

Sheila Lane Endowment Loan Resolution

INFORMATIONAL MEETING

JUNE 1, 2014

History

Purchased Sheila Lane in 2008

- Bank Loan of \$1,100,000 (interest only)
- Endowment loan of \$582,750 (no interest)
- The BOT expected to have a capital campaign but none implemented

Sold Sheila Lane in 2013

- Substantial operating losses not sustainable by church
- Sold Sept 2013 for about \$750,000 for a loss
 - Sale was insufficient to repay bank loan
 - Church operating reserves nearly depleted to pay back the bank
- Total losses about \$960,000
 - So far, \$380K paid from operating budget and reserves, \$580K from endowment

History

Situation in 2014

- Congregation unable to repay endowment loan
 - All financial resources needed for annual operations
 - Operating reserves nearly depleted
- Board appoints task force to recommend a solution
 - Two each from BOT, Finance and Endowment committees
 - A wide range of options explored

Endowment Assets

| | |
|-------------------------------|------------------|
| Newberger & Berman | 1,396,639 |
| UU Common Fund | 545,427 |
| Vanguard MM | 292,563 |
| Music Fund | 170,419 |
| Sheila Lane Loan | 582,750 |
| Total | 2,987,798 |

Financial Situation - Endowment

Not including Sheila Lane loan, endowment is about \$2.4 million

- Has recovered to pre-2008 level thanks to excellent management
- This is a healthy endowment for a congregation our size
- Recommendation is to have at least 1 year's expenses, we have double that

Church Operating Budget History

| Year | Operating | | | Sheila Lane | Combined |
|---------------------------|-----------|-----------|----------|-------------|----------|
| | Income | Expense | Total | | |
| YE 6/30/2014 * | 906,033 | 916,778 | -10,745 | | |
| YE 6/30/2013 | 922,705 | 832,991 | 89,714 | -76,979 | 12,735 |
| YE 6/30/2012 | 877,827 | 836,967 | 40,860 | -43,135 | -2,274 |
| YE 6/30/2011 | 885,109 | 868,121 | 16,988 | -38,977 | -21,989 |
| YE 6/30/2010 | 880,581 | 851,841 | 28,740 | -32,940 | -4,200 |
| YE 6/30/2009 | 850,786 | 1,003,077 | -152,291 | -22,845 | -175,136 |
| 2014 numbers are budgeted | | | | | |

Financial Situation – Congregation

Struggled to keep operating expenses in line with income

- Not including Sheila Lane, we have succeeded
- Has been difficult
- Membership flat
- Pledges are down next year
- Sheila Lane no longer a drain on our finances

Recommendations

Forgive the Sheila Lane loan

We painfully recognize the expectation that the \$582,750 borrowed from the endowment for the Sheila Lane purchase would be repaid by a Capital Drive.

However, we believe that when the Congregation decides to seek additional capital funds, those funds should be used to improve our buildings, invest in our programs and not to “repay a debt to ourselves” and add to our currently healthy endowment.

Recommendations

Recognize Sheila Lane reserve losses by reducing capital and maintenance reserves in the operating budget

- Right now, our balance sheet says we have \$180K of capital and maintenance reserves in the congregational reserves. We will recognize reality and reduce them to zero.

Operating Balance Sheet Changes

| Category | Consolidation | |
|--------------------------------|------------------------|-----------------------|
| | Before Apr 30, 2014 | After Apr 30, 2014 |
| OPERATING | | |
| Assets | | |
| Checking/Savings | 239,701 | 239,701 |
| Sheila Lane Property | | |
| Other Assets | | |
| Total | 239,701 | 239,701 |
| Liabilities | | |
| Endowment Loan | 582,750 | |
| Sheila Lane Mortgage | | |
| Edith Freid Bequest | 20,000 | |
| Jan Park SJ Bequest | 150,000 | 150,000 |
| Other Liabilities (funds, etc) | 127,383 | 127,383 |
| Total | 880,133 | 277,383 |
| Equity | | |
| Capital Reserve | 35,000 | |
| Major Maint Reserve | 157,879 | |
| Sheila Lane Losses | -790,605 | |
| General Reserves | -42,707 | -37,682 |
| Total | -640,432 | -37,682 |

Recommendations

Replenish Maintenance reserves

- In past, we contributed \$20K per year to maintenance reserve
- If possible, increase this contribution (may be difficult)