

UNITY OF FAIRFAX Treasurer's Report

February 18, 2022

TO: Board of Trustees

FROM: Dave Richardson, Treasurer

SUBJECT: Current financial status and issues

This report covers February financial performance with additional information about future short and longer term cash management.

Current Financials: Three metrics. February financials are appended.

- Love offerings. February love offerings were **31K**, matching the historic low notched in January. This pattern would be unsustainable. Fortunately significant donations in early March will move us back in the right direction, but we need to continue working on re-engagement to boost this.
- Operating profit/loss. With expenses slightly below budget, operating loss was **20K** in February, comparable to January and bringing cumulative loss to 42K versus our February budget projection of about a 12K loss ytd.
- Operating Cash on hand. Operating cash of **42K** (21K in ministry fund and 21K operating reserves) is down 6K from January and down 14K from December. **Capital** reserve is 50K.

Cash management. I'd like to share our thinking about potential cash needs. Our approach is that operating cash should not decline below 20K without some remedial action. Our early-March worst-case cash projection, before we learned about the strong month-to-date contributions, came close to that threshold. If that had happened we would have requested that the board put in place the next step of the reserve transfer process adopted by the board in August 2021 (see the attached policy statement regarding cash reserves). The first motion in that statement, adopted by the board in August, authorized transfer of funds from capital to operating reserves and previewed the need for additional transfers later in the year. Those additional transfers were not needed in 2021 and it is possible they will not be needed in 2022. However, the most immediate short-term response to such a cash need would be to transfer money from capital to operating reserves in 10K tranches.

We are instituting a more formal cash projection protocol to help the board anticipate how cash needs might develop in the next 1-3 month time range. If we project the possibility of approaching the threshold, I will present a motion for such a transfer.

Meanwhile the staff change announced this month moves the projected budget closer to breakeven, and it should be positive on a cash flow basis if love offerings hold at budgeted levels. While we started the year behind we think they can recover as we continue to re-engage, so we don't suggest a change now in that projection.

Status of the 2022 budget/projection.

Motion: The board accepts the budget projection presented in the February Treasurer's report, with the understanding that March staff changes will be incorporated and that love offering status will continue to be evaluated during the year.

Preview of proposed changes to Mildred Park Endowment fund

The church has an investment policy statement with guidelines for the Mildred Park Endowment fund. The following is from the purpose statement of the Guidelines (full copy will be posted in finance folder):

The purpose of the Unity of Fairfax Investment Policy Statement and Guidelines, ***which are to be reviewed annually by the Board of Directors*** and the Investment Committee of The Unity of Fairfax, is to establish procedures that will govern the investment activities of The Unity of Fairfax and The Mildred Park Endowment Fund... The guidelines set forth herein are intended to be sufficiently specific to be meaningful and to demonstrate prudent investment management but flexible to permit the Board and the Investment Committee to exercise informed decision making and discretion necessary to achieve the requirements of the Investment Objective of the managed asset accounts.

The Guidelines are well designed and clear. They have been reviewed by the investment team. In the next month or two we are going to propose a couple of adjustments to the policy designed to retain the original endowment intent while making it more immediately relevant to current-day considerations.

The impetus for this change is a Board decision last year related to a bequest and conversations with a congregant about a future bequest, which led to a review of the status of this fund. This fund, which is now seven years old and holds about 140K, was designed to give congregants a vehicle for supporting the church in the future through bequests. There is confusion about where such contributions should go as well as some concern about giving to a fund so future-bound. The fund currently has a minimum target of \$1MM before it can begin being tapped on behalf of the church (though there is an emergency provision). In brief the change would lower the threshold for partial distribution of funds to 100K, retaining tight limits – in line with similar endowments -- on the pace of such distributions with the goal of making it both an immediate and ongoing component of contributions to the church.

We will recommend that this change be coupled with a communication effort to convey clearly how and where to direct significant contributions to Unity. The Board retains the prerogative regarding amount of annual withdrawal and designation of use, within the constraints established. The Guiding Principles continue to give the Board discretion to tap this fund in an emergency.

Unity of Fairfax
Budget vs. Actuals: Ministry Fund
February 28, 2022

	MTH Actual	MTH Budget	MTH Variance	YTD Actual	YTD Budget	YTD Variance
Income						
LOVE OFFERING INCOME	\$ 31,070	\$ 50,000	\$ (18,930)	\$ 61,288	\$ 100,000	\$ (38,712)
EPS INCOME	735	1,667	(932)	1,256	3,333	(2,077)
FUNDRAISING INCOME	1,100	1,667	(567)	1,100	3,333	(2,233)
SHORT TERM RENTAL	340	340	-	680	680	-
LONG TERM RENTAL	10,750	10,646	104	20,250	21,292	(1,042)
BOOKSTORE SALES	-	333	(333)	-	667	(667)
GRANT INCOME *	-	-	-	-	72,000	(72,000)
OTHER INCOME	192	191	1	192	382	(190)
Total Income	\$ 44,186	\$ 64,843	\$ (20,657)	\$ 84,766	\$ 201,687	\$ (116,921)
Expenses						
COMPENSATION & BENEFITS	31,118	29,571	1,547	62,403	59,142	3,261
OCCUPANCY EXPENSE	20,579	21,233	(655)	39,821	42,467	(2,645)
GENERAL & ADMINISTRATIVE	3,277	4,185	(908)	6,905	8,370	(1,465)
EPS WORKSHOPS	75	83	(8)	75	167	(92)
FUNDRAISING EXPENSE	-	-	-	-	-	-
MINISTRIES EXPENSE						
Total Worship Ministry	1,352	567	785	1,444	1,133	310
Total Music Ministry	245	258	(13)	245	517	(272)
Total Youth Ministry	-	200	(200)	136	400	(264)
Total Bookstore Expenses	-	200	(200)	-	400	(400)
Total Earthcare Ministry	-	400	(400)	-	800	(800)
Total Miscellaneous Ministries	-	200	(200)	-	400	(400)
Total MINISTRIES EXPENSE	1,597	1,825	(228)	1,825	3,650	(1,825)
TITHES	4,418	6,484	(2,066)	8,476	12,969	(4,493)
FUNDS						
Transfer to Capital Reserves	-	-	-	-	-	-
Transfer to Operating Reserves	3,527	-	3,527	7,054	-	7,054
Transfer to Benevolence	74	167	(93)	126	333	(207)
ALLOCATION TO INTERNAL	3,601	167	3,434	7,180	333	6,847
Total Expenses	\$ 64,664	\$ 63,549	\$ 1,116	\$ 126,685	\$ 127,097	\$ (412)
Net Income *	\$ (20,478)	\$ 1,295	\$ (21,773)	\$ (41,919)	\$ 74,590	\$ (116,509)

Notes to the Statement Of Activity:

Unity of Fairfax
Statement of Activity by Fund
YTD FEBRUARY 2022

	Ministry Fund	Capital Reserve	Operating Reserve	Security Reserve	Total UnRestricted	Benevolence Fund	Capital Improvement	MIP Endowment Fund	Sacred Grounds	Vision 2020	Total Restricted	TOTAL
Income												
LOVE OFFERING INCOME **	61,288				61,288	65	-	-	-	-	65	61,353
EPS INCOME	1,255				1,255	-	-	-	-	-	-	1,255
FUNDRAISING INCOME	1,100				1,100	-	-	-	-	-	-	1,100
SHORT TERM RENTAL INCOME	680				680	-	-	-	-	-	-	680
LONG TERM RENTAL INCOME	20,250				20,250	-	-	-	-	-	-	20,250
BOOKSTORE SALES	-				-	-	-	-	-	-	-	-
GRANT INCOME *	-				-	-	-	-	-	-	-	-
OTHER INCOME	193	14	-	1	208	-	-	-	-	-	-	208
Total Income	84,766	14	-	1	84,781	65	-	-	-	-	65	84,846
Expenses												
COMPENSATION & BENEFITS	62,403				62,403	-	-	-	-	-	-	62,403
OCCUPANCY EXPENSE	39,821				39,821	-	-	-	-	-	-	39,821
GENERAL & ADMINISTRATIVE	6,905				6,905	-	-	-	-	-	-	6,905
EPS WORKSHOPS	75				75	-	-	-	-	-	-	75
EVENTS	-				-	-	-	-	-	-	-	-
MINISTRIES EXPENSE	1,825				1,825	-	-	-	-	-	-	1,825
OUTGOING TITHES	8,476				8,476	-	-	-	-	-	-	8,476
ALLOCATIONS TO INTERNAL FUNDS	7,180	-	(7,054)		126	(126)	-	-	-	-	(126)	-
Total Expenses	126,685	-	(7,054)	-	119,631	(126)	-	-	-	-	(126)	119,505
Net Income *	(41,919)	14	7,054	1	(34,851)	191	-	-	-	-	191	(34,659)

Notes to the Statement Of Activity by Fund:

Unity of Fairfax
Statement of Cash Flows - Ministry
February 2022

	Total
OPERATING ACTIVITIES	
Net Revenue	(41,919)
Adjustments to reconcile Net Revenue to Net Cash provided by operations:	
Deposit In Transit (from Paypal)	1,264
Prepays	3,868
Accounts Payable	4,167
United VISA	3,998
Payroll Taxes Payable	2,726
Stripe Deposits Pending	(835)
Accrued Bills Payable	8,782
Accrued Tithes	6,776
Deferred Revenue	1,500
Total Adjustments to reconcile Net Revenue to Net Cash provided by operations:	32,246
Net cash provided by operating activities	(9,673)
INVESTING ACTIVITIES	
Fixed Assets: Accumulated Depreciation	22,035
Fixed Assets: Additions	
Net cash provided by investing activities	22,035
FINANCING ACTIVITIES	
Mortgage Payable	(19,638)
Net cash provided by financing activities	(19,638)
Net cash increase for period	(7,276)
Cash at beginning of period	28,142
Cash at end of period	20,865

Unity of Fairfax
Statement of Financial Position
As of February 28, 2022

	FEB 2022	DEC 2021	Change
ASSETS			
Current Assets			
Unrestricted cash	20,865	28,142	(7,276)
Reserve Cash			
Security Deposits	25,107	25,005	101
Capital Reserve	49,824	68,695	(18,872)
Operating Reserve	21,262	27,735	(6,473)
Restricted Cash			
Benevolence Fund	4,440	3,954	486
Capital Improvements	100	100	-
Sacred Grounds	4,008	4,008	-
Vision 2020	-	-	-
Total Bank Accounts	125,606	157,640	(32,034)
Other Current Assets	14,633	12,706	1,927
Total Current Assets	140,238	170,345	(30,107)
Fixed Assets			
Land	419,328	419,328	-
Building and Grounds	4,246,627	4,227,741	18,886
Equipment	75,524	75,524	-
Furniture, Fixtures, Software	181,270	181,270	-
Accumulated Depreciation	(2,197,172)	(2,175,137)	(22,035)
Construction In Progress	-	-	-
Total Fixed Assets	2,725,578	2,728,727	(3,149)
Mildred Park Endowment Fund	146,918	146,918	-
TOTAL ASSETS	3,012,734	3,045,990	(33,256)
LIABILITIES AND EQUITY			
Liabilities			
Total Current Liabilities	29,761	9,165	20,597
Long-Term Liabilities			
Hunter Mill Montessori Escrow	25,000	25,000	-
Pinnacle Academy Escrow	-	-	-
Mortgage Payable	1,182,519	1,201,713	(19,194)
Note Payable - SBA PPP Loan	-	-	-
Note Payable - Energy Loan	-	-	-
Total Long-Term Liabilities	1,207,519	1,226,713	(19,194)
Total Liabilities	1,237,280	1,235,877	1,402
Equity			
Net Assets	1,768,982	1,776,733	(7,751)
Unrealized Gain/Loss on Investments	41,131	41,131	-
Net Income	(34,659)	(7,751)	(26,908)
Total Equity	1,775,454	1,810,113	(34,659)
TOTAL LIABILITIES AND EQUITY	3,012,734	3,045,990	(33,256)

UFF Board Policy Statement regarding Cash Reserve Accounts - August 20, 2021

Due to the continuing disruption of Unity income sources, including recently lower-than-anticipated love offerings, church expenses are significantly exceeding income. The unrestricted operating fund is below its minimum safe level. Operating reserves, including the PPP loan, are fully depleted.

This document presents motions to re-allocate capital and operating reserve accounts to align more closely with goals and needs.

Background. A prior board exercised an option on the church's mortgage to reduce mortgage payments, allocating the savings (approximately \$3500/month) to build a reserve fund. At the time, the church had no other reserve funds. That reserve fund had grown about \$42,000/year to over \$130,000 at the end of 2020.

In an exercise to envision what UFF would be after the anticipated departure of the Pinnacle School in summer of 2020, a plan was developed that assumed the main church building would be re-purposed for a variety of new mission-driven actions. It assumed that this transformation would entail significant capital expenditures, and that operating expenses would be covered by growing love offerings. Consequently the entire reserve was allocated to capital expenses.

Circumstances and that vision have changed. The transformation has begun, in 2021, and a capital budget was established (\$41,000 in 2021) to facilitate both the new Montessori school opening and church re-opening as we emerge from the pandemic. More importantly, the pandemic has put further pressure on our operating budget. Income has not risen as anticipated; rather it has declined. The vision also may have changed in line with the hybrid church idea that we have begun to conceptualize. While it is very helpful to have a strong capital reserve, we have a large capital reserve and no operating reserve. The following motions are meant to address the near-term need and uncertainties.

Motion 1: Re-allocate \$40,000 of the capital reserve fund to operating reserves immediately. Be prepared to make a second re-allocation from capital to operating reserves before the end of 2021, that amount to be determined through a separate board motion at the point of consideration.

Motion 2: Through the balance of 2021, shift the monthly allocation to reserves from the current distribution of \$1500 to capital/\$2000 operating reserves to direct all \$3500 to operating reserves. Reconsider 2022 allocations as part of 2022 budget deliberations.