

## UNITY OF FAIRFAX Treasurer's Report

July 22, 2021

TO: Board of Trustees

FROM: Dave Richardson, Treasurer

SUBJECT: Current financial status and issues

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Our prosperity consciousness is being tested. This report focuses on several financial issues and outlines some immediate actions. Continuing the in-person re-opening, getting Montessori past its last hurdles to county approval continue to be our top priorities but now the Refiring campaign must take off and make an impact relatively soon to avoid serious impacts. Meanwhile we need to re-think the status of our reserves.

The primary trigger for this is a relatively sudden shift downward in love offerings that began in May but was masked by the large bequest we received that month. That could change at any point, but July appears also to be low and the summer months tend normally to be light. This all puts immediate pressure on our operating budget and reserves, calling for planning and actions by the board.

**Current Financials: Three metrics.** June and year-to-date financials are appended.

- Love offerings (see attached ministry fund budget page). June love offerings were **32K**, which lowered year-to-date contributions to an average 43K/month vs our monthly target of 50K.
- Operating profit/loss (at the bottom of the same budget vs actual chart). We broke pattern this month. Expenses had a one-time increase of about 7K; with sharply lower love offerings the operating loss for the **month** was 33K and cumulative operating loss (before PPP adjustment) is 79K, essentially consuming the PPP loan. We will make a 6K positive adjustment for a capital expense included in this.
- Operating Cash on hand. (reference the Statement of financial condition). Combined unrestricted and operating reserve cash declined from 63K to 41K. The last tranche of the PPP loan has been transferred into unrestricted cash in July. (End of June: Unrestricted operating cash 21K; PPP reserves 16K; other operating reserves 4K).

### What's happening?

Most importantly, Love offerings have ramped down significantly – as much as a third (33%) off our planned LO budget – for more than two months. We don't yet know why.

- A reasonable assumption is that it's part of the cocoon mush Rev Russ described.
- Prudence says we should investigate whether there is something more long term happening – either disruptions among members of the congregation (moves, other personal circumstances), or some other source of disengagement.

The staff is analyzing love offerings and the ministers are reaching out to member personally, in conjunction with other refiring activities including a congregation letter going out.

Also important, the Montessori School continues to make progress but the permit process has slowed the school's opening schedule. The county requires a public hearing, now scheduled for September 15. The school's latest status report indicates that the organization is in better shape and on a path to opening, though the specific timing remains uncertain and they lost the summer session window they were looking for. They will increase their rent payment modestly in August and we expect again in September but this remains an active negotiation and we will probably miss our current budget expectation for full rent starting September. Current expectation is that this will sort out by fall.

**Projection:** The anticipated operating loss in July will deplete operating reserves and leave unrestricted cash close to the level – approximately 20K – that risks going negative as soon as August unless love offerings change significantly.

#### **Minister/Board Actions.**

**The Refiring campaign** is our key strategy: Rev Russ and staff are leading this with the congregation letter, the planned presentation and discussion at the Community Dialogue meeting and continuing targeted reach-outs. This kind of effort has worked repeatedly in the past. It should make a difference now though given the summer months it may take a while. The financial team will monitor this and, with the staff, continue to analyze LO patterns to determine if there are issues to address.

The Board might want to brainstorm other actions (fund raising/events) that tie into this and that help re-start those other activities.

**Capital reserve re-allocation** is the action most immediately required of the board.

At a practical level, this is a simple decision. There is no other immediately accessible source of funds if the unrestricted operating fund is depleted. The Treasurer seeks board support in authorizing necessary transfers from capital reserve to unrestricted cash, if needed to avoid non-payment of church obligations over the next 2-3 months (as an initial control, time limit this through September).

The board should discuss the current capital reserve fund at our next meeting to update our understanding of the uses of this money. This discussion is important because past boards established and built the capital reserve fund based on a vision of what UFF would be after the anticipated departure of the Pinnacle School in summer of 2020. This plan was based on an assumption that rental receipts from a school would be reduced and the main building would be re-purposed for a variety of new mission-driven actions. Capital expenditures were anticipated as the main expense.

**Circumstances and that vision have changed.** The pandemic is the giant circumstance change, which puts pressure on our operating budget. The vision also may have changed in line with the hybrid church idea that we have begun to conceptualize.

**Longer term,** in line with 2022 budget preparation, it would be prudent to again look closely at our expenses to make sure they are aligned with realistic income expectations. A second longer term initiative we've already discussed is the Mildred Park Endowment rules re-consideration.

Unity of Fairfax continues to be a strong organization with financial resources to support the mission. We remain, however, in the midst of a tumultuous situation that has disrupted our operating finance structure. It calls for a diligent response based on faith in what we can accomplish tempered by a realistic view of our situation.

**Unity of Fairfax**  
**Statement of Financial Position**  
**As of June 30, 2021**

	JUNE 2021	DEC 2020	Change
<b>ASSETS</b>			
<b>Current Assets</b>			
Unrestricted cash	21,636	28,336	(6,700)
Reserve Cash			
Security Deposits	25,004	25,003	1
Capital Reserve	128,063	131,758	(3,695)
Operating Reserve (PPP2)	15,718	348	15,370
Restricted Cash			
Benevolence Fund	5,656	8,264	(2,608)
Capital Improvements	100	3,686	(3,586)
Sacred Grounds	2,170	2,170	-
Vision 2020 (new OpReserve)	4,100	100	4,000
<b>Total Bank Accounts</b>	<b>202,447</b>	<b>199,665</b>	<b>2,782</b>
<b>Other Current Assets</b>	<b>16,630</b>	<b>24,493</b>	<b>(7,863)</b>
<b>Total Current Assets</b>	<b>219,078</b>	<b>224,158</b>	<b>(5,081)</b>
<b>Fixed Assets</b>			
Land	419,328	419,328	-
Building and Grounds	4,225,241	4,207,336	17,905
Equipment	75,524	73,181	2,343
Furniture, Fixtures, Software	179,863	167,625	12,238
Accumulated Depreciation	(2,105,629)	(2,039,586)	(66,043)
Construction In Progress	-	-	-
<b>Total Fixed Assets</b>	<b>2,794,327</b>	<b>2,827,883</b>	<b>(33,556)</b>
Mildred Park Endowment Fund	134,195	119,920	14,274
<b>TOTAL ASSETS</b>	<b>3,147,600</b>	<b>3,171,962</b>	<b>(24,362)</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Total Current Liabilities</b>	<b>31,652</b>	<b>14,664</b>	<b>16,988</b>
<b>Long-Term Liabilities</b>			
Hunter Mill Montessori Escrow	25,000	25,000	-
Pinnacle Academy Escrow	-	-	-
<b>Mortgage Payable</b>	<b>1,279,713</b>	<b>1,335,408</b>	<b>(55,695)</b>
Note Payable - SBA PPP Loan	77,702	-	77,702
Note Payable - Energy Loan	855	6,024	(5,169)
<b>Total Long-Term Liabilities</b>	<b>1,383,269</b>	<b>1,366,432</b>	<b>16,837</b>
<b>Total Liabilities</b>	<b>1,414,921</b>	<b>1,381,096</b>	<b>33,826</b>
<b>Equity</b>			
Net Assets	1,776,733	1,758,250	18,483
Unrealized Gain/Loss on Investments	28,408	14,133	14,274
Net Income	(72,463)	18,483	(90,945)
<b>Total Equity</b>	<b>1,732,678</b>	<b>1,790,867</b>	<b>(58,188)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,147,600</b>	<b>3,171,962</b>	<b>(24,363)</b>

**Unity of Fairfax**  
**Statement of Cash Flows - Ministry**  
January - June, 2021

	<b>Total</b>
<b>OPERATING ACTIVITIES</b>	
Net Revenue	(78,716)
Adjustments to reconcile Net Revenue to Net Cash provided by operations:	
Draw PPP2	62,332
Prepays	2,668
Accounts Payable	18,807
Accrued Tithes	2,649
Accrued Bills Payable	-
Prepaid Rental Deposits	(1,560)
Deferred Revenue	(129)
Outreach Passthrough	1,847
YOU Rally Passthrough	401
Stripe Deposits Pending	(846)
<b>Total Adjustments to reconcile Net Revenue to Net Cash provided by operations:</b>	<b>86,169</b>
<b>Net cash provided by operating activities</b>	<b>7,454</b>
<b>INVESTING ACTIVITIES</b>	
Capital Reserve transfer	(15,917)
Fixed Assets: Computer Equipment	(2,343)
Fixed Assets:Furniture, Fixtures, Software	(550)
Fixed Assets:Accumulated Depreciation	66,043
<b>Net cash provided by investing activities</b>	<b>47,233</b>
<b>FINANCING ACTIVITIES</b>	
Mortgage Payable	(56,218)
Note Payable - Energy Loan	(5,169)
<b>Net cash provided by financing activities</b>	<b>(61,387)</b>
<b>Net cash increase for period</b>	<b>(6,700)</b>
Cash at beginning of period	28,336
<b>Cash at end of period</b>	<b>21,636</b>

**Unity of Fairfax**  
**Budget vs. Actuals: FY\_2020 - Ministry Fund**  
**JUNE 2021**

	MTH Actual	MTH Budget	MTH Variance	YTD Actual	YTD Budget	YTD Variance	Annual 2021 Draft Budget
<b>Income</b>							
LOVE OFFERING INCOME	\$ 31,594	\$ 50,000	\$ (18,406)	\$ 260,072	\$ 300,000	\$ (39,928)	\$ 600,000
EPS INCOME	(300)	1,400	(1,700)	5,766	8,400	(2,634)	16,800
EVENTS INCOME	-	500	(500)	-	3,000	(3,000)	6,000
FUNDRAISING INCOME	-	833	(833)	1,775	5,000	(3,225)	10,000
SHORT TERM RENTAL	260	200	60	1,560	1,200	360	2,400
LONG TERM RENTAL	3,000	5,691	(2,691)	18,000	34,144	(16,144)	68,288
BOOKSTORE SALES		300	(300)		1,800	(1,800)	3,600
GRANT INCOME *		-	-		-	-	72,000
OTHER INCOME	1	100	(99)	6,190	600	5,590	1,200
<b>Total Income</b>	<b>\$ 34,555</b>	<b>\$ 59,024</b>	<b>\$ (24,469)</b>	<b>\$ 293,363</b>	<b>\$ 354,144</b>	<b>\$ (60,781)</b>	<b>\$ 780,288</b>
<b>Expenses</b>							
COMPENSATION & BENEFITS	38,045	30,077	7,968	186,457	180,462	5,995	360,924
OCCUPANCY EXPENSE	20,342	19,575	767	118,273	117,450	823	234,900
GENERAL & ADMINISTRATIVE	5,130	6,800	(1,735)	31,025	40,800	(9,775)	81,600
EPS WORKSHOPS	-	280	(280)	-	1,680	(1,680)	3,360
EVENTS		250	(250)		1,500	(1,500)	3,000
FUNDRAISING EXPENSE							
MINISTRIES EXPENSE							
Total Worship Ministry	213	729	(516)	5,450	4,375	1,075	8,750
Total Music Ministry		250	(250)	789	1,500	(711)	3,000
Total Youth Ministry		150	(150)	255	900	(645)	1,800
Total Bookstore Expenses		180	(180)		1,080	(1,080)	2,160
Total Earthcare Ministry	-	458	(458)	500	2,750	(2,250)	5,500
Total Miscellaneous Ministries	58	50	8	58	300	(242)	600
<b>Total MINISTRIES EXPENSE</b>	<b>271</b>	<b>1,818</b>	<b>(1,547)</b>	<b>7,051</b>	<b>10,905</b>	<b>(3,854)</b>	<b>21,810</b>
TITHES	3,487	5,902	(2,415)	29,336	35,415	(6,079)	70,829
Tithes Expensed Elsewhere	(3,579)	(2,360)	(1,219)	(21,802)	(14,160)	(7,642)	(28,320)
OUTGOING TITHES	(92)	3,542	(3,635)	7,535	21,255	(13,720)	42,509
<b>FUNDS</b>							
Transfer to Capital Reserves	1,527	3,527	(2,000)	17,162	21,162	(4,000)	42,324
Transfer to Operating Reserves	2,000			4,000			
Transfer to Benevolence	117	140	(23)	577	840	(263)	1,680
<b>FUNDS</b>	<b>3,644</b>	<b>3,667</b>	<b>(2,023)</b>	<b>21,739</b>	<b>22,002</b>	<b>(4,263)</b>	<b>44,004</b>
<b>Total Expenses</b>	<b>\$ 67,340</b>	<b>\$ 66,009</b>	<b>\$ (734)</b>	<b>\$ 372,079</b>	<b>\$ 396,054</b>	<b>\$ (27,974)</b>	<b>\$ 792,107</b>
<b>Net Income *</b>	<b>\$ (32,785)</b>	<b>\$ (6,985)</b>	<b>\$ (23,735)</b>	<b>\$ (78,716)</b>	<b>\$ (41,910)</b>	<b>\$ (32,806)</b>	<b>\$ (11,819)</b>