

UUCSF FINANCIAL REPORT FOR SEPTEMBER 30, 2021

I. Salient Comments

The following items are of particular note as we finish the first quarter of our fiscal year. These are followed by a detailed summary of the findings of our Finance Stewardship Team at their meeting on September 26, 2021. These notes took a lot of time to prepare. It is hoped that you will take the time to read them in their entirety.

1. The estimate of rental income has been increased from \$15,000 to \$37,000. We have engaged a renter for our downstairs starting October 1 at \$3,000 per month. A second renter is likely in the coming months. Ingrid Krinke has therefore increased her income estimate for this category.

The estimate for collections income has been decreased from \$6,000 to \$3,400. Our collections during the first three months over PayPal have been relatively low. Even as we reopen, attendance at the meetinghouse will be limited. It therefore seemed reasonable to trim our estimate for this category.

These changes reduce our estimated annual deficit from \$59,400 to \$40,000. Note that the estimate for “other fund raising” has been held at \$5,000. This is by no means assured. See below for discussion.

2. The balance in the Helping Hand Fund was \$4,461 as of September 30.

3. Pledge receipts are coming in much more slowly than in past years. Additionally, certain expenses have been accrued in their full annual amount in the first quarter. Our operating deficit for the year so far has therefore widened this month to more than \$30,000.

II. Finance Stewardship Summary

This is a summary of the findings of our Finance Stewardship Team meeting held on September 26.

1. Our Financial Condition. Two things need to be emphasized relative to the long-term financial health of our congregation:

A. Our financial status would likely be the envy of all be a handful of UU congregations across the country.

First, we own our meetinghouse free and clear. Due to the generosity of several of our members about a decade ago, we paid off the mortgage. In addition to having the use of the building for our services and other activities, it provides rental income that, when the space is fully rented, exceeds our costs of maintenance. We even installed solar panels on our roof, which provide enough electricity to meet our entire demand over the course of a year. We save about \$3,000 a year on our electric bills on a net basis after deducting payments on the low-cost loan we got through New York State. When the loan is paid off in 2026, the net savings will increase to about \$5,000 annually

Second, the \$600,000 from the Paul Berman bequest that we invested in the UU mutual fund (UUCEF) has grown to \$800,000 if we include the amounts taken out quarterly and applied to our operating expenses. (These should be included to get an idea of the fund's performance.) Though we cannot expect it to continue to grow at what is historically a fantastic rate (about 15% annually), we are fortunate to have invested at a propitious time.

Third, we still have money in the bank over and above what is invested in the UUCEF. This balance is declining, however, and we need to address our long-term financial stability. The balance is declining because we have been running deficits.

B. This brings up the necessity of clarifying the difference between deficit and debt. Many people confuse these two terms, whether in terms of America's national budgets or our own congregational budgets. A good analogy is a bathtub that is partially filled with water and in which both the tap and the drain are open. Running a deficit is equivalent to the flow rate into the tub from the tap being less than the flow rate out of the tub through the drain. If there is water in the tub and you haven't borrowed any, then you are not in debt even if you are running a deficit. Of course, if you continue to run deficits long enough, all the water will drain out and you will have to borrow water from a neighbor. In that case you will be in debt.

The short story is that we have been running deficits lately, but we are far from being in debt. The concern is about sustainability over the long haul, not the stability of our finances in the short term.

II. Informal Audit. We recently ran an informal audit of our financial management system. This was carried out by John Andrews as finance chair, Ingrid Krinke as treasurer, Rev. Kimberly as minister, and Kelly Glanz as administrator. The findings and recommendations were as follows:

A. A detailed comparison between our bank records and our accounting system embodied in QuickBooks showed that as of June 30, 2021 they were in agreement to within \$100. As we hadn't done this comparison in many years, if ever, this agreement was better than we might have expected.

B. The comparison required us to review all checks that had yet to clear. We found that there were many checks more than a year old that had never been cashed, but were still carried as liabilities. We decided to void all such checks. This added about \$4,000 to what corresponds to our checkbook balance even though it didn't alter our bank balance. In that sense it was "found money."

C. We recommended that a policy of voiding checks that are over a year old be instituted. This is standard business practice.

D. We reviewed our policy of requiring that committee chairs sign off on checks affecting their areas. We have had such a policy for years, but it seems that because of Covid it had in some instances fallen by the wayside. We agreed to tighten this up. Committee chairs have the option of allowing certain recurring items to be paid at once without specific authorization.

III. Fund Raising. The Finance Stewardship Team has devoted several sessions to the subject of fund raising options. The hope has been that these could help to reduce our annual deficits. A number of options were considered. In one category were activities that could raise significant funds but had to be put on hold due to Covid restrictions. An example would be some kind of gala or other celebration combined with fund raising. A second category was activities that would be good things in themselves but wouldn't raise much money. These included such things as poetry and writing workshops, musical presentations, informal educational activities, and the like. We agreed that these should be encouraged if there is someone who wishes to promote them, but again there were concerns about Covid at this time.

The third category would be anything that might raise significant funds and wouldn't be stopped by Covid restrictions. The one thing that survived into this category was to set up a continuous on-line venue in which items donated by members, friends, or friends of friends could be sold, with the proceeds going to our general fund. Ken Ettlinger, Pam Wittenberg, Martha Potter, Linda Engbrenghof and John Andrews have been discussing this, with valuable input from Hillary Wittenberg and Andrea DT. Initially the idea was to use eBay, but we were advised that this would present problems we wouldn't want to get into. Apparently, setting up a successful selling operation on eBay is not as simple as

one might suppose. We also looked at the possibility of using Facebook or Craig's List. Each of these has its own difficulties, but neither is out of the question. We're also looking at the possibility of setting up a page on our own Web site and then advertising it among our members and friends, with broader reach through word of mouth and perhaps classified ads in local papers. Whatever we might do, we want to keep it local to avoid the hassles of shipping and formal cash management.

This is a work in progress.

IV. Tax-Efficient Ways to Give to UUCSF. One of our members has pointed out that the U.S. Income Tax Code offers options for donating to UUCSF at reduced after-tax cost to the donor. One of these, which has been in place for years, is to donate appreciated securities rather than cash. This allows the donor to deduct the full value of the gift without paying the capital gains tax that would be due if the securities were sold and the cash donated. Another factor that may be important for some has come about because of the limitation on deductions of State and Local Taxes (SALT) to no more than \$10,000. If you have no significant deductions other than SALT and contributions to charity, you may do better by bunching your donations, giving in one year what you would normally give in two or three years, and taking the standard deduction in the off-years. The standard deduction for a married couple both over 65 years of age is now \$27,800. Simple math shows that this can save substantial amounts of money depending on one's personal tax situation.

The gift-bunching option can be used without any burden on UUCSF. One way is to pay one's pledge for a given fiscal year in the January-June period, and the pledge for the next fiscal year in the July-December period of the same calendar year. Bunching more than two years into one is only slightly more complicated; there we would put the out-year pledges into a separate category in our accounting system so that they would be used at the appropriate time. The donor would get the entire deduction in the year it was actually given.

Donating appreciated securities takes a little more work on our part. The UUA can facilitate donations of exchange-traded stock through their bank. The UUA does request a "tip" of undetermined percentage when such a donation is processed. Mutual funds are more of a problem for them. In that case it is possible for us to set up an account with the mutual fund company whose shares are to be donated. The donor fills out a gifting form and there's some other paperwork, but the shares can be transferred to UUCSF and then cashed out. Needless to say, this is only worth it for substantial amounts in the thousands of dollars, but certain members who are high pledgers may be able to take advantage of this. We have done this in the past with exchange-traded stocks, though not yet with mutual funds. In the latter case a Board resolution is required to authorize setting up the account that is used to transfer the stock.

Anyone interested in this can contact Finance chair John Andrews for further information.

V. Planning for Declining Bank Balance. As mentioned earlier, the balance in our checking account is declining over time because we have been running deficits. Unless some unanticipated influx of funds occurs, it is likely that at some point in calendar 2022 it will be necessary to take some money out of the UUCEF beyond the 5% we are withdrawing automatically. We discussed the question of how low we should let our balance get before we do this. It was noted that such extraordinary withdrawals can take a month or two because the UUCEF only recalculates its shares' value once a month. This saves administrative costs at the price of delayed access to funds. We didn't specify a specific point at which this would be triggered, but generally when our balance drops below \$30,000 we need to set up a plan.

VI. Split Donations on PayPal. We discussed the implications of our decision to allow donations on PayPal to be targeted to specific ends, i.e., General Donation, Helping Hand Fund, and Little Free Pantry. We discovered that the algorithm that was being used shortchanged how much went into our general fund, and this has been corrected.

BUDGET COMPARISON

INCOME	BUDGET	CURRENT ENTRY
Pledges	\$75,000	\$8,362
Building Rental Note 4	\$37,000	\$6,000
Events	\$-	\$-
Collections	\$3,400	\$566
Special Contributions	\$-	\$-
Other Fund Raising	\$5,000	\$-
UUCEF Distributions	\$36,000	\$8,093
Total	\$156,400	\$23,021
 EXPENSE		
Minister	\$92,300	\$23,426
Building & Grounds	\$34,200	\$8,050
Administration	\$22,100	\$4,390
Worship and Music	\$16,000	\$2,100
Denominational Affairs	\$6,500	\$6,301
Religious Exploration--Children	\$10,900	\$2,925
Communications	\$2,800	\$300
Fellowship and Hospitality	\$1,900	\$-
Social Justice	\$3,500	\$1,226
Religion Exploration--Adults	\$1,500	\$-
Art	\$200	\$-
Congregational Affairs	\$500	\$-
B&G Major Maintenance	\$4,000	\$5,160
Total	\$196,400	\$53,878
Deficit	\$(40,000)	\$(30,857)

FINANCIAL CHARTS PREPARED BY JOHN ANDREWS

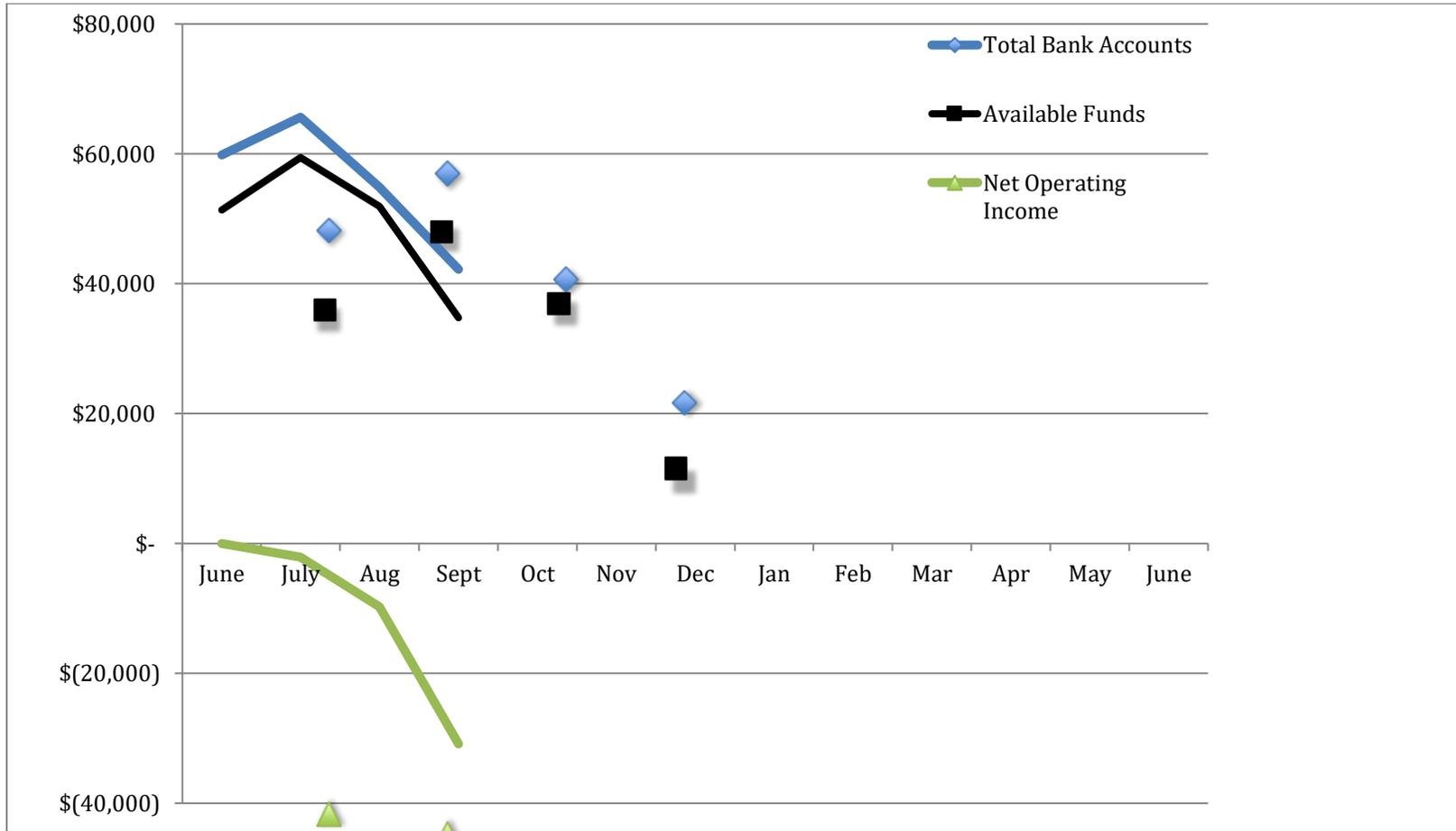


CHART 1. FINANCIAL INDICATORS

THIS CHART DOES NOT INCLUDE \$600,000 FROM THE PAUL BERMAN BEQUEST INVESTED IN THE UUA MUTUAL FUND.

Total Bank Accounts (**blue**) is total money in the bank minus checks written but not yet cashed. Available Funds (**black**) is Total Bank Accounts minus funds allocated for HICO and capital projects but not yet spent, as well as renters' security deposits, helping hand fund, and prepaid pledges for next fiscal year. Net Operating Income (**green**) is total receipts applied to the budget minus total operating expenditures this fiscal year. **Please note that Available Funds now excludes money set aside for HICO but not yet spent.**

At year's end, a positive NOI means we had a surplus, a negative NOI means we had a deficit for the year.

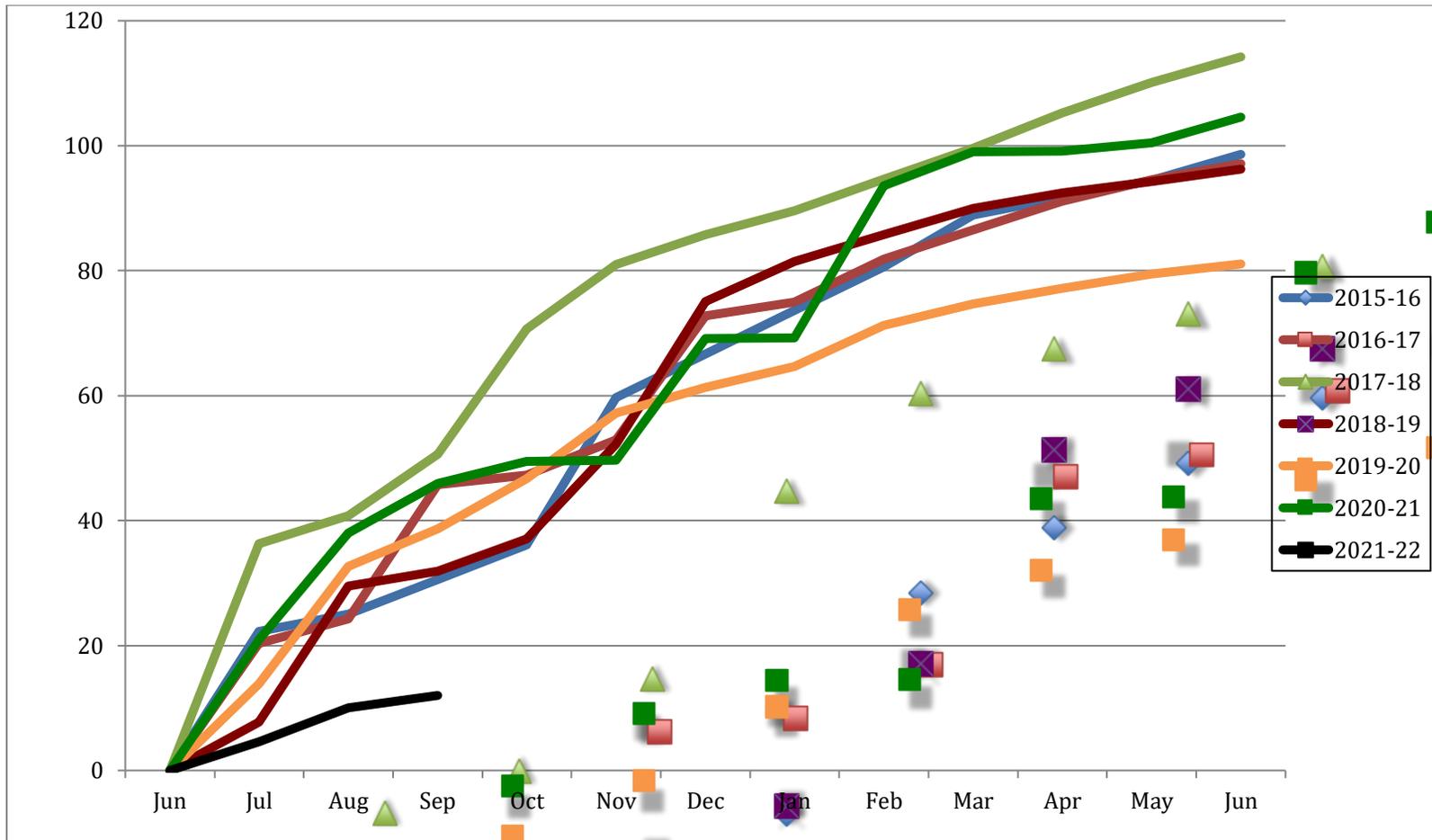


CHART 2. PLEDGE RECEIPTS AS PERCENTAGE OF BUDGET (2021-22 BUDGET ESTIMATE IS \$75,000)

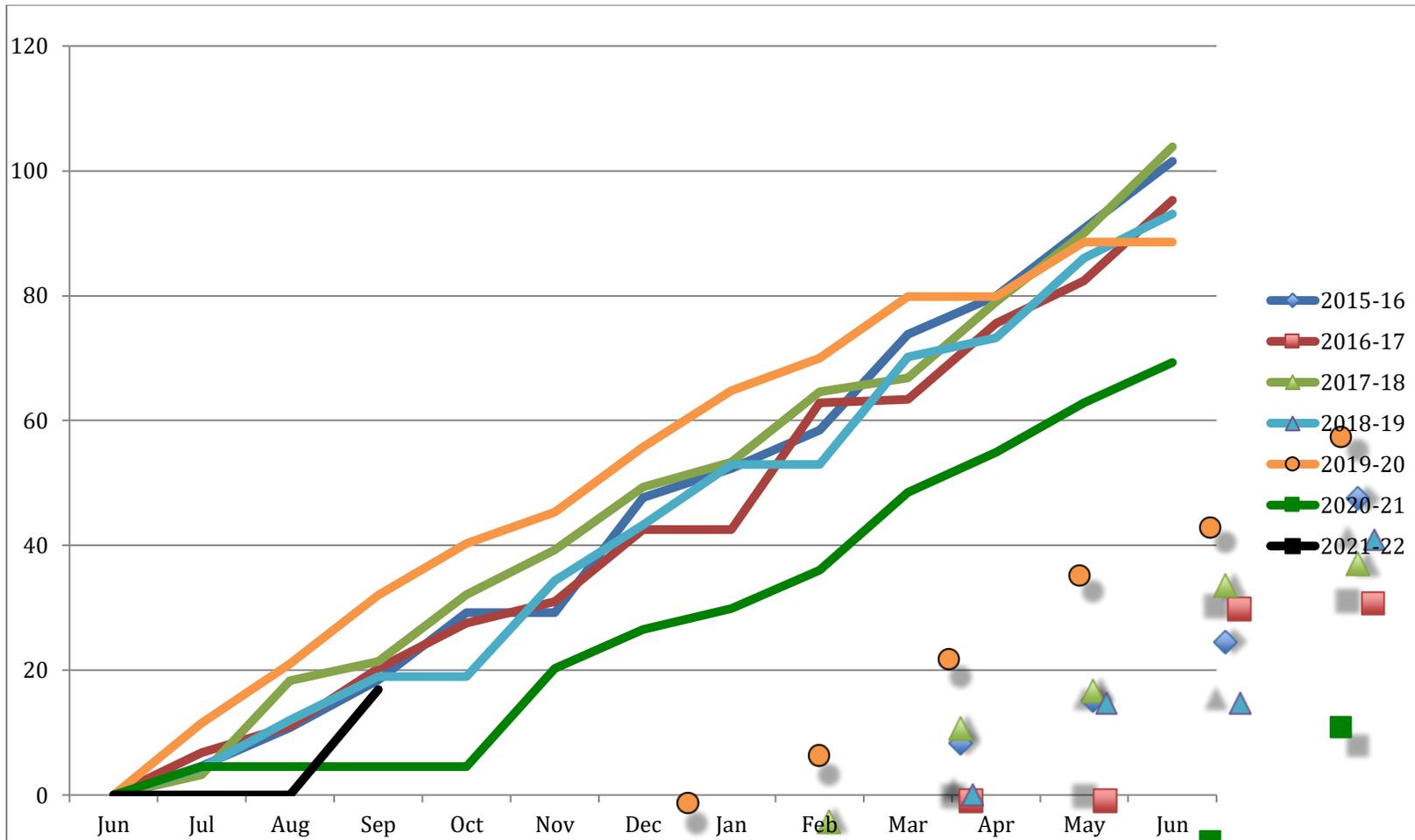


CHART 3. RENTAL RECEIPTS AS PERCENTAGE OF BUDGET (2021-22 BUDGET ESTIMATE REVISED TO \$37,000)

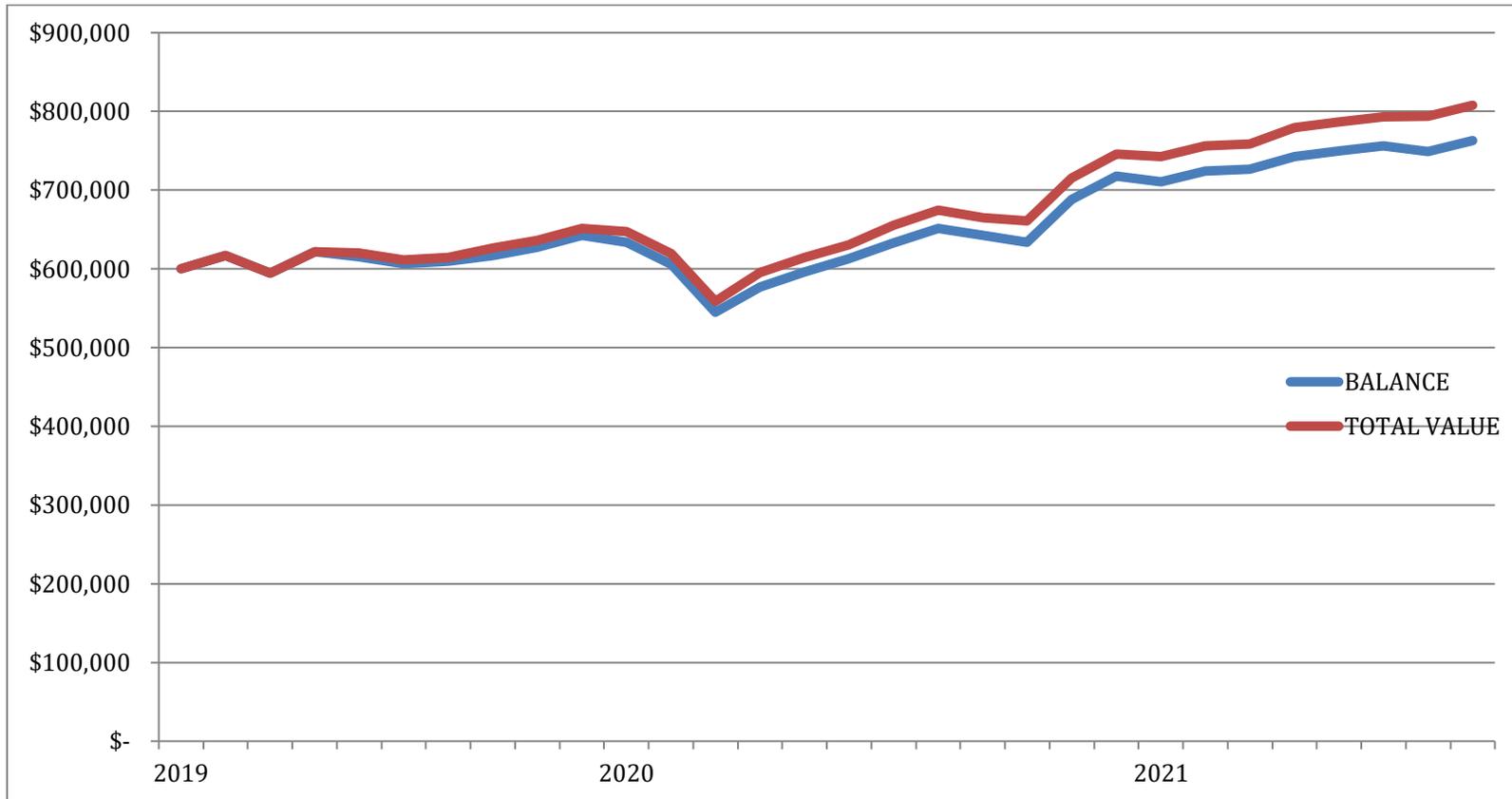


CHART 4. UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND INVESTMENT PERFORMANCE

The blue line shows the market value of the fund as a function of time since our original investment of \$600,000. The red line shows the total value including amounts received as quarterly distributions.