

FINANCE COMMITTEE ANNUAL REPORT for July 1, 2020 – June 30, 2021

The Finance Committee has the responsibility for stewardship of the financial resources of the Meeting, which allows the Meeting to continue its work. The Finance Committee is responsible for:

- a) Fundraising, collecting donations, and payment of Meeting obligations;
- b) Working closely with the Meeting Treasurer to maintain an accounting of income and expenditures, the Meeting's bank and investment accounts, and a financial reserve for use in case of emergencies; and
- c) Preparation of an annual budget for allocation of funds, after consultation with and according to the needs of the committees, and as directed by Meeting for Worship with Attention to Business, for maintenance of the Meeting House as well as for funding committee activities and benevolences.

The goals of the Finance Committee are to support the stewardship of the financial resources of the Chapel Hill Friends Meeting by:

- a) Maintaining a balanced budget;
- b) Supporting the work of vital committees and providing support for designated Quaker organizations and other local entities approved by Meeting for Worship with Attention to Business (benevolences);
- c) Providing and monitoring the level of savings for routine and unanticipated repairs for our facilities and flexibility to cover contingencies; and
- d) Maintaining sufficient assets and savings to meet future needs.

Meeting accounting is done on a "cash" rather than accrual basis.

The Treasurer reported to the Finance Committee monthly on income and expenses and worked with the Committee in the preparation of the 2020-21 fiscal year report, the quarterly reports to the Meeting for Worship with Attention to Business and the budget for the 2021-2022 fiscal year. Clerks of the Meeting's committees advised us on their needs for additional funds, if any, and provided information necessary for budget preparation. The Treasurer kept on-going records to assist in our task. We continue to use Servant Keeper and QuickBooks to track our finances.

The financial plan for the Meeting has two segments.

The first part is the budget that includes ordinary income and expenses for the operation of the Meeting. At the end of each fiscal year, income should meet or exceed budgeted expenses. The budget, which pertains only to the ordinary expenses of the Meeting, is reset for each fiscal year.

The second part of our financial plan includes funds that may carry over from one year to the next, such as building renovation, special endowments (Schott Leadership) and other funds managed for specific purposes such as Returning Citizens, Youth Service Trip, Care and Counsel, Physical Plant Reserve Fund and the Building Renovation Fund.

1. Operating income and expenses

Income: Due to the ongoing impact of the COVID-19 pandemic, the Committee lowered its estimated income from contributions about 30% from previous years. For much of the year, contributions tracked roughly in-line with these lowered estimates of income and were sufficient to cover our anticipated expenses and benevolences. However, the Meeting received several large gifts at the end of the fiscal year that resulted in overall contribution income significantly in excess of our lowered estimates.

Income from contributions for the 2020-2021 fiscal year was \$70,249, exceeding our planned level of \$53,550. As we anticipated, the Meeting received no income from building rental or parking fees. In comparison, contributions for 2019-2020 amounted to \$76,450. By way of reference, the largest total of contributions received in recent years was \$84,945 in fiscal year 2018-2019.

Expenses: Overall, we spent 83% (\$44,882) of our reduced operating budget this year. Benevolences totaled \$20,714, and therefore constituted about 46% of the operating budget. However, Committees, which constitute 24% of our budget, spent just 53% of their approved funds, and ten of the thirteen spent less than half of their budgets, and five spent nothing at all. Administrative expenses constituted about 39% of our expenditures versus a budget estimate of 37%.

Net Operating Income: As a result of the increased income and reduced spending by committees, we show an overage in the operating budget (net ordinary income) of \$25,367.16 (FY 2020-21 income less expenses) for the year. In the previous fiscal year the net ordinary income was \$21,311.

FY 2021-22 Budget: We prepared a budget for July 1, 2021- June 30, 2022, which has been reviewed and approved by Meeting for Worship with Attention to Business. Compared with last year's budget, this budget contemplates an 8.5% increase in ordinary expenses and anticipated income consisting of \$2,500 of additional contributions and \$2,100 in UNC football parking fees. The budget reflects committee-requested budgetary spending based on their past use of funds.

An important consideration in the budgeting process for the Finance Committee is the known and anticipated effects on the Meeting's finances caused by the ongoing and unpredictable COVID-19 pandemic. There are still many uncertainties relating to in-person worship at the Meeting House, attracting new members and attenders, receiving building rental income and levying fees from parking for UNC football games. The Finance Committee will monitor contribution and expense levels closely throughout the year, and we stand ready to amend the budget totals in early 2022.

Given historical underspending by committees, the Finance Committee encourages Committees to regularly assess their available resources and make good use of the funds allotted to them in the budget. In February we routinely provide a report of expenditures to date and budget balances to Committee clerks and ask if any adjustments are needed. Committee members are welcome to contact the Treasurer at any time during the fiscal year to get an update on their budget.

2. Special funds and Accounts

Income and Expenses: The second segment of our financial plan includes funds that carry over from one year to the next such as building renovation, special endowments (e.g., Shotts Leadership) and accounts for designated purposes: Returning Citizens, Youth Service Trip, Care and Counsel, Physical Plant Reserve Fund, and the Building Renovation Fund.

Last year Returning Citizens incurred expenses of \$907.11, Care and Counsel Outreach paid out \$500, and Shotts Leadership dispersed \$440. There were no expenditures from the other accounts.

3. Net Total Income

Net Total Income: This year, the net total income was \$24,963. This net total income figure combines the operating income and operating expenses as well as income from building renovation and donations and miscellaneous sources and the expenses from our special purpose accounts as indicated above.

Regarding the allocation of the balance, the Finance Committee discussed several options, and, aware of the great uncertainties in the upcoming year, the Committee decided that the surplus should be allocated evenly between the Building Renovation Fund and the Physical Plant Reserve Fund.

4. Balance Sheet

Assets: Approximately 29% of the Meeting's financial assets are held at Friends Fiduciary Corporation in Philadelphia, PA. The remaining 71% represents cash in accounts with BB&T.

As of June 30th, around 78% of the cash held in the BB&T accounts is held in checking or savings accounts. The remainder is held in accounts with a designated purpose.

Overall, the Finance Committee considers that the Meeting's financial health is good, and our financial positions are sufficient to address our obligations, repairs, and the leadings of the Meeting.

Allocation: The Finance Committee monitors the returns achieved in the Friends Fiduciary accounts, and allocates Meeting funds between investments, checking and savings accounts. The Committee monitors bequests and other specific designated accounts.

5. Other activities

This year the Finance Committee has also:

- Finalized a bequest and gifts policy, to be reviewed by Meeting for Worship with Attention to Business;
- Determined a policy that, in order to comply with IRS guidelines for non-profits and so as not to imperil our status as a tax-exempt organization, our Meeting is unable to accept donations designated for the benefit of a specific person (pass-through contributions, in the language of the IRS);
- Spent extensive time discussing possible capital projects for the Meeting, including solar, upstairs renovation, ventilation, a media system, sound abatement, and shoring up the foundation of the Meeting House. We concluded that we did not have sufficient funds to undertake all these projects at this time. We also decided that the top priority, unless the Meeting indicated otherwise, would be preparing the Meeting House for return to face-to-face worship. We recommended against borrowing for capital projects and concluded that if the Meeting decides to move forward with projects, a capital campaign would be necessary.
- Moved the "Donate" button on the website to a more readily findable location, to facilitate an increase in the use of online donations for contributions;
- Continued paying the FDS/childcare person during the pandemic, when face to face worship has been suspended;

- Consolidated several bank accounts previously held separately at BB&T to achieve operational efficiency while maintain proper segregation of the funds for their designated purposes in the Meeting's accounts;
- Begun the process of understanding Financial Accounting Standards Board Topic 958 (Update 2016-14), which describes current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

This has been an unprecedented and tumultuous year in the life of our Meeting. We thank all who contributed for their generosity and stewardship of resources. We encourage Friends to continue to support the work of the Meeting and to consider including the Meeting as a bequest in their wills.

The 2020-21 members of the Finance Committee were: Monteze Snyder (co-clerk), Mike Jokinen (co-clerk), Geoff Metcalf, Tom Ludlow, Gwynne Pomeroy, Bob Durovich, Rich Godfrey and Maura Murphy (Treasurer and ex officio member).