

Little Home Church by the Wayside Janual Meeting - January 20, 2013

Moderator Wally Setlock called the meeting to order at 10:50 am.

Pastor Ron offered an opening prayer.

Approval of Junual 2012 minutes:

Greg Hege moved that the minutes of the Junual 2012 Meeting be approved. Lori Haseltine seconded. Minutes approved.

Pastor's Remarks:

The church is healthy, in body and in spirit. Ron thanked all who are part of church leadership, bringing us through a year with difficult decisions. Ron also thanked people who supported the church financially and all those who stepped up to give a little extra to help the church meet expenses. Ron said that sometimes he likes to lift up specific people who are leading and this year he lifts up Art Zwemke for continuing on with the sometimes-daunting task of Treasurer, with all of the elements involved. He praised Art's ability to accomplish this smoothly month after month, year after year.

Moderator's Remarks:

Wally agreed with Ron regarding the health of the church. We are debt free, but our issues continue on the revenue side. Membership is key; we need to find the vehicle to bring people through the door to grow the top line. From an expense side we have done well, maintaining our programs, specifically music, education and outreach. We would love to continue to grow our outreach budget. We have a very active council, working hard and having interesting conversations with agreement and disagreement. Wally reminded the congregation that Council meetings are open to all, on the second Tuesday of each month at 7 pm. Wally encouraged all to attend and to consider ministry membership and leadership. Some of our ministries have low numbers, and our bylaws recommend 7 members per ministry.

Moderator Elect's Report:

No report.

Treasurer's report:

Art thanked all for the earlier applause and said that he enjoys being Treasurer as a way to "give back." Art added that he couldn't do his job without the ongoing support of Ann M as financial secretary.

Art presented the year-end financial report for 2012. LHC has a pattern of approving fairly large deficit budgets, followed by miraculous rallies in the fourth quarter, or, in December for 2012. In 2011, we were trending toward a \$50,000 deficit, but through a matching gift program we actually collected \$45,000 to end up with a net deficit of about \$5600. Similarly, we approved an operating budget for 2012 with a deficit of \$37,395. We rallied again at the end of the year and brought the deficit down to \$12,831. In January, we received a note from a trust that was earmarked for 2012, and if it had come in, our deficit would only have been \$2831. We almost broke even! Which brings us to 2013, with a projected deficit of \$36,430. We have had no staff raises in three years. One of the changes that happened with the fiscal cliff was that the reduction for social security was rescinded. Those deductions are now not keeping pace with income.

Exhibit 1: Operating Budget Comparison. Art noted that this is the 38th time he has run this spreadsheet (Exhibit 1). Deficits shown for past and projected, as discussed. We talk about zero-based budgeting...which means forgetting about the past and looking toward the needs and wants of the future. This is a challenge when faced with the top line that doesn't match up to the bottom line. Our payroll and administrative expenses are always the biggest in the budget. Our facilities and outreach ministries have the largest budgets, due to managing an antique building and having an outreach goal of 15% of pledges received. We also have two properties, one for rent and one for sale, and these come with attendant costs. We project a half of a year's rent on the Dixon home because we plan to put it on the market when the lease is up in June. While we have a slight increase in expenditures expected this year, the top line needs to increase, as our expenditures are reasonable.

Pledges for this year are budgeted at \$160,000; as of this morning pledges are almost up to \$155,000. Some pledges are outstanding from last year that we hope will be paid. We also have non-pledge revenue, which is hard to predict and project. We also have some miscellaneous income (e.g., Rummage Sale and Plant Sale monies). \$62,000 is Art's best guess for non-pledge income.

Ann M. said that this year we have one new member who pledged. We added 5 renewing pledges, 20 increased their pledge, 27 stayed the same, and 11 went down. Last year 32 went up, 24 stayed the same, 2 new pledges, 5 renewing pledges, and 7 went down. Our average pledge is about \$2425, which is about \$100 more than last year. We have 63 pledging families; last year we had 71. Art said that our track record is that we if we grow the membership then the pledging number tends to grow. Nancy Alex added that we have lost some members to death.

Art asks for strong budgets from ministries, to keep programming strong, to attract new members. Art noted the Worship and Spiritual Growth (WSG) budget, which is up about \$6000. Nancy Schatzeder commented that last year the WSG budget was bare bones. Nancy added that we have not always budgeted for Hanging of the Greens so she tried to present a more realistic budget. Art added that in 2011 we spent \$13,897 for WSG, which was significantly over budget. So we cut way back in 2012. Some programming was subsidized to increase the budget. We need passionate people to lead our ministries and this is a perfect example of a passionate ministry leader! Susi Winquist asked what was the music budget within WSG: \$8400.

Without rental properties we would have a deficit of about \$26,000. With the rental properties, and considering the possible sale of both homes, the deficit increases to \$35,430.

Exhibit 2: G & A, Human Resources. FICA contribution is 7.65% of payroll. The 2% rescinded is the obligation of the employee. Payroll taxes are about \$9500. Sandy Antonelli added that she doesn't think anyone should go backward on the social security.

Exhibit 3: Operating Fund. Last year we were able to open a line of credit with the State Bank of Geneva via an introduction from Bob Schless. We have one checking account and try to float to pay our bills, but that cannot go on forever. So far we haven't had to use the line of credit, and we did renew it this year. We started the year with \$98,865, ended with \$109,444. This is in part due to contributions to various memorial funds.

Exhibit 4: Consolidated Balance She. We have little to no liabilities. Council approved a resolution to lower the price on the Peterson home. We have also reduced the value of the Dixon home. We do have a sizable equity in our assets especially with no debt.

Art invited a discussion about the operating budget for 2013. Greg H noted that Art alluded to the lowered revenue on the Dixon house. Wally said that at the Janual meeting last year we discussed selling Dixon and Peterson, but deferred discussion on Dixon because we had a two-year lease. We now have only 6 months left on that lease. We hope to discuss getting Dixon on the market in the summer, which would mean no rent revenue. Greg said that we are at least making a nominal amount of money on the Dixon home. Is the renter interested in continuing the lease so we are not in a negative cash flow? Wally said we may discuss a month-to-month lease, but haven't decided as a congregation what to do with the Dixon home. Ann added that we had delinquent tenants in the Peterson house and came close to evicting, a very painful process. Ann is not in favor of another experience like that with the

Dixon tenants. Jen Gatsch said that the market remains a tough market with a recent local sale for \$136,000. Rich Doerr added that if these properties are not producing income is there anything else we can do with them, such as a parking lot? They don't necessarily have to produce income to be a benefit. Art noted that they are both in the historic district so modifications may be difficult. We have ample local parking, but it requires us to walk a bit, such as from the school. We need to get in the habit of parking around the corner to leave space in front of the church.

Gary Estes noted the possibility of the loss of members due to Open and Affirming (ONA) and wondered what would the financial impact be? Art said it could be about \$25,000 based upon the average pledge, adding that he is not sure if we might also get new pledges in due to ONA.

Craig Surta asked about the rental market in this area? Art noted that the rental market is stronger than the sale market, adding that the mood of the Council is that these properties were bought with good intentions, but the purpose has not materialized. We are a little on thin ice being in the rental business. It doesn't fit our mission as we hoped it would when we bought the properties. It also seems harder to show and sell when have tenants. Nancy Alex made motion to accept treasurer's report. Bob Schless seconded.

Suzanne Setlock questioned about the life insurance/Medicare amounts. Art said that the difference in amounts was due to Medicare versus health insurance. The Treasurer's Report was approved.

Carol asked about the definition of Memorial Funds. Exhibit 3 presents all of our various funds. The amount in the Memorial Fund has been collected over the years and not designated for any specific spending. Until Art receives direction about how to spend the funds given in someone's memory the funds are kept in the general memorial fund. The money is safe, just not listed on the books in a separate fund.

Old Business:

Wendell Clancy presented the Perpetual Fund report. In 1994 our bylaws were amended to include a Perpetual Fund, which we understand as an endowment fund. This is the opposite of the operating fund fueled by pledges. The purpose of the Perpetual Fund is to keep the church going after we are all gone. The current Trustees are Art, Dave Poole, Nancy Alex, Carol Berger, and Tom Atkins, along with Wendell. They serve for three-year terms. The trustees will not give advice about how to make a donation to the church but they will be presenting info about options for giving to the Perpetual Fund. Wendell encouraged all to create a will and when they do, to consider the church.

Rik and Nancy Alex were both originally serving as Trustees for the Perpetual Fund but in June it was decided not to have two people from the same family serve at the same time. Rik is no longer on the committee. Wally asked if they have a full roster. Yes. They are discussing the next steps to talk to the congregation about future options for giving.

Carol added that creation and activation of a fund like this is long overdue and is recommended by the UCC to ensure the longevity of the church for the next 100 years or so. Craig asked what if someone leaves the church money now? It would go into the memorial fund unless earmarked. Kathy Haben asked if we do have money put into the fund, how is the money accessed in the future, is there a document that controls that? Nancy Alex said the goal is that the committee will come up with a principal number above which they would spend the interest. Art added that the threshold that has been discussed is \$100,000. However, the best plan is to keep the target amount growing, which in turn would keep the amount available for spending growing, too. Art cautioned that once the money is in hand, the church needs to use the money, not sit on it. We should get in the habit of always planning to do something with the spendable amount. Gary Estes added that there should be accessibility to those funds for an emergency. Wally asked about intent. Art said let the trustees find their way. Wally asked if we could ever tap that fund above and beyond the stated purpose of the fund? That has not been decided yet, the trustees still working on the document that guides them.

Peterson house update:

The house was listed in spring of 2012 for \$225,000 with a threshold of \$175,000. We dropped the price once a couple months ago to \$222,500. We decided at the January council meeting to drop to \$199,900, with the idea that it reaches a new group of people looking under \$200,000. Karen Ashe is our realtor and she continues to show the house. We have had several interested parties with repeat showings, but no offers yet. Craig Surta recommended that we might consider owner financing. Art said we need cash so that might not be a good plan. However, if we are able to replenish our funds through sale of Peterson, we might be able to consider that for the Dixon house. Jen asked about capital gains. Art said we don't pay capital gains tax.

Dixon house update:

At the January council meeting it was suggested that we ask the congregation to vote on getting the house ready to put on the market at the end of the lease. Wally asked for a motion that we do that. Gary Estes asked if we sell Peterson, could we think about the possibility of exerting our property rights for a possible parking lot. Art said we have spent a fair amount of time thinking about how to use these properties. Anne Bouchard noted that we have committed to sell these properties to

secure the line of credit. Art noted that the reality is that we need 12 new net members to sustain ourselves at the current average pledge. Not sure we can grow the church fast enough to overcome our financial deficits. Rik Alex said that he is on the Plan Commission for the village, and he explained that the historic district has rigid controls about what can be done to the properties within the district. Beyond that, there is a septic system somewhere to the north of the church. Rik added that assuming there is a septic field somewhere to the north, from a physical standpoint we would have some hoops to go through if we were considering a paved parking lot. Also, there are considerations for the neighbors. The Historic Commission was not happy to consider knocking down a house but it is also a complex, time consuming, expensive process to consider a parking lot.

Wendell Clancy moved to prep the Dixon house for sale, seconded by Dan Roach. The motion was amended to be to ready the house for sale after the end of the lease. Discussion ensued about when to inform the tenants. Greg Hege remembers the difficulty we had with this process and the tenants in the Peterson house, and he hopes we can avoid that experience. Craig Surta asked about the wording of the lease. That will be clarified. Jen Gatsch doesn't want to have two houses on the market at the same time. Wally added that we don't know if one will sell before the other.

Motion carried, with two nays.

New Business:

Nancy Alex suggested consideration of adding parking spaces near the current parking lot where the tree used to be [on the east side of the office]. Wally said that we are working on moving the lot line between the church and the Peterson house, which would enlarge the parking area.

Motion to adjourn by Greg Hege. Art seconded.

Ron gave the closing prayer.

Meeting adjourned at 12:42.

Respectfully submitted,

Anne Bouchard for Jan Marchese
LHC Clerk