Annual Gathering Budget Report: April 29 Update

This revised budget update is the product of some changes in income and expense planning, as well as a desire to create more transparency in some of our internal accounting practices.

"In & Out"

We are working to move away from showing "income" that we intend to zero out, which includes fees for Annual Gathering, Clergy Retreats, and many other types of programs, some of which are only occasional (such as Western Regional Youth Event). We have not completely accounted for this shift in presenting the budget, so there are items under "expense" that we pay ourselves back for out of grant funds, but this is not fully reflected on the income side. We don't have the capacity to make this shift in time for this year's Annual Gathering, but it is a goal for next year. In this vein, the special offerings are presented in a "detail" report but not as part of the income and expense report.

Other Income

Because we do not have a fully-developed policy for major investment, property, and gift income, it's also difficult to know how to account for these in the budget spreadsheet. In 2024 we saw a total major income of $5.6 million after related expenses, from the Pacific Beach property sale. In 2025, we received an unexpected $800,000 mortgage payoff. How do we account for these in our budget or financial presentation? What are our practices of stewardship and communication around these gifts? This is a topic we will address in the coming year.

OCWM income represents a major increase in 2026, which is a goal our Conference Minister is urging us to strive for and take seriously. We are already in conversation with some churches who have the capacity to go from zero giving to something closer to $15,000 per year. We are hearing positive feedback from local churches who see the work we are doing and are inspired by a new sense of mission. As we move from almost no stewardship conversations at all, to a stewardship strategy with staff support (an ACM), we have faith that we can meet this challenge of increased giving from our local churches.

Expenses
We also show some significant changes to expenses, especially in human resources. Some other changes to expenses to highlight include the following:

- **$45,000 "Outreach Programs" and "Other Program Expense"** have been *removed* from the revised 2025 budget and 2026 Budget. The lack of clarity in purpose for these categories does not provide the appropriate level of transparency. These expenses have been essentially replaced by a more detailed report of ministry staff "deployment" under operating expenses (see detail) as well as a $3,000 Conference Minister discretionary fund.

- **$7,500 CCM Meetings:** Conference Ministers are expected to attend an annual meeting in Cleveland with the UCC Board, an Annual retreat in December (sometimes combined with a biannual conference called "Authorizing Ministry in the 21st Century), and potentially one more meeting per year (plus early arrival for Synod). ACMs are sometimes also expected or invited to attend. This is a new category added to the budget; it's unclear where these expenses were accounted for in the past, but more recently the interim CMs have not participated.

Investments & Investment Income

Our total investments with Cornerstone and UCF represent a current total portfolio of **$9,746,298.42**.

Our investments with **The Cornerstone Fund** include a demand account as well as several term notes. The demand account has $201.861.32 available for withdrawal; we get a .875% interest rate on this account. We have an 18-month term note at 6% that matures 4/24 and we just voted to reinvest in a 36-month term note at 4.5%; the current value is $1,179,960.55. The other notes are as follows:

Name	Rate	Matures	Current Balance
18-month term	6%	5/15/25	$641,353.26
13-month promotion	5.15%	8/30/25	$561,918.17
Collateral Acct/CB&LF	2.9%	2/16/26	$42,214.97
36-month term	4.755%	9/11/2027	$2,035,207.79
36-month Disaster Care term	3%	10/31/27	$1,005,000.00

Our investments with **United Church Funds** are divided into 8 accounts; values below are as of March 31, 2025:

1. The unnamed "restricted" account with **$75,663.53** is what we just voted to un-restrict and use to cover the salary, benefits, and some operating expenses tied to a second full-time ACM for the second half of 2025 as reflected in the revised budget.

2. An unrestricted fund or demand account, also called an "endowment" fund "directed to planned giving programs," with **$2,742,358.39** and a 5-year average annualized return of 5.23%.

3. The "Wagner Fund," with a similar purpose and description, with **$123,892.94** and a 5-year average annualized return of 7.85%.

4. The "Make-a-Difference" fund, which was the first church-wide endowment campaign (national/local effort) in UCC history. Guided by the bylaws of the SCNC, UCC Endowment fund (as adopted by the board on 1/23/93), funds are divided into thirds to support "Building Community in Diversity," "Church Development and Revisioning," and "Youth and Young Adults." Current value is **$323,102.92** with a 5-year average annualized return of 4.96%.

    In 2024 we dispersed the following amounts:

Annual gathering clergy retreat	$15,569
PAAM youth event grant	3,333
Vai OleOla Youth event grant	2,500
Conference board retreat	3,508

5. The Brainerd Endowment: "Income from this endowment (to be held in trust to provide income to the women's organization of the conference) may be used to support women's ministries (lay & clergy) & women's issues and advocacy. Current value is **$178,624.70** with a 5-year average annualized return of 7.85%.

6. The Seaman Scholarship Fund: "Recipients must be African American Women who are enrolled in college or post-secondary technical or vocational programs, or who are about to enroll in such programs." Current value is **$45,015.09** with a 5-year average annualized return of 5.23%.

7. The Parker Endowment, which we believe to have the same basic purpose as the Brainerd Endowment. Current value is **$7,512.00** with a 5-year average annualized return of 5.23%.

8. The Plymouth Fund, a "temporary restricted" fund to foster the establishment of new churches and give new life to existing churches. Originally, funds were to be permanently restricted for five years and only income would be available. After five years, income and up to 10% of the principal would be available annually; the fund is now 21 years old and the interest income has not been tracked in the budget or spent in at least the past five years. Current value is **$582,612.79** with a 5-year average annualized return of 7.85%. $50,000 was dispersed from this fund to support our grant to the Laguna Beach church this year.

A Shared Financial Philosophy?

A traditional approach to investing might be a set cap on annual draw from investments, based on a percentage of the starting value, or a portion of interest; or simply all interest earned. Many organizations approach the budget by taking into account an "average draw" on investments that provides for a certain portion of the operating expenses.

But there is not a universal theological argument for *not* spending any principal; in fact, one could certainly make some theological arguments *in favor of* spending the principal, too. We are not a local church, and we are not a small college; our unique combination of funds and investments, programs and giving, and our commitment to considering a tithe of major gifts, sets us apart from many comparable non-profits. There isn't one single model for us to follow. We will have to make a new way for a new era.

Our various board members are coming to this space with a wide variety of experience with financial systems, not all of which operate with the same basic values or methods. In our board conversations, we are interrogating and learning about our own assumptions and habits regarding budgets and stewardship. The beauty of our diverse board is that we are exposed to financial strategies and systems we might otherwise not encounter in a mainstream capitalist marketplace.

We will never agree on a single orthodox system of accounting or investing that will be the one right "forever" solution to stewarding our Conference's resources. However, we do need to develop some clarity around the values and systems that work for us right now, and to find consensus about our shared approach. While we move in this direction in the coming year, our board will strive to be open to learning from one another. We are greatly blessed to be in a position where we can take our time to develop a comprehensive and faithful approach to stewardship; but we also don't want to let this lack of clarity continue for much longer.