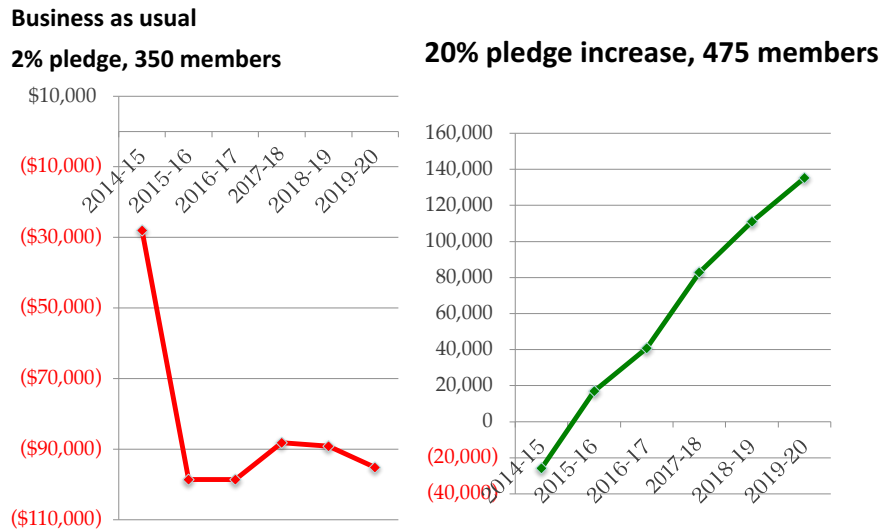


If the Past is Any Indication of the Future...
The State of Finances at the UU Church of Berkeley
 September/October 2018
 Linda Laskowski, former UUCB Treasurer and CT Member

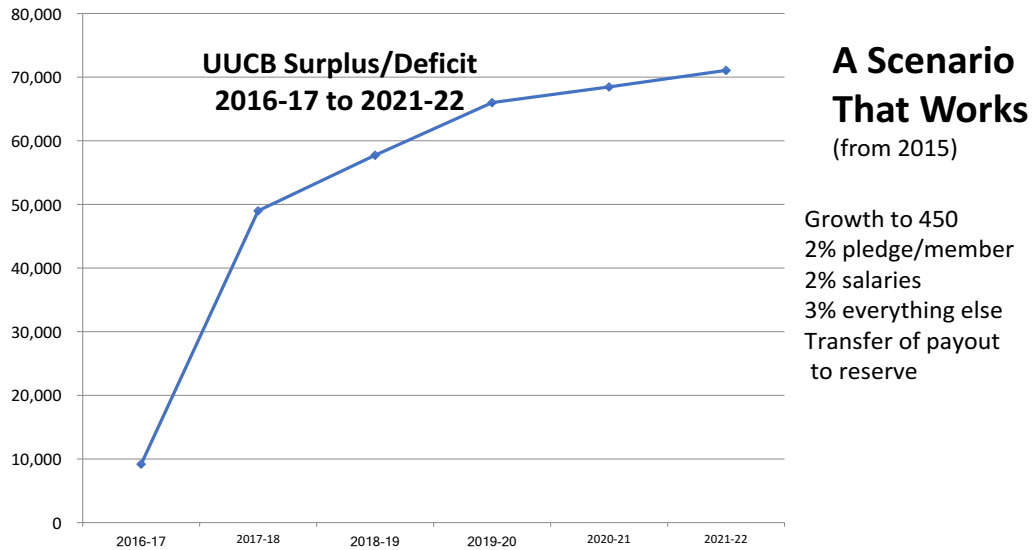
In 2015, I delivered a report at the February Congregational meeting that showed two stark choices for this Congregation.

Choice presented by Treasurer in 2015



The first graph showed a continuation of the trends that had been going on in this church for at least the past ten years. The line is in red, because what you are looking at are projected deficits: based on a continued downward slide from 383 members in 2015 to 350 by 2020, with modest growth in pledging. The second graph modeled growth to 475 members, after a proposed one-time pledge increase for the 2015-16 budget-year of 20%.

This generous congregation increased its pledging by nearly 25% that year, which made a more modest growth to 450 members sustainable, as long as expense-growth remained moderate.

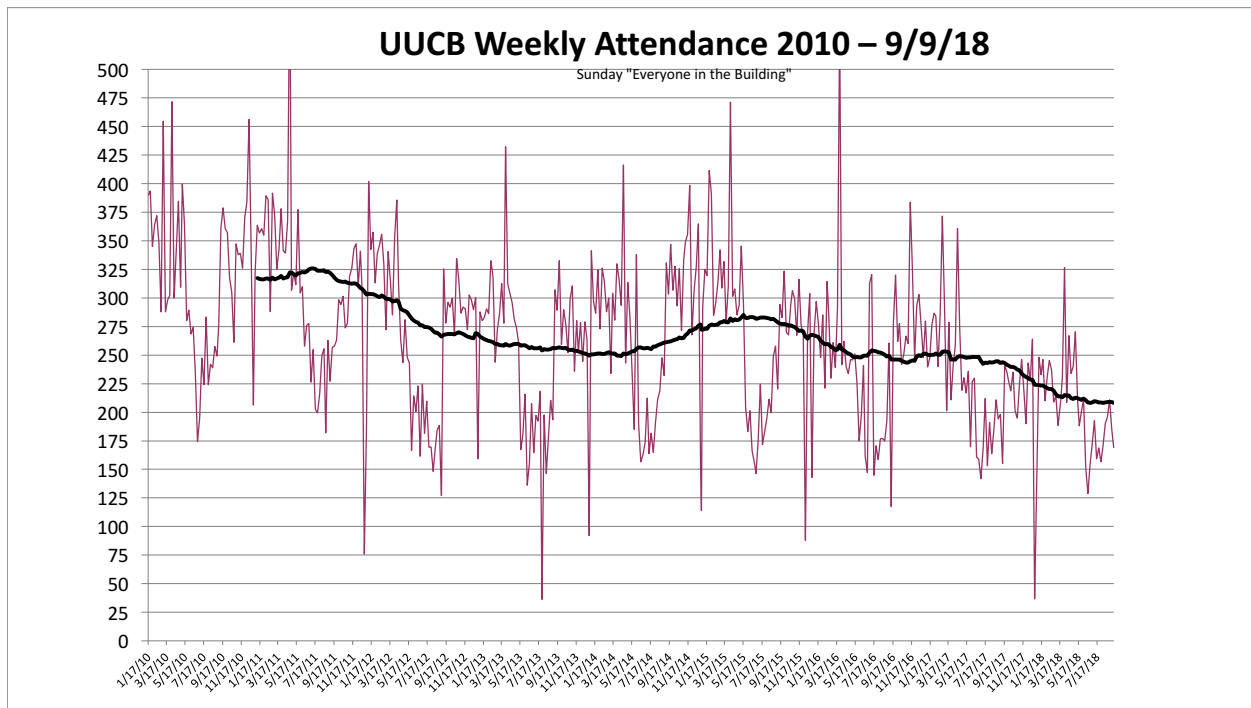


This scenario also continued the shift of the endowment pay-out to a building reserve, eventually funding about 25% of it. This growth forecast appeared doable, making up in six years (2015 to 2021) what we had lost in membership in only two (2013 – 2015).

A membership forecast that works

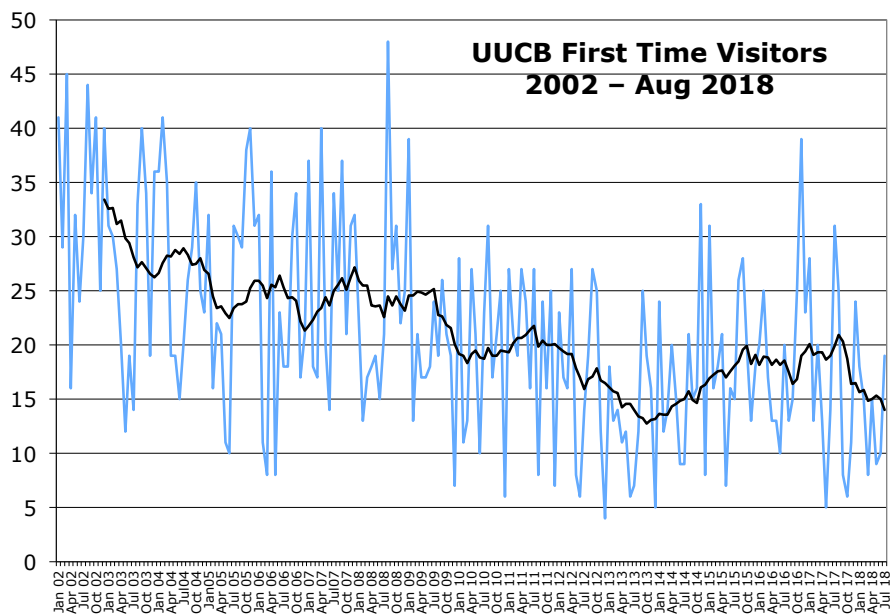
• 2013	457
• 2014	427
• 2015	383
• 2016	371
• 2017	379
• 2018	399
• 2019	417
• 2020	436
• 2021	450

So, let's see what has happened in the past three years.



If it feels like there have been fewer people in the sanctuary at services, you are right. This graph shows weekly attendance from 2010 to last September 9. The heavy dark line is a rolling 52-week average, i.e.: every point on the line is an average of the previous 52 weeks. If the line is going up, each week added is greater than the same week a year before. If the line is going down, the added weeks are less than the same weeks from the year before. You can see that in the 2010 – 2011 timeframe, we were averaging between 300 and 325 people “in the building” on Sundays. Seven years later, it is 100 people less.

You see a similar trend in first time visitors.



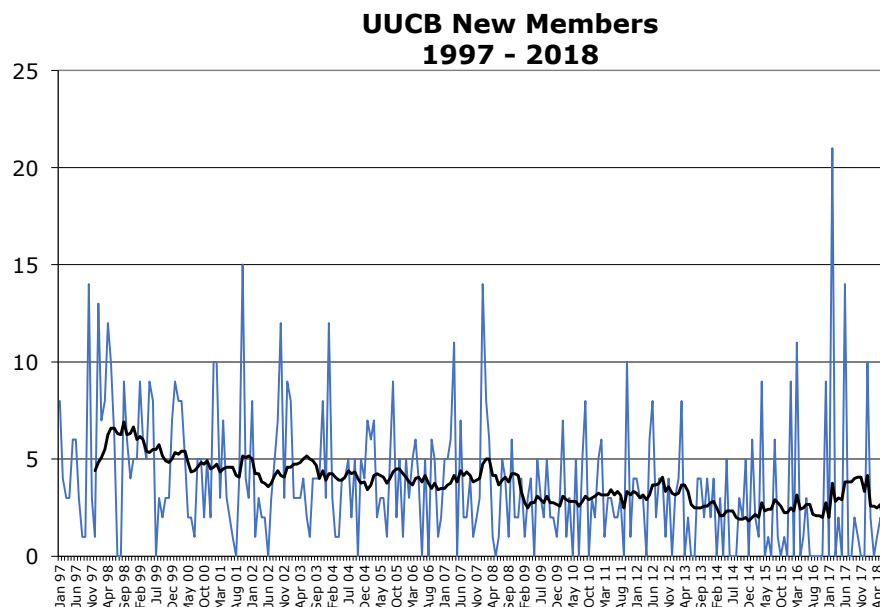
Most of these ups and downs correspond to things happening either internally or externally to the church. For example, the high average at the end of 2002 was the aftermath of 911. The

2006 – 2008 rise was primarily due the Bay Area-wide marketing program, including a \$300,000 + media campaign (direct mail, billboards, TV ads, newspaper inserts, Google ads) in 2007, and a lower cost “guerilla-marketing” campaign that started the year before (banner ads, radio ads, yard signs, car sun visors).

The rise in first-time visitors, starting in 2013, was a combination of the renewed energy of Membership Co-Chairs Lonnie Moseley and Paul Hudson, and the arrival of Family Ministry Director Merrin Clough. This rise continued with the arrival of Greg Ward in 2014. The upward trend leveled off in Greg’s second year, but-increased again with the arrival of Co-Ministers Kristin and Christian Schmidt. For the past year, like attendance, the trend is down.

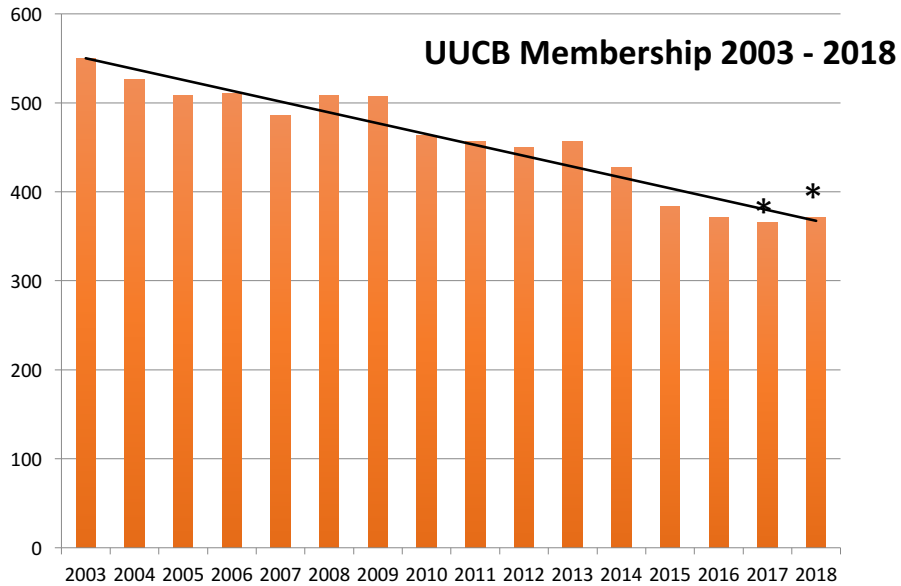
One can argue that not all visitors register. They don’t. What is harder to argue is that not signing-in only started in the past year.

Visitors make members. Here we see a similar trend – initially upwards with the arrival of our new ministers, then a downward trend the past year.



In the late 90s, we were signing on average 5 new members per month, or about 60 a year. Over the years, that dropped to 4 (45-50/year), then 3 (35-40), then a rise with our new ministers, until we see the same downward pattern in the past year. Interestingly, we are actually converting guests to members at a higher rate the last two years, 1 in 5 versus 1 in 6. This has likely been impacted by Chalice Circle participation, with 21 of the roughly 100 new members in the past 2 ½ years participating in these small group ministries. This may be also be tied to lower visitors: people who come have almost all checked us out on our website, so have a better idea of who we are than many of those who came ten years ago.

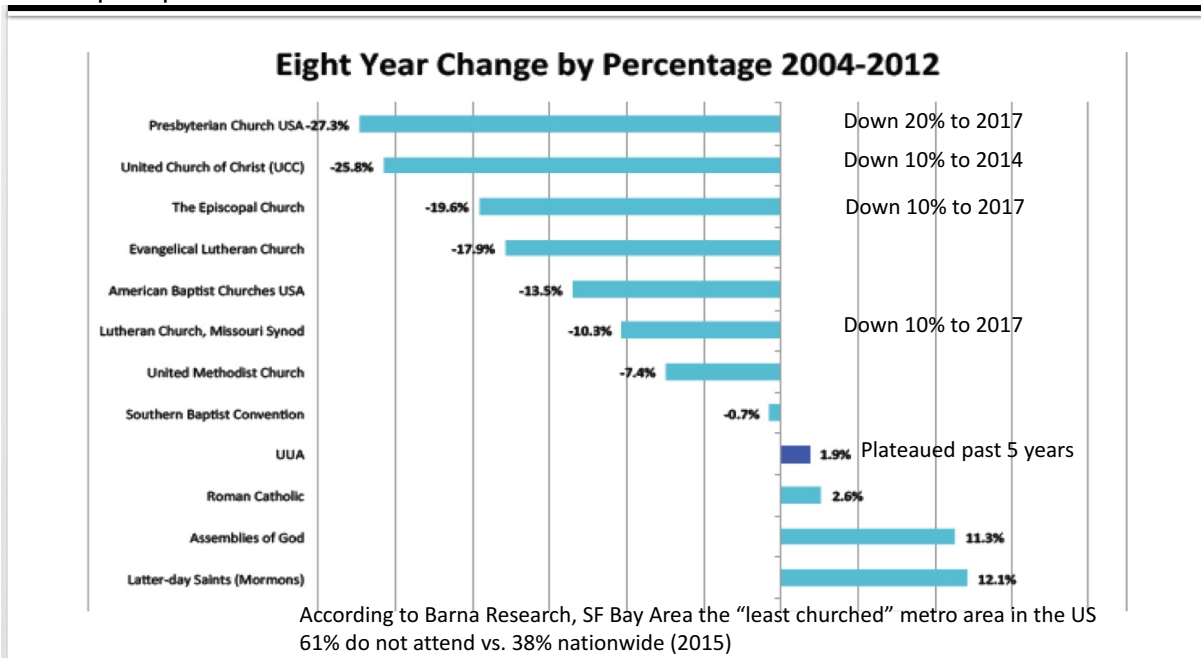
So, what is the impact on total membership?



I have started this graph in 2003, because that is when I know we started a consistent way of counting members. The trend is clearly down, with a leveling off in the past few years. This is not due to more people leaving. The number leaving each year, whether expressed as a number or a percentage of membership, has generally been lower in the past few years, which suggests some impact from the membership and welcoming efforts.

The two small asterisks on the right are the forecasts I showed you a few slides back that got us to a sustainable 450. Rather than growing, we have leveled off around 371.

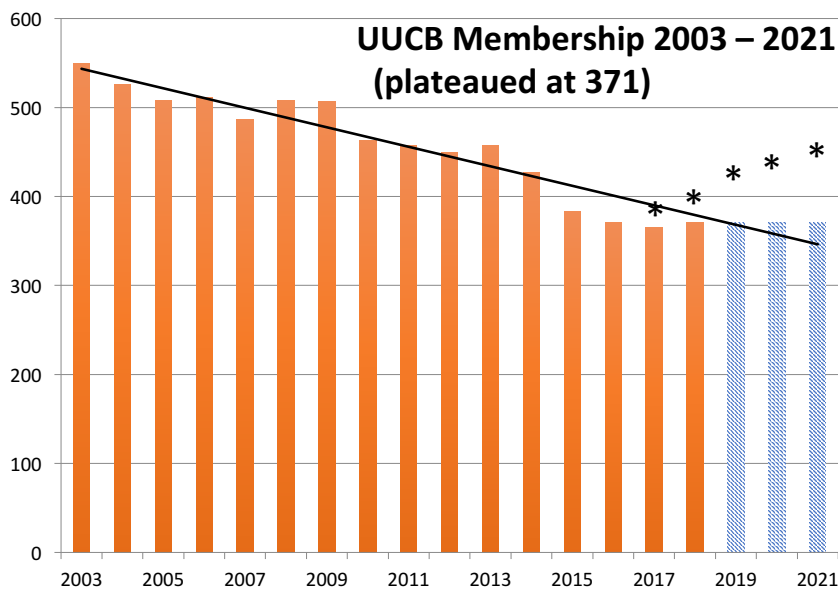
This is not unique to us. In the past 15 years, mainline churches in the United States have shown a precipitous decline.



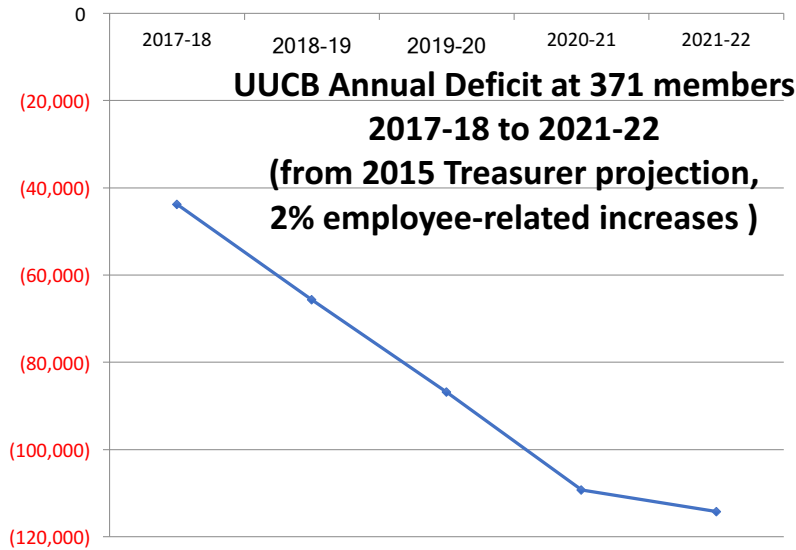
The vertical line in the middle is no change – anything to the left is a loss of members, and anything to the right is a gain. Though this is an old chart, I have updated some of the numbers. The Presbyterian Church, for example, lost nearly 30% of its membership between 2004 and 2012, and another 20% since then. Our “cousins” the United Church of Christ, lost 25% between 2004 and 2012, and another 10% in the following two years. Roman Catholicism grew during this period because of immigration, but recent reports appear to say that even that no longer is stopping the decline. Mormons and Jehovah’s Witnesses, who both evangelize door to door, continue to grow.

Throughout this period, the UUA has grown slightly, and like UUCB, has basically plateaued the few years. That is also the experience of most of our neighboring UU churches, with the notable exception of Walnut Creek, which has shown steady growth to 510 members. Note that the Bay Area, often a bell weather for trends, is the “least churchd” of all the metro areas in the United States, with 61% who have not attended in the past 6 months versus 38% nationwide.

Here you see the rest of that “sustainable” forecast from an earlier slide, superimposed on 371 members for the foreseeable future. The difference between the forecasts of 450 and 371 members in 2021 is over \$100,000, just in pledges. That doesn’t count the collection plate, tickets purchased, or other fundraising, which primarily comes from our members.

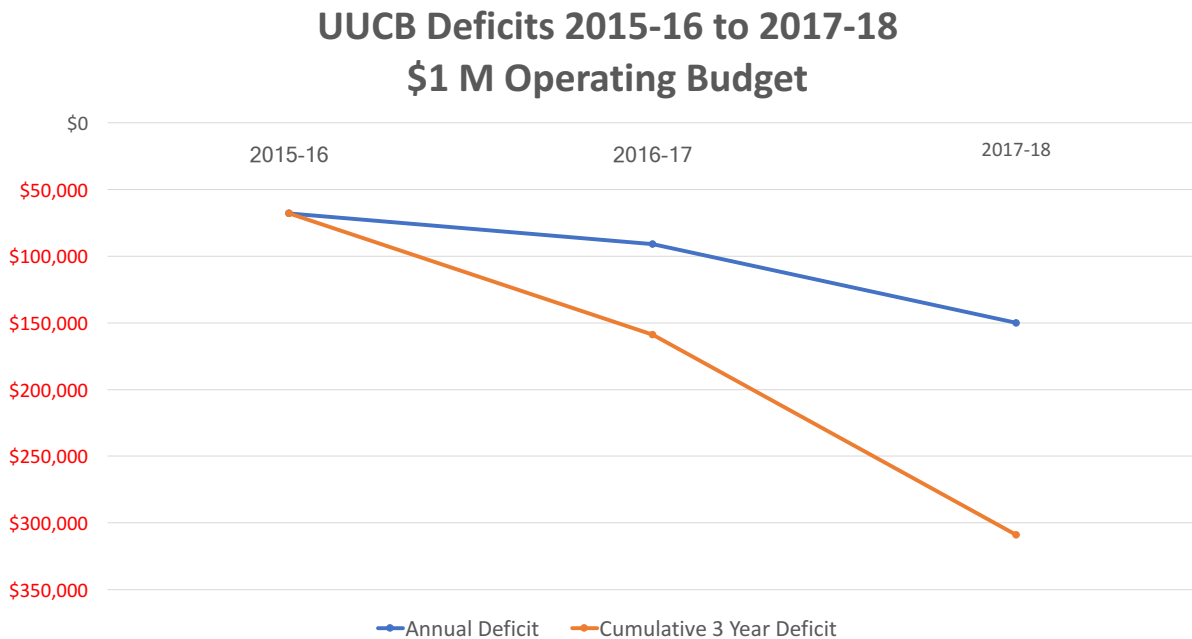


So, what does life look like for a plateaued church? I modeled a plateau of 371 back in 2015:



Here we see a deficit that just continues to increase, from a little over \$40,000 in 2017-18 to nearly \$120,000 in 2021-22. This assumes a modest 2% increase in salaries.

What really has happened? This chart shows the last three years of actual numbers for the difference between the revenues and expenses that are budgeted and approved by the congregation.



The blue line is the annual deficit, i.e.: excess of expenses over revenues, which goes from a little over negative \$50,000 in 2015-16 to about negative \$150,000 last year (once final reports are made). Though on the surface the last two years look like revenue problems, this is primarily because of a 15% increase in salaries in 2016-17, with unrealistic expectations for

revenues to cover it. By 2015, there was little, if any, cumulative surplus to cover the ensuing deficits, so we have been using money from restricted operating accounts (legal, but not great practice) to make payroll and pay our bills – until we couldn't.

Dear Beloved Community, we are out of cash. We are unable to consistently make payroll and pay all our bills. In response to this crisis, member Dave Roberts, with the skills and background to address it, pulled together a small group of leaders, including board members, on September 8, to craft a response, which was passed by the board on September 12 and is included below. The resolution created a Committee on Financial Oversight, chaired by Dave Roberts and Anne Greenwood, that among other things was authorized to borrow money from members¹ to alleviate the cash flow crisis and recommend changes in our financial operations. Dave was temporarily appointed to the CT.

Note the opening of the resolution: *Whereas: the Unitarian Universalist Church of Berkeley is an active, transformative, and asset-rich church...* despite where we are, there are hundreds of congregations who would love to be where we are: a paid for building, 9 acres of land, amazing programs in Family Ministry, Music, and Social Justice, and generous members. Though this is not a comfortable situation, nor do I expect a comfortable solution, we have the ability to resolve it.

Resolution of the UUCB Board of Trustees, passed at a special meeting of the Board on September 12 called to address the deficit

Whereas: the Unitarian Universalist Church of Berkeley is an active, transformative, and asset-rich church that is experiencing severe financial concerns, including:

- *being unable to make payroll and pay all bills*
- *running three years of deficits*
- *not being able to furnish financial reports in a timely manner, and having some question about the reliability of these reports*
- *not following standard business controls*

Be it resolved: that the UUCB Board takes the following actions:

- *By September 12 appoint a Committee on Financial Oversight (CFO) to work with the CT, Treasurer, and Board to gather all information required to: produce accurate and timely financial statements; complete the 16/17 audit; and recommend changes to the financial administration of the Church. This committee shall initially consist of but is not limited to the following members: Dave Roberts and Anne Greenwood, Co-Chairs, Grace Ulp, Ira Nelken, Linda Laskowski, Maryann Simpson (liaison to the Board), and Jan Setchko (consultant on an as-needed basis). The Treasurer is an ex-officio member.*
- *Empower the CFO to borrow funds from church members by September 17 that will loan up to \$200,000 to UUCB in the immediate future, including terms and potential repayment sources.*
- *Direct the CT to hire an outside resource as needed to work with the Treasurer and CFO to provide complete and accurate reports, including providing needed documents to complete the 2016-17 audit.*
- *Direct the CT to work with the CFO and the Staffing Working group to define the ongoing structure, and hire an executive level resource by November 30.*
- *Appoint CFO Co-Chair Dave Roberts to a temporary position on the CT, filling the seat formerly held by the Director of Administration.*

¹ As of September 17, these loans were for \$20,000 each at 4%, payable in 5 years, from Jane Lundin, Lenore Ralston, Beth Pollard, and Linda Laskowski. At least 2-3 more are expected, with commitments from Dave Roberts and Maryanne Simpson.

This starts to address the short term. It does not take care of the building reserve needs (\$200,000 - \$250,000 per year). But even the short-term will have difficult decisions to make as 2/3 of our expense budget consists of employee related costs.

Working Groups to address the longer-term issues were chartered earlier this year by the Board.

Long term response from Board

- Creation of three Working Groups last January
- Staffing Working Group: determining appropriate structure for a church of our size
- Capital Campaign Working Group
- Kensington: staying or moving off the hill
 - Options for staying
 - Options for moving
- Reports due December

The Kensington Working Group split into two: one to look at what is needed to remain on the hill, and the other at options for moving. Either one requires a major change in How We Do Things Around Here, whether it is sharing this space with another church, or creating a new UU space that might combine several UU institutions, or one of many other options.

These working groups are investigating areas that will likely determine the future of this congregation. Questions about these working groups and their current status should be addressed to your board members.

Change of this magnitude is hard – even if you are an alive and spiritually strong church as this one is. So, for all of us, I offer this closing “Prayer for Living in Tension” by the Rev. Joe Cherry:



If we have any hope of transforming the world and changing ourselves, we must be bold enough to step into our discomfort, brave enough to be clumsy there, loving enough to forgive ourselves and others.

Prayer for Living in Tension by Joseph M. Cherry