

Financial Reports for 2022

The year 2022 continued to be a time of transition and change with staffing and the pandemic. During the year there was active work to review the operations and assets owned including efforts to reduce owning assets not being used for the essential services needed.

The following pages report the financial data for the Conference.

The first report includes revenue and expense data. The narrative will begin with the actual results of operations for 2022 as compared to actual data for 2021 and the budget for 2022. (The right two columns will be commented on later in this report.) The net operating income for 2022 shown on the bottom of the third page reflects a significant improvement as compared to the prior year although it did not reach the budgeted levels. This is the key line to reflect the ongoing operations which can be managed.

INCOME

Contributions in the form of OWCM and per capita are the primary sources of funds to support the Conference services and operations. Both of these items were less in 2022 than in 2021. It is thought that lower numbers were a reflection of the impact of the pandemic on local congregations. Both were under budgeted amounts.

Special offerings and directed gifts to national (disaster relief appeals) showed higher amounts than in 2021. These funds are all forwarded to the national office and, therefore, do not impact conference operations.

Other line item of note are:

- Rental income did not reach budget which was based on return to full payment after a reduction granted during the pandemic

- Urban Mission shows no income as that program was discontinued

- Program revenue lines are new from a change in accounting

- Loan interest is less due to balance reductions

Total income for 2022 was significantly under budget and less than the prior year.

EXPENSE

Staff expense is the largest single cost as it is in most churches and non-profit organizations. The actual total for 2022 shows a significant decrease from 2021 reflecting the discontinuing of two mission programs which were not meeting expectations. This number was still much more than the budgeted amount which was too optimistic in reducing expense. As noted above, the staffing of the conference has been in transition for the last couple of years.

Operations expense includes the many typical things such as rent, insurance, equipment expense, and outside consultants for their specific expertise along with the conference's unique expense for General Synod. Outside contracted services was reduced from the change of accounting services and communications in the later months of 2021. Other specific costs for property related issues were higher than in the past. The total for contracted services did total a little less than budget. Other lines with under budget amounts were: annual gathering which did not returned to in person format as anticipated, audit fees in the timing of payments and pending transition to a new provider, General Synod as funds set aside for this did not get used in 2021 as it was a virtual format, and less postage with the move to more electronic means. Occupancy expense (rent) did go down some but not as much as expected in the budget. Support for the Council of UCC Conference Ministers (a very helpful resource) was about the same in both years while the budget amount was clearly incorrect. Total operations expense decreased over \$90,000 from the prior year. It was about \$50,000 under budget for items noted above.

Program and Mission Expense was minimal in 2022. This reflects the discontinuing of some programs after the budget was prepared.

Property expense decreased from 2021 with the efforts to find savings. The 2022 total was a little under budget.

NET OPERATING INCOME is the key reflection of the ongoing operations. The results for 2022 show a deficit of \$155,095. This line shows a major positive change in 2022 over the prior year. It did not reach the expected much smaller deficit as budgeted. (This line has been a deficit for a number of recent years.)

Other income includes investment income from funds held at United Church Funds. Also, recorded here is the unrealized gain/loss on the investments at United Church Funds. This reflects the market value changes all investments experience which cannot be anticipated. As you can see there was a positive change in 2021 and a negative change in 2022.

Other expense is where depreciation of assets (buildings and personal property) is posted. That total is less in 2022 and under budget. The big item in this section is the transfers to Pilgrim Pines. Historically, the camp was not sufficiently funded as a separate stand alone operation so funds were transferred as needed to support it and then on a delayed basis. During the pandemic, the need for support was great as it could not be open for an extended period. The budget for 2022 anticipated a return to normal operations which of course did not happen. The 2022 total is very large as it includes the net proceeds of \$463,667 from the sale one conference owned property which was allocated to the camp. This one time amount is to provide the cash funds to adequately allow Pilgrim Pines to function as a stand alone operation.

NET INCOME shows major deficits. The 2022 amount adjusted for the one time camp transfer were be a deficit of \$217,256 which is less than the deficit of 2021. That amount is still a shortfall of more than what was in the budget.

Proposed Budget 2024

The budget for 2024 as recommended by the board of directors is shown in the far right column of report. (The 2023 budget adopted last year is shown for reference.)

A group of key staff and volunteers worked to develop the budget for 2024. The work included review of the past few years during which much has changed in the Conference internally and the pandemic impacted everything and a look at anticipated future operations.

INCOME

Rental income will be zero as the last property paying rent is being sold in 2023.

OCWM and per capita is maintained at the same level as budgeted for 2023. These levels are above the past two years with the pandemic and yet reasonable to achieve.

Other contribution income is also at the 2023 levels in nearly all lines and are based on historical levels.

Directed gifts to national shows income with an offsetting line as all of these funds are forwarded to national. The most common items are disaster appeals.

The only remaining temporarily restricted funds will be the 50% of Strengthen the Church offering which is retained for conference use.

Program Revenue has a new line for annual gathering which includes registration and any other funds received for the event. The plan is that this amount will be sufficient to cover all the expenses for a fully self-funded event.

Interest income is from loans which have been decreasing as some are being transferred to others, such as Church Building and Loan Fund at national. There will remain some loans with long term payment schedules. Cornerstone Fund investments are anticipated to stay near historical levels with similar interest.

Total operating income of \$613,000 is up do new annual gathering line. It is in mid-range of the last two years actual totals.

EXPENSE

Human resources are a majority of the total expense which is common in church life. There have been many changes in staffing in the recent past. The new year budget is based on a full time conference minister, a full time (or equivalent) associate conference minister, and the two office staff. This expense total includes all the related costs of staff.

Operations expense is nearly all of the other expense of an ongoing business.

Contracted services total is less. The accounting services total has greatly reduced by changing vendors. Legal totals have recently been impacted by sales of properties and other needed advice on changes in operations; both of which are expected to be less,

Other larger expense lines are:

- Annual gathering which is estimated continuing a hybrid format
- Audit as we seek a new audit firm
- Occupancy expense for the office rent and misc. costs excluding utilities
- General Synod line sets aside funds each year to fund attending when held
- Liability insurance total is up as rates are climbing for all

The remaining expense lines are quite similar to recent year totals.

Program expense lines show major changes from two year ago into the future with the closing of programs that were not performing as needed and a board commitment to social justice and funds for other programs to be determined.

Property expense for 2024 is zero as programs have been closed and properties sold as no longer being used.

Total operating expense is at \$775,832. This reflects increased staff costs for the new year as compared to 2022. It is decreased from 2021 mostly from closed programs.

Net operating expense at a deficit of \$162,832 reflects the amount of regular income less the expense of regular operations. This is a key line to focus on as it reflects ongoing cash flow. This line has been in deficit totals for many years. These shortfalls have been funded from proceeds of selling properties.

Other Income and expense include amounts that are not considered part of cash from ongoing operations. Investment income is from longer term investments. A new line in the budget is a draw of 3% of the balance of these investments. (Drawing some funds from long term investments and/or endowments is typical.) This line replaces the lines shown below of Board Directed Reserves in the 2023 budget.

The Unrealized Gain/Loss investment reflects the market value fluctuations during each calendar year which can vary widely and over which the conference has very limited control.

A second new line is the use of a board policy allowing use of 33% of the net proceeds from sale of properties to fund operations for the short term future. The amount shown is less than the 33% share of net proceeds set aside in reserves. This anticipates that regular income will increase to fully cover expenses. (The other 67% is to be used for future designated programs.)

Other expense has two significant lines. Deprecation on fixed assets owned. It is shown as zero in 2024 as all such assets still being held will be fully depreciated. The other line is transfers to Pilgrim Pines which includes covering operating losses in the pandemic years and a one time amount of \$463,677 to launch the camp as a stand alone fully self-sustaining operation. Thus zero in 2024.

BALANCE SHEET

ASSETS

The balance sheet shows a larger cash amount than last year due to the pending the transfer to Pilgrim Pines Camp at the beginning of January, 2023. Accounts receivable is much less than last year and varies due to timing of remittances from local churches at year end.

Short term investments are available for cash needs in the near term without risk of principal. This total continues at a very comfortable level and are held at the UCC Cornerstone Fund and United Church Funds.

Fixed assets include both personal property and land and buildings. The total has change little with the cost of a new roof at one property offsetting the sale of some land. The staff and board are actively reviewing all the properties for transfer to the local congregation or for sale if no longer serving the conference needs.

Long term investments are funds that are held with various designations or restrictions by the donor or the fund raising efforts. The are held at United Church Funds in accounts that are expected to grow over many years under professional management. The value did decrease in 2022 due to the market conditions.

Notes receivable were from board decisions some years ago. A number, which now show zero balance, were cleared as they were previously determined to be uncollectible for which the allowance was created. The same is true for grant mortgage receivable. The remaining ones are under review to see if the borrower can find an alternative lender.

Total assets decreased mostly from the change in market value of investments.

LIABILITIES

Accounts payable includes the planned transfer to Pilgrim Pines Camp completed at the beginning of January. There is modest credit card balance which is paid in full each month.

Other current liabilities are temporary funds for use. The largest single amount is the funds set aside for sending delegates to General Synod. Other amounts at times include gifts remitted to the conference by local congregation which are to be forwarded to other UCC church related organizations.

Equity is the net of assets less liabilities. This total decreased for cash revenue being less than cash operating expenses, the commitment to funds Pilgrim Pines Camp with start up funds for a stand alone operations, and market values changes.