parking Lot Rental	59,373	58,959	54,151
Pre-School Lease	0	0	63,153
<b>Total Rental Income</b>	<u>59,873</u>	<u>62,750</u>	<u>121,653</u>
<b>Total Income</b>	<u>662,822</u>	<u>606,414</u>	<u>647,009</u>
<b>Expense</b>			
Administrative Operations	144,101	134,103	138,905
Building & Grounds	90,766	99,670	152,634
Denominational Affairs	30,000	30,000	30,000
Lifespan Religious Education	129,620	126,064	119,706
Ministerial Operations	133,231	121,387	119,474
Rental Expense	9,472	10,113	18,172
Within These Walls	6,656	10,901	9,747
Worship & Arts	66,260	61,377	62,755
<b>Total Expense</b>	<u>610,105</u>	<u>593,614</u>	<u>651,392</u>
<b>Net Income</b>	<u>52,717</u>	<u>12,800</u>	<u>(4,384)</u>

**Table 3**  
**Reconciliation of Certain Reserves for Fiscal Years Ending June 30**  
(unaudited)

<b>Operating Reserves</b>	<b><u>Jun 30, 21</u></b>	<b><u>Jun 30, 20</u></b>	<b><u>Jun 30, 19</u></b>
Beginning Reserve	57,074	44,274	48,658
Net Income	52,717	12,800	(4,384)
Other Activity	1,187	-	-
Ending Reserve	<u>110,978</u>	<u>57,074</u>	<u>44,274</u>
<b>Maintenance Reserves</b>	<b><u>Jun 30, 21</u></b>	<b><u>Jun 30, 20</u></b>	<b><u>Jun 30, 19</u></b>
Beginning Reserve	55,625	38,388	44,066
Additions to Reserve	46,398	43,501	45,207
Expenditures	(7,647)	(26,264)	(50,885)
Ending Reserve	<u>94,375</u>	<u>55,625</u>	<u>38,388</u>

**Table 4**  
**Activity in Temporarily Restricted Funds, FY2021**  
(unaudited)

<u>Fund</u>	<u>Balance at 6/30/20</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Balance at 6/30/21</u>
<u>Within These Walls</u>					
Art Resources Fund	4,540	-	-	-	4,540
Benevolence Fund	6,242	-	-	903	7,145
Campus Ministry Activity Fund	369	-	-	-	369
Capital Fund	934,085	538,002	(1,294,734)	2,898	180,251
Children Ministry Activity Fund	9,804	2,570	(2,142)	-	10,232
Church Fellowship	966	-	(223)	-	743
Concert Series	7,899	-	-	-	7,899
Cookbook 2020	-	1,890	(692)	(1,153)	45
Frances Brewer Flower Fund	1,274	-	-	-	1,274
Services Auction Fund	75	-	-	-	75
Memorial Rock Fund	5,624	-	-	-	5,624
Minister Discretionary Fund	6,225	4,050	(5,023)	1,198	6,450
Music Activity Fund	1,154	2,113	(1,931)	(1,675)	(339)
Photo Directory July 2020	-	340	-	-	340
Quilting Group Clearing Fund	632	-	(22)	-	610
Sanctuary for Dialogue	1,206	-	-	-	1,206
Sarah Insch Youth Leadership	2,136	-	-	465	2,601
SEA Activity Fund	1,155	-	-	-	1,155
Women's Circle	1,330	-	-	-	1,330
Youth Ministry Activity Fund	12,738	190	(150)	(70)	12,708
Total Within These Walls	997,453	549,155	(1,304,916)	2,565	244,257
<u>Beyond These Walls</u>					
Community Service Ministry	-	-	(1,651)	1,645	(6)
Faith in Action	(55)	-	-	-	(55)
Habitat Fund	5,626	-	(4,000)	2,665	4,291
Immigrant Justice Initiative	2,706	12,576	(8,731)	4,650	11,201
Share the Plate Sunday	1,979	21,615	(11,232)	(11,773)	590
SOSL Ministry Team Fund	5,368	-	(250)	248	5,365
Total Outreach	15,623	34,191	(25,863)	(2,565)	21,386
Total Restricted Funds	1,013,077	583,346	(1,330,779)	-	265,643