

## Report of the Financial Sustainability Working Team To the CCDC Congregation

June 22, 2014

**Working team members:** Carla Bailey, Steve Bensen, Jay Benson, Tom Csatari, Brian Edwards, Trish Jackson, and Evan Smith.

The Financial Sustainability Working Team (FSWT) was formed by the Board of Elders and has been meeting since the fall of 2013 to evaluate and identify key trends in the church's income and expenses, to make recommendations for the improvement of the church's financial stability and sustainability, and to improve financial reporting and communication to the congregation.

At the congregational meeting of February 9, 2014, the FSWT provided a preliminary analysis of church income and expense trends, with particular attention to trends in pledging and other giving, and to the role of lease income from the church's facility, including cell company leases. The working team reported that, while growth in church expenses – primarily our facility, personnel and OCWM (Our Church's Wider Mission) – has remained within the modest rate of income growth, larger fluctuations in income from giving have been the primary source of recent budget deficits. The financial assets of the church nevertheless remain strong, actually rising in 2013 in spite of the year's operating deficit, and the church continues to have no debt.

Following the February meeting, the FSWT stated that it would continue its analysis and develop concrete recommendations to the Elders by the June meeting to increase income stability, growth and diversity, while also improving contingency planning to help promote financial resiliency against unforeseen larger expenses or interruptions in income.

To that end, the FSWT has continued its active work and has provided the following recommendations to the Board of Elders, some of which the Elders have already acted upon:

### **Our Building**

Today, income from the lease of spaces within our building fully covers the costs of operating the building, including utilities, maintenance and custodial care. Our recommendations are aimed at optimizing the facilities to better meet the needs of the church, while ensuring the continuation its self-funding nature and offering the possibility of increasing lease income if needed or desired.

- We have recommended and the Boards of Elders and Stewardship have approved and initiated the renovation of the basement space previously leased by a daycare center (La Petite Creche) within current reserves and budgets, splitting the space into a general

purpose meeting room and a flexible storage and staging area for church projects. This will allow all Sunday school classes to co-locate on the basement level, while also freeing the upstairs classroom space for other purposes, including potential lease. The basement space renovation is well underway, including improvements to help reduce the likelihood of future flooding or of damage in the event of flooding.

- We have recommended the increase of the current building reserve rate for future major replacement and repair events to help avoid potential significant budget disruptions. The Stewardship Board has established recommended new target reserve rates, and the FSWT recommends that any additional lease income above current levels, along with endowment draws (following the established formula) that exceed current operating budget funding rates (on a percentage basis), be applied towards the achievement of the targeted reserves over the next five to ten years. A next capital campaign might also include target amounts towards these building reserves.
- We have recommended and will be assisting in the increased staggering of the terms of our cell tower leases to reduce the risk of concentrated expirations and non-renewals should there be a significant change in the industry or technology, not currently foreseen. Current lease terms are five years with multiple renewal options. Three of the five leases have aligned terms.

### **Giving**

Our aim is to increase the amount, predictability and diversity of giving to the church. While average pledges have increased, the number of pledging members has decreased gradually over the past ten years, and the church's reliance on larger pledges has increased.

- We have recommended added planning, communication, and organizational focus/support for the annual pledge campaign, starting earlier in the church year (shortly after re-covenanting Sunday) and employing "fair share" guides and more tailored communications and suggestions to different parts of the congregation at different stages in their church membership and economic lives.
- We have recommended and the Board of Elders has established a Planned Giving Committee to provide additional giving alternatives to members from accumulated assets, in addition to traditional pledging from income. This is particularly important and beneficial to members with accumulated assets but fixed incomes and uncertain lifetime financial needs. The committee has already been formed, has met, and has begun congregational communications and program planning. We are fortunate both that the UCC provides well-established trust management services and structured planning guides and that we have very capable and knowledgeable members of the congregation eager to help.

## **Reporting and Communication**

At past congregational meetings, members have requested improved financial reporting for enhanced transparency, particularly in understanding changes in the church's financial position, as normally reflected in a balance sheet and cash flow statement.

- We have recommended and church staff has established a Net Asset Summary statement that will be included in the annual financial reports to the congregation. As the church has no debt (only short-term liabilities) and accounting is conducted on a substantially cash basis, the Net Asset Summary serves the purpose of a balance sheet, capturing all relevant year-over-year change in the church's financial condition – namely, its financial assets and building/land holdings, organized by categories useful for understanding where the assets are held and what if any restrictions are placed on those assets.

## **Organization**

The Financial Sustainability Working Team (FSWT) has provided valued services to the Board of Elders this church year and has made a number of recommendations requiring continued implementation focus and resourcing.

- We have recommended and the the Board of Elders has acted to re-constitute the Financial Advisory Committee (FAC) for the standing purpose of continuing the work of the FSWT and providing ongoing support to the Elders in the areas outlined above and in the FAC charter. The initial slate of committee members will be the current members of the FSWT in addition to the church Treasurer.

We have enjoyed working together and serving the needs of the Board of Elders and the wider interests of the congregation and the church.

Thank you.