

Budget Narrative, Fiscal Year 2022-23

Unitarian Universalist Church of Arlington, VA

Submitted by Rev. Amanda Poppei, Senior Minister

Our programming during this year has required pivot after pivot—and our budgeting has required flexibility, as we try to determine what is possible, what is likely, and how to plan for multiple contingencies.

Looking Back

Although the 2021-22 fiscal year will not close until June 30, 2022, we know that we will end the year, as projected, with a deficit—but we believe it will be a significantly lower deficit than projected. This is primarily due to strong pledge income over the year, as well as unfilled staff positions (which obviously is a challenge for existing staff). We also know that our rental income and our share the plate income will both be lower than budgeted, especially our rental income. With the closing of the church during January's omicron peak, and the overall lag in renters returning to the building, we simply didn't get close to the 90k budgeted for this past year. We are grateful that pledge numbers remained strong, and that we had budgeted a transfer from the endowment if needed to cover any deficit. We also celebrate the successful completion of the capital campaign and the elimination of the mortgage thanks to campaign and endowment funds! This has removed the mortgage from our operating budget going forward; as we receive more payments on capital campaign pledges, we will continue to pay back our endowment.

Looking Forward

As we budget for the coming year, we have taken into account several priorities and values:

- Our actual income and expenses from the 2021-22 year
- Our best guess around rental income for the 2022-23 year
- Our need to be staffed so that we can continue to move toward full programming in the coming year

You have along with this narrative the “overview” budget sheet which details the proposed budget for the 2022-23 fiscal year in broad categories. This budget presents ~60k deficit. We feel comfortable with this deficit both because we think it is entirely possible that we will end up doing better in rentals than we are projecting, and because unfortunately we anticipate some of our staff positions will remain unfilled during parts of the coming fiscal year, thus reducing expenses. However, we want to budget FOR those positions because they are indeed vital to our programming.

A few key points about this budget:

- It features a 3.5% increase for most staff (with a few staff receiving a higher increase to bring them closer to UUA guidelines). It should be noted that 3.5% cannot be called a Cost of Living Increase (COLA), since the Consumer Price Index increased 8.5% for the year ending March 2022.

- It does not decrease any hours of current staff, though we have reduced the hours for the open Facilities Manager position.
- It assumes \$75,000 in rental income (in addition to the income from AUCP and the parsonage). We believe this is attainable based on current longterm renters like Kol Ami and our current rate of special event rentals.
- It assumes \$40,000 in income from the Employee Retention Credit, which is a program of the federal government similar to the PPP loan we received in 2020. We are awaiting more information about how much we qualify for; \$40,000 is our best guess based on our understanding of the program's requirements and UUCA's qualifying expenses.
- It assumes \$80,000 in collections (which will be split 70/30 with the Share the Plate recipients, as we did this year). This is based on our current monthly take since we have been open post-micron.
- It decreases our annual contribution to the UUA from \$70,000 this past year to \$55,000 this year. This is a hard choice to make—we are so grateful for the UUA's leadership especially during these pandemic years. We had moved up to 70k last year as we sought to get closer to our requested fair share, and it is disappointing not to be able to continue that.
- The annual pledge income is based on the pledges we currently have in, plus a guess on what we will receive from members who have yet to pledge, minus a standard percentage of pledges that we do not collect. This total is lower than our current year pledge income. I think it is possible that with new members next year, we may end up exceeding the budgeted amount.

As you may remember, we communicated with you in May about this upcoming budget; at that point we were projecting a 125k deficit. We appreciate the hard work of everyone involved in the budgeting process—special shout out to Nikki Steele, Congregational Administrator, and Eric Hertting, Financial Advisor, as well as the entire Board Finance and Audit Committee—getting us to this revised budget. We also shared in May some questions and answers that might be helpful, which we repeat below. Even though the deficit number has been reduced, the answers remain the same!

Please plan to join us at one of two Budget Listening Sessions: Thursday, May 19 at 7pm on zoom: <https://uucava-org.zoom.us/j/87211289386?pwd=b3FRM2FGU3pXWIE1MTFzK0hPWU4yZz09> or Sunday, May 22 at 1pm in person. We look forward to connecting with you!

Frequently Asked Questions

I thought we just paid off our mortgage. Shouldn't we have a lot of extra funds in the budget now?

Paying off our mortgage was a huge achievement! And, it doesn't actually lead to extra, unused money in the operating budget. For several years now, UUCA has been paying our monthly mortgage using funds from the endowment. The fantastic capital campaign, which raised more than \$3,054,092 in pledges, means that we can stop pulling from the endowment each year to cover the mortgage, and eventually—as pledge payments from the campaign continue to come in—repay the endowment for our future stability. We will still need to stabilize our rental income and our annual operating pledges to sustain our annual budget, minus the mortgage.

Do we have any rentals at all? What kind of rentals do we need?

We are delighted that Kol Ami, the Reconstructionist Jewish congregation, continues to meet in our space, as well as CABOMA (a bluegrass group) and other regular rentals, and of course AUCP, the preschool. And we are beginning to see the return of weddings, memorial services, and other one-time rentals. We've also welcomed a new karate studio and are experimenting with some school vacation camps. However, the Moroccan American Community Organization has not returned and as you may have seen Jonathan Foust has decided to continue his Monday classes online. We are looking for several more long-term rentals to provide stability of rental income and to develop more positive relationships in the community! An afterschool program would be a great fit for our space and could fit in well with AUCP's mostly morning campus use. We also have significant daytime availability in our largest spaces—the Center and Fellowship Hall—which could be a great fit for a small conference or for retreats or other daytime gatherings.

What is most of our money spent on? How does inflation affect us?

The majority of our expenses are spent on our people—the staff who run our programs, care for our building, and provide the ministry that makes UUCA such a vibrant congregation. They are experiencing inflation just as all of us are, and we want to provide at least some COLA to recognize the increased expenses in the world around us. We also spend significantly on utilities and building maintenance. If you have paid your gas bill recently you may have noticed those costs are increasing as well!

Why are there likely to be fewer pledges overall for this coming fiscal year?

Like every other congregation we know, not everyone who was part of the UUCA community pre-COVID is still a part of the community now. Some people have moved away; some of have found their lives have changed so significantly during the pandemic that they are making different choices. We have known for a while that this was likely, and we are seeing it now—mostly in the group of “pledging friends” rather than members. Of course we are also welcoming visitors and new members! And those who have drifted away may gradually find their way back. If you haven't seen someone in a while, reach out and see how they're doing. We all can work to rebuild our community. So far this year, we are seeing a larger than our regular turnover in membership which results in a reduction in the number of pledgers.

What can we do to help?

Hey, glad you asked! Ultimately, pledge income is the most significant way—by far—that the UUCA budget is funded. So if you didn't raise your pledge this year, and upon reading this feel moved to add an increase, we would receive that with celebration and gratitude. You could do so by entering a new pledge online (<https://uucava.shelbnextchms.com/external/form/103928c5-2dbf-45c0-810e-b6d6a0818a2e>) or by emailing Sarah Masters at smasters@uucava.org. If you want to help out calling other members and friends who haven't yet pledged, to connect with them and invite them to pledge, we'd welcome that too. And, if you have connections in the community with organizations that you think would make great rental partners, please send them our way. We are spreading the word that we have COVID-safe policies in place and space to offer...that we are open for business.

What if I want to be part of the budget process?

The budgeting process—at least the part that is going through line by line—happens on staff (with Rev. Amanda, Eric, and Nikki) and with the Board Finance and Audit Committee and the Board. However, we

welcome your thoughts and input as we go through that process. If you'd like to share priorities, ideas, and hopes, please don't hesitate to reach out to either of us. And if you have specific budget needs you'd like us to be aware of, please let the staff person responsible for your program area know about it. They will help to provide context to the people balancing the budget decisions that will keep us financially stable. And hey, if you are REALLY interested in budgeting or in stewardship at UUCA, please let us know because we'd love to talk with you about joining the Stewardship Team or considering Board leadership in the future!