

Unitarian Universalist Fellowship of Los Gatos
2006/2007 Annual Financial Report
Prepared by Irving Yabroff, bookkeeper, on August 4, 2007

Introduction

This report is an interpretation of the two accompanying spreadsheets: "Final Profit and Loss Statement for 2006/2007" and "Final Balance Sheet for FY07". In addition to describing our financial performance during this past year, this paper intends to give some background information regarding the financial operations and record keeping of UUFLG to the incoming board members to enable them to more easily understand these reports and the monthly financial statements that will be produced by the Finance Committee during the coming year.

Bottom Line Summary

We have had a very successful year financially. Total income to the General Fund for the year was \$145,285 and total expenses were \$140,442, leaving a surplus of \$4,843. That surplus will be added to the Operating Reserve Account at the beginning of the 2007/2008 fiscal year for use as needed in the future. In addition, expenses of \$7,644 were paid out of the Operating Reserve for the Interim and Settled Ministers search.

We are also financially sound. Our available cash (total current assets) is \$44,431. Our short term debts (total current liabilities) is \$41,210. The difference, which is positive, is our working capital which is available for immediate expenses without borrowing from money set aside for other purposes.

Our long term liabilities are the remaining loan repayments owed to 6 members. This balance of \$67,017 is being paid off with interest within our budget. The loans will be cleared by the end of 2013.

UUFLG Budget Process

Our budget is both a set of goals which describe the planned level of financing of each of our programs, and as realistic a projection as we can achieve of what our income and expenses will be during the fiscal year ending June 30. In order to use the budget as a management tool to control our finances during the year, we update it periodically to reflect both our changing program goals and to keep the projected figures realistic.

The first budget for the fiscal year is assembled in February to be used as a goal for our pledge drive in March. Once the pledge drive is completed in April, the results of that drive is used as the basis for the operating budget for the next year. This budget is assembled by the Finance Committee and presented and approved by the congregation at the Annual Congregation Business Meeting in May. The board and committee chairs participate in the formation of this budget.

P&L Statement vs. Budget

The budget shown in the P&L Statement is the last updating done for the May, 2007 monthly report. These figures are compared with the actual income and expenses for each line item as of June 30, 2007. Thus the differences represent unexpected variations from our projections during the month of June.

Income

Total income came in at \$2,433 more than budgeted. Some important things to note in the Income section of the P&L Statement are:

- Pledges – We started out the year with \$117,090 in pledges obtained from the 2006 spring pledge drive. An additional \$10,749 was obtained from new pledges and increases in pledges during the year. We expect a similar increase in the pledge total for this year.
- Pledges Written Off – Last year experienced an unusually high number of write-offs. 5 people dropped their membership before completing their pledge, 3 moved without completing their pledge, 4 needed more time to complete their pledge for last year and asked that it be written off for last year and added to their pledge for this year. One pledge remainder was dropped completely due to hardship. It is usual for us to have about 3% of the pledge total written off. The previous year we only had 1.5% written off. The current budget uses the 3% figure.
- Contributions – We usually get several donors who give more than their pledge by continuing to contribute after their pledge is paid up. This last year, we are grateful for the unexpected generosity of many
- Soup/Salad Luncheons – We had one very successful soup/salad luncheon early in the year and were anticipating two more, which didn't happen.
- Building Rental – The building rental income has been increasing steadily. The budget figure of \$6,000 was the total achieved the previous year.

Expenses

Total expenses came in at \$1,990 less than budgeted. There were no major last minute surprises in expenses. Most categories of expenses were lower than budget. This is mainly due to the conservative projections made combined with the consciously careful planning of the committee heads.

Funds and Reserves

This is the only part of the Balance Sheet that the board needs to keep an eye on. The rest of the Balance Sheet is primarily bookkeeping.

- Operating Reserve – The income to this reserve is the surplus in the budgeted income and expenses accumulated each year. The expenses from this reserve are the deficits remaining when the budgeted expenses exceed budgeted income at the end of the year. These are bookkeeping transfers between the working capital, described above, and the Operating Reserve. If the reserve balance drops below zero, we are borrowing from other reserves or funds to pay our expenses. A reserve balance greater than needed to protect us against

unexpectedly large deficits can be used for off-budget expenses. These are one-time expenses that are high priority but are more than the budget can handle.

- Minister Search Expenses – The congregation-approved budget for 2006/2007 designated \$9,000 to be spent for the Interim and Settled Minister search expenses. This amount could not be added to the budget without incurring an equivalent deficit. That budget had already sacrificed support for a DRE in order to avoid a deficit. Since the search activities are critical to our planned growth, and since the Operating Reserve had an adequate balance, the board agreed to use up to \$9,000 of those funds for search expenses. This is shown at the end of the P&L Statement. \$2,257 out of an allocated \$3,000 was used for Carolyn's moving expenses (the rest of her search expenses were paid the previous year). The settled minister search expenses of \$5,387 out of an allocated \$6000 include all of Victoria's search expenses, including her week-long visit, but do not include her moving expenses which will be paid this fiscal year out of the Operating Reserve.
- Building Maintenance Reserve – This reserve is for one-time large unbudgeted expenses for maintaining and improving the building and grounds. A balance of approximately \$20,000 has been maintained in this account until this last year when the roof gutters had to be replaced. In addition, wood chips were purchased for the play yard and the sanctuary carpet was repaired. We will replace the \$3,600 used by making monthly payments to it from the operating budget as soon as our annual budget can afford to.
- Sound System Fund – The \$309 in this fund was obtained from the Endowment Fund income and awaits plans for its disposition.
- Minister's Discretionary Fund – Carolyn had a small fund, \$350, for giving a helping hand to needy people anonymously. The initial amount was borrowed from working capital and has been replaced by member donations except for \$70. There are plans to replenish that fund with member donations for Victoria's use.
- Music Fund – This fund is maintained by member donations. It's purpose is to supply instruments, hymnals and other materials for the music program.
- Outreach Donations – This is a temporary fund which holds donations to a particular charity until they are sent to that charity.
- Endowment Fund – This is also a temporary fund which holds the annual Endowment Fund income until it is dispersed to designated activities.
- Minister Professional Expenses – This is a temporary fund being used by the bookkeeper to hold the remainder of the minister's professional expenses which will be disbursed in the next fiscal year. The purpose is to charge Carolyn's professional expenses to the 2006/2007 year, the year in which they occurred, even though they don't get paid until after June 30, 2007.