North Chapel’s Current and Future Finances:
Opportunities and Challenges in Our Changing Environment

Background

In August 2016, by unanimous vote, the North Chapel community expanded Geraldine Fowler’s role to include community outreach services. This change increased her weekly working hours and compensation, for the purpose of expanding the contributions that Geraldine could make to our church and the broader community and also to compensate her adequately for services she had already been providing.

In April 2017, the North Chapel community voted unanimously to call Rev. Dr. Leon Dunkley as our full-time minister, offering him a compensation package at the highest UUA level for a minister in a church of our size. The Ministerial Search Committee and the Negotiating Team recommended this action to help attract Leon to the North Chapel and to match the experience and potential he offers.

In making these decisions, the North Chapel community was choosing to invest in a dynamic future for our church. We recognized that employing highly talented staff and compensating them fairly would enrich our church experience immeasurably and enable us to chart a creative path toward keeping the church vibrant and relevant in a time when changing social dynamics require institutions like ours to adapt and change.

In one sense these were easy choices: how could saying yes to Geraldine and Leon not be a good thing?! Yet, in making these commitments, we also challenged ourselves to meet a more significant financial obligation than we’d faced before. We did so with the belief that taking the more conservative path might actually be the bigger risk to a secure future.

Doug Zelinski, a valued UUA consultant who helped the church through the ministerial transition of 2016-2017, counseled that the church could not just continue to do things as it had been doing and survive into the next decade. He encouraged us to seek new ways to “do church” and to think broadly about how the North Chapel could fulfill its mission.

These changes also coincided with the church community’s decision to focus its social justice efforts on the local community, having completed a decade of support for the Life and Hope orphanage in Cambodia. The Board of Trustees recognized that providing outreach efforts within our local community—such as the After-School Program at the Norman Williams Public Library and the Summer Arts Program at Safford Commons—represented not only a valuable community service, but also a way to expand the church’s funding base.

When it agreed to expand Geraldine’s role in 2016, the board committed to a more intentional fundraising effort beyond the internal North Chapel community. Since that time, the Resource Development Committee has raised approximately $60,000 through foundation grants and major-donor gifts from the greater community and received written pledges for an additional $100,000 from these same sources, payable in 2019 and 2020. (During this same period the church also completed a successful mini-capital campaign to preserve and renovate the church building, raising $275,000.)

At the start of 2019, the board, with input from the Finance Committee, continues to explore new strategies to allow the North Chapel to retain its vitality and to meet its financial obligations.

Current Financial Status and Next Steps

North Chapel finished 2018 with its accounts balanced. The 2019 budget indicates that we will be able to do the same this coming year, even with a decline in our Stewardship Drive, because we have raised funds externally. However, behind these important headlines are some significant changes that are occurring in the church’s finances. The board believes it’s important to communicate these changes and for the church community to understand their implications.
A. With the financial sustainability of the church in mind, in 2018 the North Chapel board took important steps to develop new sources of revenue to ensure we could continue meeting our growing expenses.

- In 2019, the church budget is projected to be $257,000, composed primarily of salary and benefits and church operating and maintenance expenses.
  - Salaries and benefits for Leon, Geraldine, Diane, and SE instructors total $184,000 or 72% of the budget.
  - Church upkeep and expenses such as repairs and maintenance, heating, and insurance account for $45,000 or 18% of the budget.
  - Office expenses such as printing and copying, telephone and Internet total $13,000 or 5% of the budget.

- However, while the church budget has continued to grow in recent years, stewardship commitments are not increasing. In fact, pledges now make up a smaller percentage of our needed revenue than ever before.
  - The 2013 church budget was $210,000, with pledges of $140,000 contributing 67% of total revenues.
  - The 2019 church budget is $257,000, with stewardship pledges of $140,000 representing 54% of the total revenues we need to cover operating expenses for the coming year.
  - As a point of reference, the church’s highest annual pledge amount was $158,000 in 2015.
  - It’s clear that our ability to rely on pledges has been limited by an aging congregation that has not been growing and has been unable to increase pledges to higher amounts.

- This past year, the board created a new Resource Development Committee to take the lead in seeking additional sources of funding. Its initial effort resulted in the Party for a Purpose fundraiser, which was a major success.
  - The Party for a Purpose led to an additional $35,000 being raised, which was sufficient to meet and exceed the budget shortfall initially projected for 2018.
  - The plan is to continue this important new fundraiser in 2019.

- The RDC also sought additional funds from external sources such as foundations and major donors in the community.
  - Because most foundations don’t support religious organizations, the grant proposals were framed around the operating and program costs of North Chapel’s social outreach plans and programs.
  - These requests were aligned with the increase in our expenses that relate to the expansion of Geraldine’s role and Leon’s activities in social outreach.
  - Grant writing and major-donor solicitations were extremely successful, as described above.
  - However, as indicated below, we know that we cannot continually go back to these same funding sources year after year.

B. Therefore, in 2019, while we plan to continue to rely on the annual Stewardship Drive and new sources of grant funding, the board believes it is important to simultaneously increase our internal fundraising capabilities in new and expanded ways.

- Most external funders look for indications that recipients are financially strong and expect that a significant amount of needed resources are being raised internally.
  - Indeed, some of the grants scheduled to be received in 2019 are contingent on North Chapel raising matching funds, a challenge we are confident we can meet.

- While funding from public and private foundations have been extremely helpful, we recognize that the missions of such organizations are often restricted (e.g. not supporting religious organizations, focused on program startup rather than maintenance, supporting direct program costs rather than staff salaries, etc.)
o For this reason, as indicated above, grants may represent a decreasing source of our revenue in coming years.

• In response to these factors, the 2019 budget includes an aggressive events’ fundraising goal of $20,000 to be raised through activities such as Party for a Purpose, Red Flannel Hash, Western Wind, year-end Wreath Sale, etc.
  o We hope that all church members will find ways to engage in, contribute to and support these important activities this year. They represent a wonderful way for us not only to raise funds but also to develop our sense of community.

C. In 2019, the board also plans to introduce an important new initiative aimed at significantly increasing the North Chapel’s endowment.

• Due to the generosity of current and past church members, the North Chapel currently has an endowment of approximately $180,000.
  o These funds are invested for long-term returns, and in addition to providing an asset which we hope will increase in value, they are also the source of annual revenue.
  o Each year, per our financial policy, 5% of the capital value is transferred to our operating budget. In 2019 that contribution to current revenue will be $9000.

• As important as the $180,000 endowment is, it is somewhat less than the amount generally regarded as an appropriate endowment reserve level for an organization such as ours.
  o Ideally, nonprofit organizations like to have endowments that represent two times their annual budget.
  o For the North Chapel this would represent an endowment of about $500,000.
  o Under our current policies, such an asset would generate $25,000 in annual revenue for our operating budget without diminishing the endowment’s capital value.

• This year, we would like to open a conversation with church community members about the endowment. In particular, we’d like to discuss the tax-advantaged benefit of giving an endowment gift now rather than having the intention to provide for the North Chapel in one’s will.
  o One attractive possibility is to a make tax-deductible gift of an IRA or other pension fund currently generating taxable income that may not be necessary in retirement.

The North Chapel is a very special place. For many, it is a spiritual home, a social network, and central to our intellectual lives and volunteer activities. The Board is very aware of our responsibility to ensure the long-term sustainability of such a precious place and greatly appreciates all that our church community does to support these efforts. As always, we welcome thoughts or suggestions you may have regarding the plans we have outlined to ensure North Chapel’s ability to be here for many generations to come.