

## CENTRAL UNION CHURCH 2020 Annual Budget Meeting

Sunday, JANUARY 26, 2020

Sanctuary 10:03 a.m.

### I. **Call to Order**

- A. Council Chair Thomas Kiyabu called the Annual Budget Meeting to order at 10:03 a.m. in the Sanctuary.
- B. Upon receiving the quorum report from Council Secretary Valerie Tanaka that 128 members were present, Chair Kiyabu, noting the number present exceeded the quorum requirement of 100 members, stated a quorum was established, pursuant to Article III, Section 3.8.A of the Church Bylaws.

### II. **Notice and Business of the Meeting**

- A. Chair Kiyabu stated that the purpose of the meeting was to consider and approve the Church Budget for 2020 pursuant to Article III, Section 3.5 of the Bylaws.
- B. Notice was properly given more than 20 days prior to the meeting. The notice included a description of the matters requiring approval of the members pursuant to Section 3.5 of the Bylaws.
- C. The meeting was conducted in accordance with the Congregational Meeting Rules adopted by the Council on September 25, 2012.

### III. **Invocation** - The invocation was given by Senior Minister Rev. David Rivers.

We gather here today to celebrate your presence among us, to remind us of your call to us, to continue our mission not only in 2020 but for the years ahead. Come and be amongst us, bring your peace upon us and transcend your vision to guide us and your strength upon all of us. In Christ's name, Amen.

### IV. **Introductions** – Chair Kiyabu introduced those on the dais:

Rev. David Rivers, Sr. Minister, Valerie Tanaka, Council Secretary; Thomas Kiyabu, Council Chair, Craig McGinnis, Council Treasurer & Budget Ministry Chair; Greg Sato, Parliamentarian; and Martha Balkin, Council Vice-Chair and Timer.

### V. **Consideration of the Annual Budget for 2020**

- A. Council Chair Kiyabu announced that the only topic under consideration for this meeting was the Church's 2020 Operating Budget. Chair Kiyabu calls upon Treasurer Craig McGinnis to present the Annual Budget for 2020.
- B. Treasurer McGinnis, on behalf of the Church Council, first thanked the Church Staff and the Congregation for their hard work and generosity allowing the church to move to better financial health in 2019 heading into 2020. He thanked Budget committee members David Yee and Scott Ballentyne for their input over the last couple of months and also stated a big thank you to former Controller, Brittany Hopkins, as without her dedication

and hard work, the state of CUC finances would not be as they are to be presented today. First Treasurer McGinnis shared the GOOD NEWS. In 2017, the Church Council set a goal to reduce our dependency on our endowment earnings to a sustainable 4% by the year 2020. Over the past four (4) years, the entire church has worked extremely hard to reach this goal. He stated that last year we met our less than 5% draw and this year we are presenting a budget draw of 4% for 2020. (See the attached trend graph in your handouts.)

In addition to reducing the Endowment draw to 4%, the Church's endowment has grown more than 25% based on excellent market conditions this year and the transfer of additional unbudgeted revenues from the preschool into the endowment to earn a market rate return.

Treasurer McGinnis stated as in the past, this is the Operating budget and does not include many large capital needs of the church. For example, the first draft of the Reserve study for the Sanctuary was just recently received and now we have a better understanding of delayed and future expenses to maintain all these wonderful buildings. Stated in the report are costs of over \$4.5 million which takes into concern serious deferred maintenance issues that the Church must determine how and when to address. These deferred issues can no longer be ignored.

Another concern is the continued decline in congregational giving. The declining trend at CUC is part of a nationwide trend that needs to be addressed.

Over the next year the Congregation will be hearing about the Council's "Mid-term" response and the engagement of a third-party advisor to give us guidance to our church's stewardship drive and the concerns of a declining giving trend. And over the next few months, more information will be provided from the CUC Vision Team and possible long-term options to grow our church's mission and obtain good financial health.

Treasurer McGinnis states that Council Vice-Chair Martha Balkin will review the goals of the Church Council for the coming year. Vice-Chair Balkin states Councils' concern is that the church be financially stable well into the future. - broken into a three (3) step approach, we are currently looking at CUC's immediate needs, this year 2020. This goes back to the successful Roadmap to Black efforts and the staff and Controller Hopkin's careful watch of expenses. Being told to shut the doors when the A/C is on or to turn off the lights when everyone walks out of the room, we continue to watch over expenses and the

staff's watchful eyes on curbing unnecessary expenses to maintain our successes. Kudos to our CUC staff.

Looking at our mid-range goals, in looking at church giving trends nationwide, 59% of churches report a decrease or flatline of giving. This also affects our own church. We are trying to understand the cultural shift in giving demographics, that 30% of donations occur in December, and although each generation gives in its own way, the church is falling out of favor amongst the younger folks. In 1987, religious organizations received 53% of all charitable donations. By 2014, it had dropped to only 32%.

We are trying to stay ahead of the game and in so doing, we are looking into a 3<sup>rd</sup> party study of how to grow our revenues and church giving. The Council is looking at the Vision Team and long-term options to grow our church's mission and for financial health to remain viable for all of us, our 'ohana, and keiki for years to come. Vice-Chair Balkin announced that she had a new grandbaby just born and in order that we continue to be a church for her grandson, for generations to come, to maintain all that CUC offers, that we need to look long term, so we may be financially healthy, in order that we, as a missional church, continue to strive to do God's work amongst us. There will be opportunities for dialogue and discussions about our church's' future. Join us at Learning Tree sessions, go to the website with your questions but we ask now for your attention as we discuss the 2020 Church Budget.

The 2020 Budget being presented: Total Operating revenue is shown (Line 15) \$7,929,844; Total Operating Expenses (Line 32) is \$7,928,663; resulting in an operating surplus of \$1181 (Line 33). After adding the additional accounting items and reconciling cash flow from the operating fund, the resulting outflow is – (\$294,505) (Line 38). And with the Endowment draw (Line 39), \$294,005 (4.0%). The budget is our Operating budget, and the difference between (Line 33) Net surplus (deficit) and Line 38 is a result of reconciling the CUPS budget into the overall budget. The Council worked hard to further integrate the two teams, making it easier to understand than in past years.

#### Highlights:

- 1) Revenues- Stewardship (Lines 1 & 2). This year, there is a \$100,000 less budgeted in pledge offerings and \$73,000 less projected for total stewardship than in 2019. (The chart also shows the history of pledges.)

- 2) \$307,704 is approximately \$7000 more than projected 2019 numbers, but a \$74,000 decrease compared to the 2019 budget.
- 3) Adult Day Care- Net Revenue (Line 8 and Line 23). Budgeted revenues on Line 8 is \$1,713,153 minus expense on Line 23 which provides a net revenue of \$141,061.  
This is approximately \$97,000 increase over the 2019 Budget net revenue but is approximately \$21,000 less than the 2019 Projected net revenue. In 2019 the average census was 71 but the budget is based on an average of 67.
- 4) Facility Use- Line 9- (\$238,065) is unchanged from the 2019 budget. In 2019 the church conducted an energy audit of the campus. In 2020, the staff and Council will work to implement changes based on the audit in the facility use fees, as appropriate.
- 5) Central Union Windward (Line 11). Note that WUCC dissolved and transferred its assets / known liabilities to CUC on August 13, 2019 and the campus became known as “Central Union Windward”. Part of the Congregational vote was that this action would NOT impact the CUC endowment draws and our Road Map to Black, which in essence, established a financial firewall. So you will see the CUW Revenues and direct expenses for this campus listed separately. (See Line 11 and 28.) If the \$9047 budgeted net loss persists, it will be covered by the CUW reserves and NOT the CUC endowment. The Church Council and Church staff continues to seek new opportunities for faith formation at CUW and will actively invest in the areas possible and as opportunity arises.
- 6) CUPS (Central Union Preschool)- Preschool tuition and fees (Line 13) are combined with Preschool operating expenses (Line 30) to obtain the net revenue. This number includes Preschool only donations and fundraising, so it is subtracted from the budget; the Preschool contribution to the budget was increased to 10% in 2019.  
Last year the Church Council worked with the Preschool to further integrate and align their financial goals and performance and will continue to do so this year.

Expenses- Treasurer McGinnis commended Church Administrator Suzanne Ivey and the entire church staff on their extreme hard work in reducing expenses; they continue to look for ways to operate more effectively and efficiently.

Overall, total budgeted expenses (Line 32) increased 3% over last year's budget, which is less than half of the increase from last year. Most of this

increase was due to the increase in benefits, such as medical and dental premiums and other administrative increases such as insurance premiums.

#### Endowment Draw-

Treasurer McGinnis stated that the 2020 Budget was based on a draw from the endowment of 4% or \$294,005. This matches our Road Map to Black goal and is level that which is considered sustainable, if we must continue to draw from the endowment. There will be further discussions throughout the year to explore more options to secure future financial freedom.

- VI. Chair Kiyabu then opened the floor for questions of clarification regarding the proposed Budget. Questions were heard as follows:
- 1) Richard Kang: Mr. Kang thanked the Budget committee for their hard work. Thank you for sacrificing your time and for allowing our church to do God's mission.
  - 2) Ben Nakaoka- Is the full cost of capital repairs including the roof repairs? This is not in the Operating budget and Treasurer McGinnis estimated roof costs at about \$200,000. Any repairs are NOT a part of the Annual budget. The day-to-day Building & Grounds activities are covered but not the Roofing repairs. Treasurer McGinnis shared that the church applied for a Grant to help cover the roof repair costs and we were awarded \$60,000.
  - 3) Joda Derrickson, a long-time member of CUW. – Thank you for your oversights of the Windward campus. She made 2 observations: First, overall, we are doing better than in 2017, contributed to the market shift, our Preschool, our Adult Care and gifts from Arcadia. Treasurer McGinnis concurred that this was a fair summarization. Ms. Derrickson asked about how the church was managing expenses and offered a round of applause to the Staff. She questions if Page 4, Line 190 for wedding revenues total is correct. Treasurer McGinnis states he will check into this.
  - 4) Miguel Asuncion- Mr. Asuncion asked if our Insurance premiums went up and if the church was possibly "underinsured"? Treasurer McGinnis stated the new insurance coverage for this year, included the new Preschool building and also for the renovations to Room 10 and 11 building. He will double check this with Administrator Suzanne Ivey.

- 5) Maura Yee – Looking at Line 185 Weddings salary WD. In 2017 the Wedding director was eliminated, and weddings were outsourced to Best Bridal. Looking at Line 188, if the position was eliminated why is there a cost for a Director? Treasurer McGinnis said he'd look into this and perhaps the heading for the line was not changed?
- 6) Peggy Ann Sigmund, member of CUW- She asked about repairs and maintenance for CUW. In the past, a couple lived in the cottage on the property, doing the needed repairs and also being security. Looking at Line 28. Reverend Rivers stated the line item is for maintenance needs on the campus and any needed repairs. We now spend approximately \$18,000 for security. Reverend Mary Herbig now resides in the cottage, and having security is a "current norm" necessary for maintaining the property. Rev. Rivers replied it would not be prudent to have Pastor Mary serve as security and patrol at night. We contract a Security company for the Honolulu campus and therefore now do the same for CUW.
- 7) Jocelyn Pratt, member of CUW- Ms. Pratt asks about expenses and stated that the CUW sanctuary windows are in need of cleaning. She asks if the current Office Manager has any input about what is needed at CUW and would like to see more attention placed on the needs of CUW.
- 8) Carolynn Bell- Tuttle- Ms. Bell- Tuttle stated that in the last 4 years, the church worked hard to maintain the "Roadmap to Black" and understanding why changes were necessary. Capital improvements are NOT a part of the Annual Budget. Treasurer McGinnis and Vice-Chair Balkin replies that short term goals are being reviewed as well as maintaining the less than 4% draw on the endowment funds. Vice Chair Balkin stated that in our mid-term goals, the reduction of giving trends are down. The Vision team will be laying out plans to look at 20- 30 years and more into the future so Central Union Church will continue its Faith Formation and a better financial health picture.
- 9) Laura McIntyre- Ms. McIntyre asked if we are looking into other ways of gaining contributions.
- 10) Ruth Stepulis- Ms. Stepulis said Mahalo to the Women's League who supports the Flowers committee and the Thrift Shop. Mahalo to all who have given to the Flowers fund. As a result, they spend \$350 or less to place fresh flowers in each of the services in the 3 buildings on Sundays.

- 11) Joda Derrickson – Ms. Derrickson asked if only minimum costs were being used for the Windward campus and would like to be sure that CUW is considered in the overall budget.

Chair Kiyabu stated that 2020 will be a challenging year, that we will strive to improve our revenue streams and continue to work towards closing the gap, part of our “Roadmap to Black”. There being no additional questions asked about debate on the proposed 2020 Budget.

- B. Treasurer McGinnis made the following motion:  
***Be it resolved that the 2020 Budget, as presented, and as recommended by the Council, be hereby adopted.***

***(No second needed since the motion is made on behalf of the Council.)***

The floor was then open for debate.

As there was no debate, Jackie Lane moved to call for the question.

Parliamentarian Greg Sato confirmed that no motion to call for the question was needed and that we could go directly to the vote.

Chair Kiyabu then called for a voice vote.

***MOTION: It has been moved and seconded that the 2020 Budget, as presented, and as recommended by the Council, be hereby adopted.***

**The motion was adopted unanimously.**

**No abstentions.**

**No objections.**

- C. Chair Kiyabu thanked Treasurer and Budget Ministry Chair Craig McGinnis and members of the Administration and Finance Committee which included Craig McGinnis, David Yee and Scott Ballentyne, along with our former Controller Brittany Hopkins for a job well done.

- VII. **Concluding Business** – Chair Kiyabu asked if there were any Announcements to be made. There was none. He stated that officers of the Council would be available in front of the dais for the informal members’ forum pursuant to the Meeting Rules.
- VIII. **Closing Prayer** – Rev. David Rivers gave the closing prayer asking God to lift up our church and all the spirit that surrounds, so we may continue to do God’s work.

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- IX. **Adjournment** - It was moved by John Steelquist and seconded by Don Clifford to adjourn the Budget meeting. The motion passed. The meeting was adjourned at 10:58 a.m.

Respectfully Submitted,

Valerie Tanaka, Secretary  
April 21, 2020

The foregoing Minutes were approved at the Annual Meeting of the Central Union Church held on May 2, 2021.