
UUCB Treasurer's Report
January 2015 (Five Months, Jul 1, 2014 – Nov 30, 2014)

An updated Treasurer's "To Do" list is attached

Top Line Summary

Like last January, this report adds a fourth column that projects year end results, based on (for this report) 5 months of actuals. Brackets in the columned numbers mean an unfavorable variance (revenue underrun or expense overrun, "worse than budget"), while numbers without brackets indicate a favorable variance from budget, i.e.: "better than budget".

We continue to underrun revenues, YTD by \$34,300. Eighty percent of this is pledge income, as the bright spot of a \$8400 overage in Community Rentals is partially making up the Shu Ren classroom underrun.

November typically brings in about 8% of our annual (actual) pledges. November of 2014 brought in 6.5% of what was *pledged* (\$428,000), let alone what was budgeted (\$460,000). We typically collect nearly half of our (actual) annual pledge amount by the end of November (48.5%). If that relationship holds, we could underrun our pledge budget by as much as \$57,000. As reported in September, we have been expecting a pledge underrun of about \$35,000. Based on results YTD, I am predicting a \$50,000 underrun.

Community rentals continue strong, making up a significant part of the Shu Ren rental underrun. While there are other budget line items that will likely underrun (such as the first Sunday collections), they are being made up by things like weddings/memorials and pledge payments from last year, for a total projected \$60,000 underrun.

Revenues	YTD Nov Act	YTD Nov Bud	Var	EOY Est
Pledge income	\$195,600	\$223,100	(\$27,500)	(\$50,000)
Rental income	\$126,700	\$133,200	(\$6500)	(\$10,000) ¹
All other	\$ 59,900	\$ 60,200	(\$ 300)	0
Total	\$382,200	\$416,500	(\$34,300)	(\$60,000)

Excluding restricted funds¹ and one time adjustments², expenses are underrunning by \$42,200. We will start to see the savings in our health care plan in December (see

¹ Shu Ren will underrun by about \$23,000; I am projecting a Community Rental overrun of at least \$13,000, depending on the degree to which major maintenance projects impact rentals.

² I have adjusted out \$25,000 sent back to the endowment for duplicate payouts. Several funds had been set up for automatic payout, so were duplicated last year when we changed to the 13 quarter methodology.

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“Employee Health Care” below). Assuming we fill the Facilities position, I am projecting \$30,000 favorable in Personnel costs, a combination of salary underruns and lower healthcare costs, and coming in “on target” netting everything else. This assumes the additional contract minister expenses come from “CT restricted”.

The current year end (June 2015) estimate is a \$30,000 deficit. This does not include any money put in a building reserve.

	<u>YTD Nov Act</u>	<u>YTD Nov Bud</u>	<u>Var</u>	<u>EOY Est</u>
Expenses				
Personnel	\$263,000 ³	\$288,000	\$ 25,000	\$30,000
All other	\$104,400	\$ 121,600	\$17,200	0
Total	\$367,400	\$409,600	\$42,200	\$30,000
Net (revenues over expenses)				(\$30,000)

Employee Healthcare Costs

Apparently there are some members who have expressed concern about the recent change in the healthcare plan, believing it reduced already substandard benefits even more. While it is true most of our employees are below standard on salary, our healthcare plan is a generous one, even with the recent changes.

UUCB employees still pay \$55/month for health insurance from Kaiser. The primary difference between the two plans is the deductible: zero for the old one (“Gold”), and \$1000 for the current Kaiser “Silver 1000” (with most preventative care free or with a small co-pay). There is also a slight difference in appointment co-pays. According to the [Kaiser Family Foundation](#), 78% of covered workers enrolled in a plan have some kind of deductible – 58% who work in small organizations are covered in a plan with a deductible greater than \$1000. According to our insurance agent, Kaiser has been significantly increasing premiums on the “Gold” plan because it drives the wrong behavior – and is phasing it out entirely. *The difference in premiums UUCB paid for Gold vs. Silver would more than have covered the \$1000 deductible for every employee, whether or not they used it.*

The UUA suggested “minimum standard” is for the employee to pay no more than 20% of the premium⁴. At UUCB, each covered employee pays \$55/month for health insurance, regardless of UUCB’s cost. Because premiums are directly age-linked, this is a significant benefit (over the UUA recommendation) for older employees (who pay

³ Most of this is a position that has been vacant in Facilities for several months.

⁴ The UUA also recommends paying 80% of family coverage, which UUCB does not pay at all.

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roughly \$100/month less with UUCB, or 7% of the UUCB-paid premium) than younger ones (roughly \$2 - \$8 less per month, or 19% of the premium). According to the Kaiser Family Foundation, the average employee pays 28% of their premium.

Endowment Value

The current value of the UUCB Endowment as of 11/30/14 is \$1,514,875. Current performance of the UUA Common Endowment Fund, which includes UUCB's endowment, can be found at <http://uucef.org/>. The 5-year (net of fees) return is 8.1%, 3-year 9.4%, and the one-year return is 5.0%.

Restricted Account Spending (as of Nov 30, 2014)

Lawrence Lecture	\$5698
Capital Campaign	\$6101
Beloved Café	\$8000
Capital Campaign	\$25,780

ⁱ The use of "restricted accounts", common to churches and other non-profits, creates an effect on financial statements that is simple in concept but makes comparison of budget-to-actual complicated. Every dollar used from a restricted account has an equal amount added to revenues, out to a zero impact on net income (revenues minus expenses). Restricted account payments are typically not budgeted, so have the effect of appearing to be a dollar overrun for both revenues and expense. I will typically adjust out the restricted account spending in the analysis of revenue and expense variations to budget, and include a short analysis of the restricted spending at the end of the report.

1. Develop successor: I have agreed to serve until June 30 of 2015. At least one person has expressed interest and has joined the Financial Advisory Council. Since this is a Board position, the Nominating Committee will be looking for candidates. I am working with Anne Greenwood, Deborah Schmidt, and Jean Gleason to formalize the reduction in treasurer duties that happened when I took over the role. This will make the position more “doable”. I am also recommending a separate trustee(s) for the Calkins Trust, which fell to the treasurer and has been maintained by Anne Greenwood. **I have agreed to remain until February of 2016 to train a new treasurer, or until that treasurer is comfortable in the position (whoever comes first).**

2. Review and recommend (with the Endowment Committee) a policy to implement the by-laws change on payout.: The current by-laws take 5% of whatever the endowment balance is as of December 31 of the previous year, but gives the board an option to do less than 5% if it appears this is reducing the value of the endowment. I have three concerns about this proposed implementation policy: 1) it calculates the new payout percent as the previous 12 quarter returns of the endowment. In years after major market corrections (such as 2008), the policy overcorrects the payment – had it been in place the past five years, we would have had no payout for two of those years. 2) the policy still puts a significant amount of emphasis on a single date. Best practice is typically to average the balance over a number of quarters. 3) The determination of whether or not the rate of return is less than 5% is done as of June of the fiscal year previous to the payout year . This means the payout might not be known for budget purposes until the second month into the budget (July). [The Endowment Committee has agreed upon a policy that does a base payout of 4% on the 13 quarter investment actuals as of December 31 of the year previous to the budgeted payout. It also identifies up to an additional 1 ½% based on 1) the endowment’s rate of return for the past 3 years, 2) the effects of inflation or deflation, and 3) the potential use of the funds for one time versus ongoing operations. The policy was provided to the Board in December for approval at the January meeting. A chart showing the difference between the 13 quarter average versus December 31 is included as Attachment III in the January Treasurer’s Report.] **Approved by the Board at the January 16 meeting.**

3. Administrative costs of gifts: Many non-profits take a percentage (typically 5 to 15%) of large gifts into their operating budgets to cover the costs of administration. I will be investigating this and making a recommendation

- to the board. I will also be resolving whether or not we want to take management fees from the trusts we manage.
4. Develop cash flow model: The intent of this model is to project our financial trends at least 5 years into the future, and create it in such a way that the board and CT can change key variables (like number of members, average pledge, number of employees, etc.) and determine the longer term impact.. **I have created a model that projects income and expenses through 2020, with 16 income variables, and 13 expense variables. It suggests that the church can be financially sustainable if certain (reasonable) assumptions about membership and giving levels will hold. The model has been sent to the CT, Board, and Financial Advisory Council. I intend to do short workshops with interested members to demonstrate how it can be used – and what it predicts.**
 5. Provide long term assessment of financial stability: This is tied into the item above. It will also include an analysis of our donor base, both current and future. **This analysis (excluding donor base) was presented at the February congregational meeting and concluded that it would be possible to go some years with declining membership and employee hour reductions, but doing so would ultimately result in being forced to sell the building and/or move from the hill. Two things are required for long term sustainability: a turnaround in member loss, and an additional source of funds for building investment.**
 6. Include budget item for routine maintenance and use it: I will provide an analysis of how routine maintenance is budgeted and used. **This item has been superceded by the capital campaign maintenance program.**
 7. Analysis of rental property profitability: **The profitability of both schools has been wrapped into the work being done by the Land Development Task Force, which has hired Equity Community Builders to evaluate potential development of residential lots. Both buildings are more than covering their incremental and building reserve costs.**
 8. Cost of part time vs full time staff : This would be an analysis of the costs vs. the benefits of full time vs. part time staff. **Much of this analysis depends on the policy for benefits, which is being reviewed by a personnel task force created by the CT. The group has worked on drafting revisions and identifying items needing policy**

- direction; completion is pending some additional revisions and document compilation, as well as policy direction from the CT after its review of the draft wording. Completion is estimated at June 2015.
9. Identify and communicate challenges: The Treasurer's Report will identify key financial challenges. **The Treasurer's Report at the February Congregational meeting outlined the challenges identified in item 5 above. This report is available on the member table. Challenges in the 2014-15 budget were also identified in the packet sent out for the May 2014 congregational meeting. Two of the identified risks, Shu Ren revenue and pledge amounts, are (together) approximately \$54,000 less than budgeted. The current deficit projection is \$30,000.**
 10. Analyze staff compensation to UUA Guidelines: The UUA has compensation range guidelines that are updated every few years, and are based on comparable ranges and responsibilities in other non-profit organizations (including other churches). I will look at each employee's salary and indicate where in the range they are, and provide a summary to the board and CT. **Provided in September 2013 and October 2014 reports. Detail also provided in printout of Treasurer's February report to the congregation. New guidelines effective July 1, 2014, suggest selected staff members are still under minimum.**
 11. Clarify Bill and Barbara's home equity arrangement: The cost of Bill and Barbara's home was initially shared by the church and our co-ministers. The intent of this analysis is to make sure we are all aware of what happens at the end of their active ministry with UUCB. [Detailed background provided in February report, with two board sessions scheduled March 2 and 3 to review the agreement and its implications. **Board approved methodology and permission to sell at March 20 meeting. The Church receives about \$300,000 from this transaction, \$171,000 over the initial \$129,000 Cope Fund investment. The funds will be invested for the next two years in a several bond funds, and used to invest in the next called minister's house.**
 12. Analyze electricity rate structure for best fit: this is changed to "determine what solar panel payments should have been and recommend payment plan to CT" because we have determined that we have been overbilled by PG&E, and that we have been underpaying the solar loan payments. **[\$31,410.78 in PG&E credit (\$27,036 in billing adjustments, plus**

- \$4374 that we had overpaid) was applied against the solar loan. PG&E is not required to go back more than 3 years, so we do not expect more credits. This means our ongoing electricity cost per year will be less than zero. Should regulations change to allow full time of day credit for the power we are exporting to PG&E each year, the panels would generate about \$12,000 in revenue for us.]**
13. Identify any solar loan impacts on endowment for past two years : This has been done, with the result that \$5500 of endowment payout has not been transferred from the endowment into operating funds. I will work with the CT to determine what to do with these funds. **The payout has been applied against the solar loan and transferred to the endowment. This is a bookkeeping entry only.**
 14. Create Financial Advisory Council that meets quarterly: This would be open to any congregation member who wanted to commit to attendance, and would serve as a sounding board for the treasurer, identify financial issues that needed to be addressed, and help educate the congregation. **Four meetings have been held so far. Per the charter, this meeting included a determination as to whether or not the Council should continue. The Council decided to continue for another year, per the discussion on the November report. The Council will be open to new members, in addition to Mac Lingo, Larry Nagel, Ralph Nelson, Maryann Simpson, Grace Ulp, Sara Roberts, Ira Nelken, Lynn Hammon, Jennie McLean, and Jo Maxon.**
 15. Lead creation of 2014-15 budget. **The budget was approved by the congregation on May 18. I have prepared a monthly spread based on historical percentages so that this budget reflects seasonal changes.**
 16. Review property tax requirements. UUCB currently pays almost \$10,000 in property taxes, although our auditor has said we should not be subject to them. **It appears these are all special assessments applied to all property owners, though I have not yet talked with the tax authorities. We were recently notified of a tax increase which appears to be connected to Shu Ren's tax status. Any incremental taxes from this will be the responsibility of Shu Ren.**
 17. Identify and work with a non-profit tax attorney to insure there are not unintended consequences to our tax status as UUCB expands into new

revenue streams. **I have identified two potential attorneys and will be interviewing them in the next few weeks.**

18. Investigate the potential of including the Caretaker's Cottage electricity in the UUCB bill to take advantage of our solar capacity.
19. Rationalize the significant number of brokerage accounts we currently have, some of which were set up to make stock transfers from members more convenient.

Ljl/1-9-15