

Report by the Coordinating Team on the Global End of Stewardship May 2007

UUCB is a congregation where all members and friends share human and financial resources generously to support our vision and the common good. Our buildings and our grounds are welcoming, inspiring, well maintained, and accessible to all.

Introduction

There is much to celebrate about the financial status of the church at this time – and some concerns to express. In the last year we have accepted a large bequest, conducted a successful canvass with increasingly generous pledging, and received a positive review of church accounting. Since the establishment of the Ladd Griffith Building Fund twenty months ago, we have put into it \$48,366, and used much of that to finance extraordinary facility expenses. The General Endowment has been moved to a new manager and is at an all-time high.

And...the conversion to a new accounting software has been a mixed blessing! While we are now able to produce reports consistent with generally accepted accounting principles, we have had almost a full year of inability to produce reports useful for management. We offer you this report as the most reliable information we have at this time, and will update you throughout the coming year as new information is available.

We take some comfort in hearing from a number of people that similar accounting software conversions, while lengthy and frustrating, have eventually proven to be extremely helpful.

Finances at UUCB

Although the financial health of UUCB remains solid, we continue to struggle with various restatements of last year's results that use accounting conventions rather than our traditional management reporting. Though this has been resolved going forward (with the Board actually getting more information than in the past), we are not comfortable enough with recent information provided on 2006 to include it in this report. We will do so as an addendum when we are satisfied that the results are accurate.

It should be noted that this is NOT a problem with the overall financial statements which show a surplus for the year of over \$70,000. However, this is NOT correct from a management/operating standpoint, and includes bequests and possibly

other transactions. We anticipate at least the \$12,000 deficit we reported to the board last summer, and it appears it could be greater than that if the adjustments made between the preliminary statement and the final (which we just received) are accurate.

Building Fund

The Coordinating Team established the Ladd Griffith Building Fund in the fall of 2005 with \$15,000 of the “surplus” from 2004-05. The purpose of the fund is to respond to needed replacements and upgrades to our facilities and to respond to emergency maintenance needs.

The Coordinating Team reported to the Board our intention to designate at least 20% of bequests to this fund, in order to develop and maintain a fund of about \$100,000. Since the original designation of \$15,000, funds have been applied from gifts by Sally McCleery, Mary Acelia Townsend, and Jane Luckham, totaling \$33,366.01, bringing the total to date of funds applied to the Ladd Griffith Building Fund to **\$48,366.01**.

Expenditures from the fund by 1/31/07 totaled \$26,533.74, leaving a balance of \$21,832.27.

Our long term strategy is to designate some part of operating funds each year for this purpose. In the last year money from this fund was used to respond to the buckling of the Atrium floor, the removal of asbestos from the Skytown building, and roof repair to the Religious Education building.

Pledging

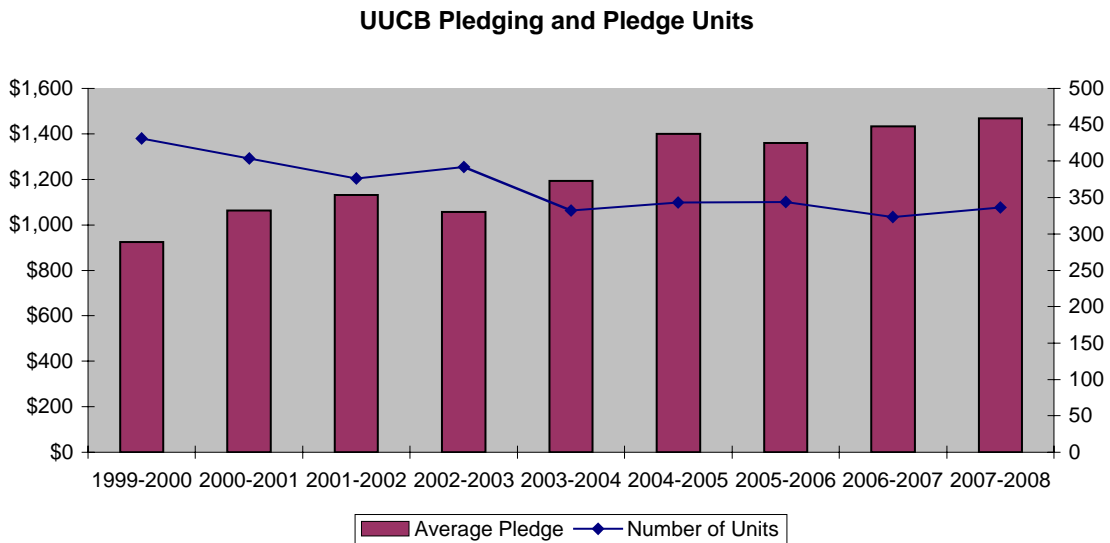
The largest single category of income is pledges from members and friends. The percentage of budgeted income from pledges (including back pledges) has varied over the years, as is shown by these figures: It dropped below 50% for the first time in the current 2007 fiscal year.

<u>Year</u>	<u>% of income from pledges</u>
1990	63%
1995	66%
1998	56%
2001	55%
2003	57%
2005	56%
2006	54%
2007	49%

Much of this change is due to the increased amounts from the endowment used for operating expenses (discussed below) and rental income from Skytown, Montessori, and various community events. Pledges by themselves do not cover salaries and benefits of staff.

The practice was discontinued this year of budgeting for “back pledges.” Efforts are made approaching the end of the fiscal year to encourage members and friends to honor their pledges, and the new fiscal year is now begun without carrying forward any unpaid pledged amount. We believe this practice supports efforts to create a “culture of abundance,” rather than a “culture of scarcity.”

The chart below shows the total number of pledges and the average pledge amount for the years 1999-2000 through 2006-2007, with an estimate for the coming year (2007-08).



Pledge units are the number of individual pledges, some of which are couples, many are single people, and some are more than two from a particular household. The “per member” average is significantly lower than average unit pledge, for example, an estimated \$979 per member in 2007-2008.

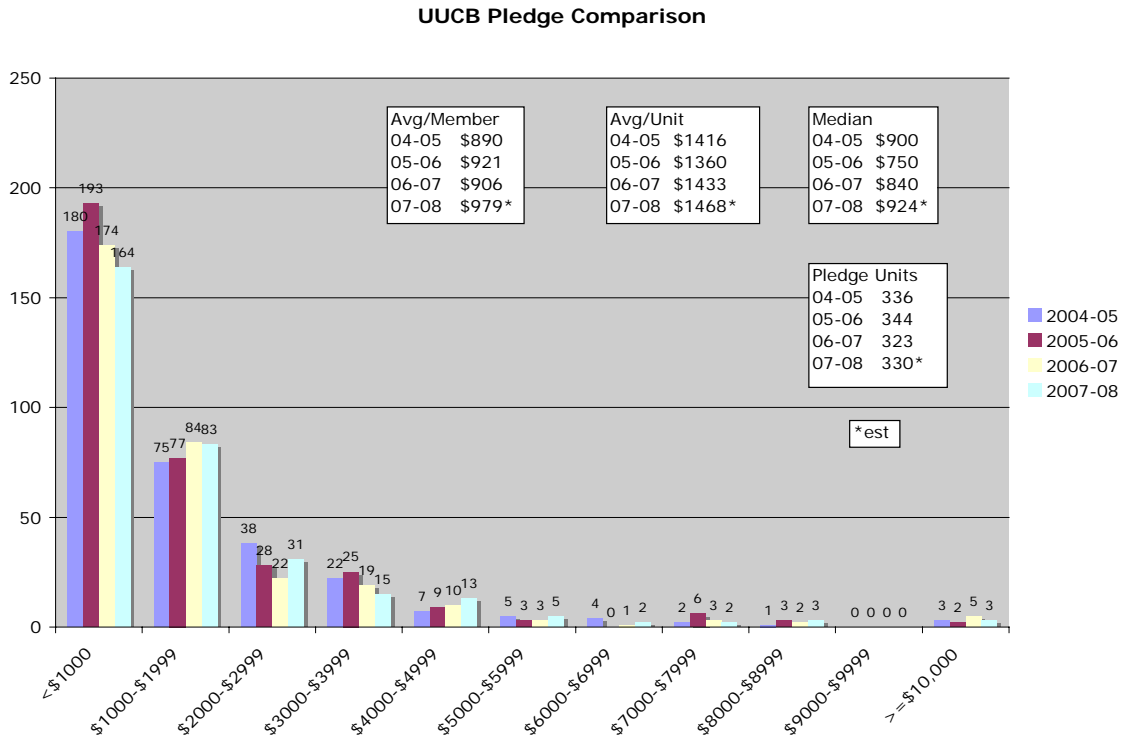
Though the number of pledge units (the line, with the scale on the right) has varied between 323 and 344 in the past five years (average: 333), the average pledge has generally been increasing (scale on the left). This is primarily because of a more equitable level of pledging.

As shown in the chart below, we expect the median for this coming fiscal year (the amount at which half of all pledges are above and half are below) to be \$926, compared to \$840 last year, though this may change over the next few months as additional pledges are received.

The top 20% of our pledges make up 57% of the total pledge amount – compared to a more traditional “80/20” (80% of the total comes from 20% of the donors) found in most patterns of giving.

Even though we have lost several generous donors to death and moves in recent years, the number of pledges in the \$4000-and-up range has had a slow and steady increase over the last four years, with a good jump in this year's canvass:

2004-05	22
2005-06	23
2006-07	24
2007-08	28



Gifts to the Operating Fund

Special gifts to the operating fund have been an important part of our income in recent years. We received generous gifts this year from Patricia and Walter Ellis, Pat Schwartz, and Linda Laskowski.

Endowment

In May 2000 the congregation adopted a practice of using 5% of the general endowment value on December 31st during the following fiscal year (beginning July 1st). The value of the General Endowment reached a new high in 2006. A review of the value of the endowment over the past sixteen years is shown in this table:

Date	Market Value	To Operating	Fiscal Year	% of Budget
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4/30/1990	153,952	14,000	1989-90	4%
4/30/1995	298,100	17,500	1994-95	4%
4/30/1996	339,168	11,127	1995-96	3%
4/30/1997	715,011	12,778	1996-97	3%
3/31/1998	949,342	18,786	1997-98	4%
6/30/1999	1,067,352	41,500	1998-99	6%
12/31/1999	1,125,640	50,000	1999-00	7%
12/31/2000	1,079,680	56,282	2000-01	7%
12/31/2001	976,520	53,984	2001-02	7%
12/31/2002	806,080	48,826	2002-03	7%
12/31/2003	1,086,340	40,304	2003-04	5%
12/31/2004	1,081,317	54,317	2004-05	6%
12/31/2005	1,125,533	54,066	2005-06	6%
12/31/2006	1,215,960	60,798	2006-07	6%

The market value above is a combination of capital gains and contributions, including bequests. A generous bequest was received in the last year from the estate of Mary Acelia Townsend enabling the addition of \$85,264.10 to the General Endowment and \$28,421.37 to the Ladd Griffith Building Fund.

The General Endowment was moved in December to management by the Unitarian Universalist Association (UUA). Excluding the Lawrence Lecture fund, reports show the endowment invested with the UUA, as of January 1, 2007, totaled \$1,256,522. The balance of the Lawrence Lecture Fund as of 1/1/07 was \$38,980. Some problems were encountered in making the shift to UUA management (not all funds were transferred as they should have been), and we will have figures we consider more reliable by June.

Our Charitable Remainder Trusts, Calkins and Pooled Income, remain at UBSwitzerland. As of March 9, 2007, their values were:

Calkins Family Trust	\$396,733.26
Pooled Income CRT	<u>37,694.21</u>
Total CRT	\$434,427.47

A gift of \$4500 was received from Elaine Clark to the William S. Morgan Fund for Theological Education. Elaine established this fund several years ago, in memory of her father, a longtime church member and second president of what is now Starr King School for the Ministry. Income from this endowment is to be used to support programs like ministerial internships.

We are deeply grateful for the support of members and friends of UUCB who remember the church in their planned giving.

Fund-Raising Events

Each year the operating fund receives income from fund-raising events. While much of the purpose of such events is the enjoyment of those who present and those who partake, the financial importance is significant. The number and type of such events varies somewhat from year to year and has included dramatic performances, concerts, auctions, rummage sales, and in recent years, the snack table. Paul Worhach Hudson even hosts a UUCB “Virtual Rummage Sale,” that is an on-line, on-going sale in which items are posted on Craigslist.

The following table shows the amount of fund-raising income for each of the last six fiscal years and the percentage of total income for the year produced by these events (estimated for 2006-2007).

<u>Fiscal Year</u>	<u>Amount</u>	<u>% of Income</u>
2001-02	\$32,178	4.2%
2002-03	\$26,507	3.8%
2003-04	\$36,069	4.6%
2004-05	\$48,857	5.0%
2005-06	\$65,550	6.9%
2006-07	\$48,585	5.2% (estimate)

Rental Income

The church has long-term rental agreements with the Montessori Family School and Skytown Cooperative Pre-School. In addition, church space is rented for weddings, other rites of passage, workshops, classes, and community events. The following table shows the amount of rental income for each of the last six fiscal years and the percentage of total income for the year from rentals.

<u>Fiscal Year</u>	<u>Amount</u>	<u>% of Income</u>
2001-02	\$159,100	21.6%
2002-03	\$136,300	19.6%
2003-04	\$153,200	19.4%
2004-05	\$164,900	18.4%
2005-06	\$175,000	18.3%
2006-07	\$207,548	22.0%

The significant increase in the last year is due in part to a review of and increase in our rental rates.

The Montessori Family School has informed us that they have purchased and are renovating a building of their own. They are required to inform us by August if they will be moving by January 1, 2008. It is their present intent to do so. We are exploring other rental possibilities, and evaluating UUCB needs in terms of space usage. We are budgeting for next year one month without rental income from the Religious Education building.

Friends of UUCB

Recognizing the large number of people who participate in the life of UUCB in a variety of ways (workshops, receiving the newsletter, occasional attendance at church events) the Coordinating Team launched in December 2006 a new development program called *Friends of UUCB*. A first letter inviting contributions was mailed to approximately 250 households, resulting in gifts of several thousand dollars, and the beginning of a data base. The intent is to send such letters twice each year, once in December, and again before the end of the fiscal year.

Solar Working Group

We have cancelled our contract with SolarGen Properties to finance solar panels, as the financier was not able to come up with the required funding. We are able to transfer the incentive package from PG&E (worth over \$100,000) to another financier, so are in conversation with three different potential companies to do so. The incentive is good until September 21 of this year, and we expect to be able to meet this deadline.

Congregational Priorities for Stewardship

During the period January 21-28, 2007, the congregation “dot voted” priorities for the coming year. It is of note that the two items receiving the highest votes are in the area of the Global End of Stewardship.

UUCB BECOMES A “GREEN” SANCTUARY received the most votes, and will impact stewardship of our buildings and grounds in ways from reviewing cleaning materials, to encouraging car pooling and installation of solar panels.

IMPLEMENT FAIR COMPENSATION AT UUCB received the second most votes and has supported a review of staff salaries and recommendations for increases for next year. The Coordinating Team looks to the Board of Trustees to set “targets” within fair compensation ranges.

Ends and Means Objectives

A year ago we reported on actions in relation to objectives that help us move toward the “ends” identified by the Board. Here we offer updates on those actions. The statements in **bold** were provided by the UUCB Board of Trustees as further detail to the Stewardship “end.” *Information in italics* is the established objective, and the plain text provides the results to date for that objective.

1. Members generously support the church financially and through contribution of their time

Information on pledging and fund-raising was reported above. We have not established a mechanism for counting the thousands of volunteer hours given by members.

a) Establish a Stewardship Team by December 1 that is a group of committed leaders to study and lead the stewardship activities of the church.

The Stewardship Team organized in October of 2005 has not continued to meet. At the last meeting of the Team two major projects were identified: 1) creation of a new development program to be called "Friends of UUCB," and 2) creation of a strategy to encourage planned giving to the church by members. As reported above, the first Friends of UUCB solicitation letter was mailed to about 250 households in December 2006. Energy on the Endowment Committee was focused on the transfer of the General Endowment to management by the UUA, and no action has been taken to develop a planned giving program.

b) Call new members shortly after joining to discuss church finances and answer any questions about pledging.

Sara Roberts, Membership Co-Chair, follows up with new members on pledging.

2. There is a continuing stream of new individuals into roles of leadership and responsibility.

Track number of committees and program groups that have term-defined leadership and how many change each year.

Very few committees and/or program groups at UUCB have term-defined leadership. Our hope is, with its focus on communication and collaboration, the Council can work with committees and program groups toward this objective.

Leadership development has long been a need and stated goal of the congregation. We encourage the Board of Trustees, in your visioning about the future of the congregation to consider this area.

Though not specifically focused on "leadership," we note that monthly meetings are held with Membership staff to review new members with the intention of helping them to create and develop meaningful connections within the congregation.

3. Our buildings and grounds are well maintained .

a. Engage neighbors of the church in conversation to resolve issues of encroachment.

Several of our neighbors are encroaching on church property. In no case is this encroachment limiting church usage for our normal operations. Letters are being written to clarify the ownership of the property. No action has been taken to sell two easement/rights of way on the west end of the property, and the potential buyer for a small lot on the south end of the property was not willing to meet the assessed value.

b. Develop and implement an art acquisition & display plan (Aesthetics)

The Aesthetics Committee has initiated a rotating art exhibit in the Fireside Room, the Social Hall, the Atrium, that has made its way, as well, into the restrooms.

4. Our buildings and grounds are improved to meet current and future needs.

a. Develop a plan for expanded parking by June 30, 2006.

We are getting estimates for creating 8 additional parking spaces near the Religious Education building, are using the grassy terrace off Lawson Road for parking, and have reserved 8 spaces for first time Sunday visitors. Efforts to encourage car pooling on Easter Sunday increased the average number of persons to cars.

b. Fireside Room Chairs and Tables

The Aesthetics Committee, Alliance, and Music Committee collaborated to procure new stackable arm chairs in the Fireside Room using fabric left from the new pew cushions. New tables for the Fireside Room, built by Jaap Romijn, were made possible by gifts from Margaret Gudmundsson and the Alliance.

c. Security

In November 2006, following the disappearance of a ring of keys to the building, motion detectors and cameras were placed in the building and are operating when the church is closed. Since then there have been no new reports of people in the building inappropriately.

Objectives regarding Limitations around Financial Activities and Conditions:

With respect to the actual, ongoing condition of the Church's financial health, the Coordinating Team may not cause or allow the development of fiscal jeopardy.

a) Perform financial review for fiscal year 2005-2006.

Donna Cohen, CPA conducted a review of the fiscal year 2006 accounts. Her Accountant's Review Report, February 27, 2007, stated "Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles." She also provided a management letter with recommendations that are being implemented by the Coordinating Team and administrative staff.

b) Implement accounting recommendations from prior year financial audit.
All efforts this year have been devoted to implementing the new accounting software and developing reporting processes that make it useful for management as well as informative for accounting purposes. We have not implemented an accounting policies and procedures manual that was recommended, and intend to do so in FY2008.

c) Install new accounting software to provide GAAP (Generally Accepted Accounting Principles) basis financial statements.

Fund EZ Software was installed last summer and the transfer of accounting to it has taken most of the year. The new Chart of Accounts combines previous accounts, requiring that all staff and lay account managers learn the differences. A new report was developed by Linda Laskowski and Jonathon Hofeld that converts the accounting report into one useful for management. As noted above, while this will provide useful reports in the future, the conversion process has not provided us with accurate, useful information for most of this year.

Summary

The financial status of UUCB remains strong, with a growing endowment well over \$1,200,000, and a growing operating budget indicating strong financial support of members and friends. The operating budget has grown from \$330,000 seventeen years ago, to nearly \$1,000,000 as we look to 2007-08. We have established and used the Ladd Griffith Building Fund for extraordinary projects, and our accounts were successfully reviewed. A dedicated and energetic Canvass team conducted the most successful annual canvass in many years, raising the average giving level and median gift of those who pledge. The Coordinating Team intends to re-activate a Stewardship Team - a group of dedicated people who believe that charitable giving is an integral part of their lives, and who will help us formulate a comprehensive and long term stewardship strategy.

We look forward to a "post-conversion" year, in which we will be able to receive and share with you accurate reports from the new accounting system, answering questions about the status of church finances. May it be so!