

**IUCC Congregation
Treasurer's Report
January 22, 2022**

Adjusted 01/22/2022

Summary of December and 2021 Year Financial Results

	Oct	Nov	Dec	2021 Final Results	2021 Budget	Variance Pos (neg)	Var %
Early Childcare Center							
Revenue	\$ 44,579	\$ 44,393	\$ 107,689	\$ 553,013	\$ 493,751	\$ 59,262	12%
Personnel Expense	38,945	35,356	59,152	452,218	485,289	(33,071)	-7%
Other Expense	6,279	6,420	7,143	77,755	101,302	(23,547)	-23%
Total Expense	45,224	41,776	66,295	529,973	586,591	(56,618)	-10%
Net Income (loss)	\$ (645)	\$ 2,617	\$ 41,394	\$ 23,039	\$ (92,840)	\$ 115,879	125%
Add back Depreciation	\$ 2,249	2,290	2,311	26,339	26,339		0%
Adjusted Net Income (Loss)	\$ 1,604	\$ 4,907	\$ 43,684	\$ 49,378	\$ (66,501)	\$ 115,879	174%

**** Note:** December tuition revenue was \$43,376 similar to November and October. The remainder is miscellaneous revenue as described below due to accounting adjustments.

ECC Revenue - The year ended with an upward trend in profitability operating slightly above breakeven. December profitability is considerably above prior months due to several year-end accounting adjustments. A year-end bonus for staff was offset by transfer to *Miscellaneous Income* partial funds from grants approved by the A-Board last month. Additionally, a proportional amount of the second PPP loan was used to reimburse ECC payroll during the PPP covered period and is reported in *Miscellaneous Income*. Lastly, part of the second PPP loan was used to reduce a liability payables account on the ECC balance sheet for unpaid rent in 2020 due back to the IUCC General Fund.

ECC Contribution to the General Fund - The ECC contributed \$13,500 Rent and \$34,500 IUCC Office Staff Reimbursement for a total of \$47,565 to the IUCC General Fund for the year.

General Fund	Oct	Nov	Dec	2021 Final Results	2021 Budget	Variance Pos (neg)	Var %
Pledged Contributions	\$ 60,621	\$ 42,441	\$ 43,398	\$ 430,310	\$ 440,534	\$ (10,224)	-12%
Non-Pledged Contributions	5,771	14,132	2,305	44,645	43,401	\$ 1,244	3%
Other Income	1,711	2,521	146,688	187,478	239,486	(52,008)	-22%
Total Revenue	\$ 68,103	\$ 59,094	\$ 192,391	\$ 662,433	\$ 723,421	\$ (60,988)	-8%
Personnel Expense	27,898	29,223	36,327	340,070	393,672	53,602	14%
Other Expense	39,290	26,730	28,898	330,734	371,353	40,619	
Total Expense	67,188	55,953	65,225	670,804	765,025	\$ 94,221	12%
Net Income (loss)	\$ 915	\$ 3,141	\$ 127,166	\$ (8,371)	\$ (41,604)	\$ 33,233	80%
Add back Depreciation	10,516	10,516	10,516	126,193	126,193		0%
Adjusted Net Income (Loss)	\$ 11,431	\$ 13,657	\$ 137,682	\$ 117,822	\$ 84,589	\$ 33,233	39%

IUCC General Fund Revenue- The year ended with \$ 662,433 in revenue and a net income loss before adding back depreciation of (8,371). Adjusted net income after deduction of non-cash depreciation expense was positive at \$117,823. Like the ECC, several year-end accounting adjustments were made that helped the overall profitability outperform the budgeted \$ 84,589 adjusted net income by 39%. The second PPP Loan liability was booked as forgiven loan income in December 2021 to account for income matching related expenditures in the same fiscal year. PPP was most of the \$141,803 miscellaneous income recognized in December.

Pledged contributions were lower than budget by 2% or \$10,224, however, came in very close to the amount expected after the 2020 pledge campaign. Non-pledge contributions were slightly higher than budget by 3% or \$1,244. Thanks to the year-end Christmas letter, an additional off budget \$12,033 in contributions came in and was recognized as January 2022 income.

Facility rental income is coming back very slowly from our COVID caution times, with year end up \$3,069, mostly in the last several months.

IUCC General Fund Payroll Expense and other Expense- Payroll expense was under budget for the year by 14% primarily due to unfilled positions. All other expenses were within or below budget for the year.

Cash Position - Cash position at year end is \$386,851 in operating cash + short term investments equaling \$ 408,109.

Pre-Paid 2022 Pledges - At year end, pre-paid pledges for 2022 were \$101,539 with an additional much appreciated Prepaid Angel Gift of \$38,000 that will be categorized as off-budget undesignated, so not to confuse with non-pledge contribution reporting in 2022. Pre-paid pledges and the special gifts are reported as a payable on the balance sheet and are amortized and recognized as revenue each month over the next year.

Long Term Liabilities- The Cornerstone Mortgage was paid down to \$616,987 at year-end. The Cornerstone Line of Credit (LOC) currently has a balance payable of \$32,739 with 92% credit available.

Second PPP Loan Forgiveness – Application for forgiveness along with all required supporting documentation has been submitted to Pacific Western Bank via their portal and has been confirmed to be formally under review. Once the bank approves, it will be forwarded to the SBA for review and formal letter of forgiveness. IUCC had sufficient expenses to meet the 60% Payroll Expense requirement plus other expenses to exceed the \$171,975 loan amount. It is believed there is a very low chance of denial or some reduced amount of liability. This should be viewed as a low probability risk.

ERTC – ERTC Credits were not received in 2021. We anticipate three of the credits in 2022 with a fourth in 2023. The IRS is moving very slowly releasing the credits at this time.

Proposed 2022 Budget

Thank you to Mark Allen for not only his past service in the treasurer role but also for sharing his budget model and his expertise over the last few months during the transition to new treasurer. His assistance is greatly appreciated.

ECC Budget Summary

	2021	2022	Variance	Var	
Early Childcare Center	Actuals	Budget	Pos (neg)	%	
Revenue	\$ 553,013	\$ 579,601	\$ 26,588	5%	2021 PPP
Personnel Expense	452,218	500,471	35,753	8%	
Other Expense	77,755	99,046	16,101	21%	2021 under budget
Total Expense	529,973	599,516	51,763	10%	
Net Income (loss)	\$ 23,039	\$ (19,915)	\$ (25,174)	-109%	
Add back Depreciation	26,339	31,933	\$ 5,594	21%	
Adjusted Net Income (Loss)	\$ 49,378	\$ 12,018	\$ (19,580)	-40%	

Budget Assumptions

ECC Conservative Growth

At this time with continued pandemic uncertainty, the budget is based on modest conservative growth aimed to exceed breakeven at year end. There is both upside opportunity not reflected in the budget as well as downside risks that Keith Boyum will discuss in his Childcare Committee report. Based on the outcome of some opportunities under discussion with the Childcare Committee, it is very likely the ECC budget and tuitions will be recast sometime in the next few months and presented at the Spring Congregational Meeting. But assuming no significant business model changes, this budget is conservative with some growth.

ECC Contributions to the General Fund

Rent totaling \$13,500 will be shared back to the General Fund, same as 2021. If revenue grows higher than expected due to upside opportunities being implemented, rent will be reviewed and increased if possible. Additionally, \$ 34,600 is budgeted to contribute as IUCC shared Office Staff reimbursement back to the General Fund.

ECC Increased Personnel Expense

Included in personnel expense is a 7% COLA approved last month by the A-Board plus the Director's increase required by California Labor Code. The approval was based cost of living increases and the current "Great Resignation" trend with an ample supply of job openings at higher wages to help with employee retention.

ECC Projected Revenues and Profits

Projected Revenue is budgeted up 5% to \$ 579,601 with an adjusted Net Income of \$ 29,798. Staffing remains the same as year-end 2021. ERTC credits, when received will help improve revenue, depending on when received and how allocated between the ECC and General Fund for revenue recognition. Reduced adjusted income is due to the one-time recognition of PPP funds prior year.

General Fund Budget Summary - **Adjusted Chart 01/22/022**

General Fund	2021 Actuals	2022 Budget	Variance Pos (neg)	Var %
Pledged Contributions	\$ 430,310	\$ 410,042	\$ (20,268)	-5%
Non-Pledged Contributions	44,645	40,361	\$ (4,284)	-10%
Budget Gap Contributions		50,033	\$ 50,033	
Other Income	187,478	30,287	(157,191)	-84%
Total Revenue	\$ 662,433	\$ 530,723	\$ (131,710)	-20%
Personnel Expense	340,070	433,813	93,743	28%
Other Expense	330,734	361,580	30,846	9%
Total Expense	670,804	795,393	\$ 124,589	19%
Net (loss) from operations	\$ (8,371)	\$ (264,670)	\$ (256,299)	
Income from ERTC		\$ 163,000	\$ 163,000	100%
Net (loss) after ERTC		\$ (101,670)		
Add back Depreciation	126,193	132,192		
Adjusted Net Income (Loss)	\$ 117,822	\$ 30,522	\$ (87,300)	-74%

Pledge Revenue

Pledges for 2022 are down approximately 5.8% from last year. IUCC is very grateful for the special one-time Angel gift this year which improves 2022 pledges, however there is no indication that without the gift that there is a positive upward trend given current membership and pledges to date.

As of January 19th, Pledges totaled \$404.5K. More pledges are expected; therefore, regular pledge revenue has been conservatively budgeted at \$410K. The \$38K special gift is shown as a separate line item in the budget and on financial reports. This enables reporting and tracking more accurately regular pledge and non-pledge revenue each month. The one-time gift is amortized and will be recognized each month.

Other pre-paid pledges totaling over \$101K are also amortized and recognized each month.

Total Revenue

Including non-pledge plus other revenue, total is projected revenue is \$530,723.

Personnel Expense

COLA's are built into the budget subject to Admin Board approval for the General Fund IUCC Pastoral and other staff start of January. There is some added overlap increase expense projected in April and May as Pastor Steve retires end of May. Open positions are funded in the budget starting in January but unlikely will be used fully not knowing at this time when the positions will be filled and potential reconfiguration of the positions.

Other Expense

Other expenses including office, utilities, building and grounds, taxes, and insurance increased slightly due to anticipated price increases from vendors and utilities. Interest has been adjusted upward for the Cornerstone Mortgage and Line of Credit due to an anticipated increase in cost of credit from the Federal Reserve. Ministries budget remains about the same as last year as most budgets were underutilized or not utilized.

Capital Expenditures

HVAC replacement is budgeted to replace the aging unit at the pre-school subject to approval by the A-Board if and when it may be needed vs. repair expense.

Adjustments to Treasurer Report highlighted in yellow 01/22/2022

Cash + Investment Concerns Looking Forward

Change in Cash & Investments for Fiscal 2021 and 2022 Budget went from \$291k to \$457k in 2021 primarily due to the PPP loan of \$172K that was recognized as revenue December 2021 and borrowing against the new LOC line of credit. 2021 had a cash loss from operations before capex and other balance sheet changes of (\$ 34K).

The budget model forecasts a 2022 \$264K loss from operations before non-cash depreciation adjustments. Recognizing three ERTC credits in 2022 will help toward a profitable year. And a small amount of ERTC is anticipated in 2023. Given existing cost structure and revenue streams with modest improvement from the ECC, the financial model forecasts change in cash + investments to be negative in 2022, 2023, and less negative in 2024-2026.

Given this current concern, it will be important to manage cash effectively and the use of the line of credit; while new revenue opportunities are examined by the Childcare Committee along with actions from IUCC Strategic Planning Taskforce report.

Cash Management Policy

The By-laws and Procedures Committee along with the Treasurer are looking at current policy on cash management to make sure it reflects best practices. This policy will govern IUCC's minimum reserves level and how/when we use the line of credit. It is believed to be prudent to expend reserves before accessing the line of credit to avoid additional debt, but we need to also maintain a safe cushion of reserves to fund operational expenses. This policy also mandates transparency to the congregation. We hope to have the policy finalized for presentation and approval by the Administration Board by late February. It will be posted to the IUCC website.

Detailed 2021 year end reports are attached followed by the proposed 2022 budget.

Respectfully submitted,

Chuck Heath
IUCC Treasurer