

## **FINANCE COMMITTEE ANNUAL REPORT July 1, 2022-June 30, 2023**

### **Introduction**

**The Finance Committee** has responsibility for stewardship of the financial resources of Chapel Hill Friends Meeting, which allows the Meeting to continue its work. The goals of the Finance Committee are to support this stewardship by:

- a) Maintaining a balanced budget;
- b) Supporting the work of vital committees and providing support for designated Quaker organizations and other local entities approved by Meeting for Worship with Attention to Business (benevolences);
- c) Providing and monitoring the level of savings for routine and unanticipated repairs for our facilities and flexibility to cover contingencies; and
- d) Maintaining sufficient assets and savings to meet future needs.

**The Treasurer** provides oversight of the financial health of the Meeting, maintains records of the financial transactions of the Meeting, and provides quarterly and annual reports to the Meeting for Worship and Attention to Business. While the roles of the Treasurer and the Finance Committee have been defined separately, we have in practice worked collaboratively. The Treasurer serves as an *ad hoc* member of the Finance Committee.

### **Activities of the Finance Committee in 2022-23**

Our routine activities included:

- Fundraising, collection of donations, and paying of Meeting obligations;
- Maintaining accounting of income and expenditures, the Meeting's bank and investment accounts, and the financial reserves for use in case of emergencies.
- Preparation of the Meeting's Annual Budget beginning in Spring of 2022. As part of this process, committees provided requests for funding of their planned activities for the upcoming fiscal year. Benevolence requests were also submitted by relevant committees. As usual, the budget was reviewed by MWAB in May and approved in June.

Among non-routine activities, we

- Identified sources of funding for three special projects and coordinated with Building and Grounds and the Schoolhouse Ad Hoc Committee for procurement and payments for them: 1) reconstruction of the porch, 2) engineering study for our HVAC system, and 3) engineering studies for the foundation of the Carolina Friends School building.

- Discovered external fraudulent use of funds in our checking account, and worked with Truist Bank to restore our funds. Although our Meeting did not suffer any financial losses, the fraud, among other things, disrupted multiple banking transactions and connections with our software and other external financial institutions over a period of months, at considerable time cost to the Treasurer and the Clerk of our committee.
- Increased the wages of the Religious Education Coordinator and the Child Care Assistant to the current [Orange County Living Wage](#) level.
- Accepted the decision of our Treasurer, Maura Murphy, to resign as of July, 2023 after more than ten years of service. Maura served as both accountant and Treasurer for her entire tenure.
- Separated and redefined the roles of the Treasurer and accountant. (see Appendix for details)
- Conducted a search for an accountant knowledgeable about nonprofits and hired Peggy James, CPA.

As usual, The Treasurer reported to the Finance Committee monthly on income and expenses and worked with the Committee in the preparation of the 2022-2023 fiscal year report, the quarterly reports to the Meeting for Worship with Attention to Business, and the budget for the 2023-2024 fiscal year. The Treasurer kept on-going records to assist in our task. We now use Quick Books online to track our finances and log contributions through Servant Keeper in conjunction with VANCO for our on-line contributions.

This past year, Maura was instrumental in dealing with Truist about the fraud, defining the roles of Treasurer and accountant, and interviewing and hiring the new external accountant. We thank her for working beyond her time commitment of June 30<sup>th</sup> to facilitate this transition and the lingering issues with Truist.

### **Commentary on FY2022-23 Financial Results**

In this section, we lead up to our conclusion that the Financial Health of Chapel Hill Friends, though not great, is good.

As we learned from the Treasurer's report, the Meeting's total ordinary income of \$89,239, including contributions of \$84,379, enabled (after subtracting our operating expenses) a positive net operating income of \$26,701 for FY2022-23. This outcome is a tribute to the generosity of contributors in our Meeting.

On the operating expenditure side, actual spending of only \$62,538 compared to budgeted spending of \$72,470 was in large part due to underspending by our committees. The rest of that

gap was primarily made up by savings resulting from our continued reliance on an unpaid volunteer zoom operator and an inadvertent underpayment of benevolences in FY2022-23.

Turning now to non-operating income and expenses, a further display of contributors' generosity is the \$26,308 in donations to the Designated Building Renovation Fund in FY2022-23. These gifts provide resources restricted for use on the planned Building Renovations and HVAC projects, which in 2022-23 totaled \$3,922.

Beyond the usual operating expenses, however, we incurred some other substantial bills, notably \$27,851 for the porch project, and \$2816 for engineering studies for the Carolina Friends School building. All of our total net income--plus some savings—was thus required to cover these other non-operating expenses—thus our overall FY2022-23 deficit of \$5038.

The Statement of Financial Position document provides a snapshot of all the Meeting's assets and liabilities on a given day, thus permitting comparisons of overall fiscal health of the Meeting from one year to the next. Due to accounting issues affecting the reported cash assets in the June 30, 2023 Statement, however, we focus here on FY2022-23 changes in our Friends Fiduciary (FFC) investment accounts. In the last few years, these investments have accounted for about 40% of our total financial assets. (FFC is an investment non-profit which was founded by Quakers in 1898. It offers "socially responsible investment management consistent with Quaker values.")

Table 1 provides details for the 3 FFC investment accounts held by the Meeting, each of which were 100% invested in FFC's "Growth and Income Fund", a diversified stock and bond fund. Overall growth was over 19%. All 3 of our accounts increased in value, led by a 10.6% increase in the Growth and Income Fund in which they are invested.

Table 1  
Changes of Value in the CHFM FFC Investment Funds 2022-23

Fund	30-Jun-22	30-Jun-23	% change
Shotts Endowment	36,454	38,685	6.1
General Fund Designated	26,910	39,851	48.1
Physical Plant Reserve Fund	34,375	38,027	10.6
Totals	97,739	116,563	19.3

The percentage growth in the 3 funds varies widely, however, first because all dividends are reinvested in The Physical Plant Reserve account and in the General Fund-Designated account, while all dividends are paid out to the Meeting for the Shotts account, leading to the relatively low growth in the principal held in that account. The much higher growth in the General Fund Designated account largely reflects another instance of generosity in the form of a \$9,908 stock donation in February 2023.

As for the 10.6% rate of return in the FFC's Growth and Income Fund, we are satisfied with that even though the S&P500 stock index rose by 17.6% over the same period. First, about 30% of the Growth and Income Fund is invested in bonds, whose prices declined substantially due to an increase in bond yields. Also, investment returns for so-called "Environmental, Social, and Governance" (ESG) stocks and bonds tend to be lower than for the broader market. Notably, for example, Friends Fiduciary does not invest in the oil and gas industries, whose stocks rose substantially more than did the S&P500 over the FY2022-23 period.

As the Treasurers report has indicated, the Meeting has a policy objective, as it has in the past, of maintaining adequate balances in cash in its checking account to cover 2 months of its expenses, and enough in its saving account to cover one year of its obligations. These requirements were met during the FY2022-23 period. We currently have adequate funds in these accounts to meet the higher "obligations" category of our budget in FY2023-24.

### **Financial Health of CHFM**

Overall, the Finance Committee considers that the Meeting's financial health is **good**, and our financial positions are sufficient to address our obligations, currently planned repairs (HVAC 1), and the leadings of the Meeting in FY2023-24. A push for additional contributions in the later months of last fiscal year was necessary to obtain the level of contributions we achieved. We will require continued support for this year.

Building Renovations funds are sufficient to cover the completion of HVAC 1. We await cost estimates for additional stages of the HVAC work and resulting renovations of the upstairs. Potential contributions to the CFS foundation remediation project will also require further assessment and likely a separate fund-raising campaign.

While the Budget vs. Actuals report shows a total net income of \$28,760, most of these funds (\$26,308) are designated for Building Renovations. As a result of special projects for the porch and CFS engineering studies, we have an overall deficit of \$5038 for FY 2022-23. We have, however, retained sufficient savings to cover this loss.

As noted above, Legacy Benevolences were unintentionally lower than planned in FY2022-23 due to errors in calculations. The Finance Committee proposes to allocate \$1,614 of our savings to restore the planned levels of donation to these organizations.

Finally, we point out that although we were able to provide only a partial picture of FY2022-23 changes in our total financial assets, the healthy growth of our FFC investment accounts during this period represents an advance in the long-term financial security of Chapel Hill Friends Meeting.

### **A Note of Thanks**

Finally, the Finance Committee wishes to acknowledge and thank Monteze for her years of service as Clerk of this committee. The amount of time and able effort she has devoted to this task, particularly during the past year, has been extraordinary. She took the lead in investigating and rectifying the fraudulent activity at Truist. Overall, Monteze has greatly contributed to our entire financial process.

The 2022-23 members of the Finance Committee were: Monteze Snyder (Clerk), Julia Cleaver, Tom Ludlow, Maura Murphy (Treasurer and ex officio member) Mansir Petrie Gwynne Pomeroy, and David Waterman.

### ***Appendix***

#### **Statement on the New FY2023-24 Roles of the Treasurer and the Accountant**

The Treasurer provides oversight on the financial health of the Meeting and is responsible for the following:

- Making regular financial reports to the Finance Committee and Meeting for Worship with Attention to Business
- Reviewing [financial statements](#) and matching them with the plans for the Meeting
- Coordinating and recording deposits of income to financial institutions with support from Finance Committee
- Providing year-end statements to contributors
- Maintaining Servant Keeper records of income
- Serving as the key liaison with the external accountant
- Responding to questions from Meeting members about expenditures and budgets
- Leading on problem solving related to financial matters
- Maintaining established policies for financial management of the Meeting

- Attending *ex officio* at Finance Committee meetings (usually 2<sup>nd</sup> Wednesday

#### Accountant

The accountant will be engaged on a contract to provide the following services:

- Record and itemize deposits
- Post General ledger
- Reconcile bank statements
- Reconcile credit cards with receipts
- Prepare 1099s, W2s and W3s and submit electronically
- Prepare state sales tax refund returns
- Preparation of accounts payable checks
- Oversee payroll services with external agent
- Bookkeeping software generated monthly, quarterly and annual reports
- Special reports:
  - Provides Treasurer with detailed report on utility costs and water bill and county drainage fee amounts
  - Calculates the prior calendar year's football parking income to the IRS and pays the UBIT tax
  - Runs other special reports as requested.