
**The Maine Conference
of the United Church of Christ**

Treasurer's Report

For the twelve months ended

December 31, 2006

Business Item

Annual Meeting Plenary 3 – September 29, 2007

This report is for internal management information purposes only, and is not to be released in whole or in part to any entity outside the Maine Conference of the United Church of Christ without express consent or permission of the Conference Treasurer or the Conference Business Manager.

The statements included in this report are interpreted by the Conference Treasurer and Business Manager for the year ending December 31, 2006, which have been, in interim form, reported to and reviewed by the Coordinating Council, and should be viewed accordingly.

Financial Audit Reports, issued by Certified Public Accountants for the year ending December 31, 2006, for both the Maine Conference and the Consolidated Trust, are available through the Conference Office. There will also be a limited number of copies available for review at the 2007 Annual Meeting Registration Desk.

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Overview

Conference ministries, facilities, and operations in 2006 were accomplished at a 5% cost increase over 2005, and at 2% less than what was budgeted. However, **2006 Conference income was down 1% from the previous year**, which was 6% less than what was budgeted. Overcoming even larger operating deficits during the year, we ended the year with a **deficit of \$58,168**.

Conference net assets rose during the year 2006 by \$46K, or 1.2%.

Benevolence giving from Maine Conference congregations channeled through the Maine Conference to UCC and wider church agencies (e.g. Church World Service) and special appeals (e.g. Hurricane Katrina response) reached almost \$157,000. (See Table 4, below, for a 3-year comparison).

Sound financial and internal controls continue to provide assurance of the protection of conference assets, and best practices accounting, analysis, and review under gird the diverse ministries of the Conference.

Budgeted Operations—Income

Table 1
Year 2006 Summary of Income

	2006 Budget	% of Budget	2006 Actual	\$ Diff. from Budget	% Diff. From Budget
INCOME:					
OCWM from Local Churches	\$ 625,000	44%	\$ 561,111	\$ (63,889)	-10%
Fellowship Dues	236,763	17%	220,387	(16,375)	-7%
Income from Invested Funds	55,918	4%	65,011	9,093	16%
Miscellaneous Income	37,393	3%	33,394	(3,999)	-11%
Pilgrim Lodge	320,307	22%	334,351	14,043	4%
Rockcraft Retreat Center	151,401	11%	122,950	(28,451)	-19%
TOTAL INCOME	\$ 1,426,783	100%	\$ 1,337,204	\$ (89,578)	-6%

Our Church's Wider Mission—OCWM *44% of the 2006 Conference budget*

While the 2006 budget anticipated no increase for OCWM contributions over the undersubscribed budget level of 2005, we knew we were somewhat optimistic. Year 2006 OCWM contributions actually decreased by \$27K vs. 2005, resulting in a \$64K shortfall with respect to the budgeted level—the key factor in the resulting deficit.

Fellowship Dues from Maine Conference Churches

17% of the 2006 Conference budget

Income from Fellowship Dues was stable relative to the previous year, but fell short of the budget projection by 7%, despite the anticipated additional income from a planned cost of living adjustment in the per capita rate (\$10.41 in 2006, up from \$10.00 in 2005).

Income from Investment*4% of the 2006 Conference budget*

Income from invested funds reflected rising market performance, yielding a 2% increase from 2005 in funds available from this funding source for Conference ministries and operations, a sum 16% more than our budget estimate.

Miscellaneous Income*3% of the 2006 Conference budget*

This category is difficult to budget, as it reflects erratic income streams, such as, a single unsolicited gift of \$3,000. Activity this year was below our estimate by nearly 11%.

Pilgrim Lodge*22% of the 2006 Conference budget*

Pilgrim Lodge income ended the year 4% higher than budgeted (11% higher than the previous year), reflecting, among other things, response to the prior year's direct appeal, and increased project transfers, as well as increased registration/fees.

Rockcraft*11% of the 2006 Conference budget*

Rockcraft income was 19% below budget, and 2% under 2005 income, owing largely to a loss of retreat clientele.

Budgeted Operations—Expenses

Table 2 Year 2006 Summary of Expenses	2006 Budget	% of Budget	2006 Actual	\$ Diff. from Budget	% Diff. From Budget
EXPENSES:					
Commission for Spiritual Life	\$ 20,125	1%	\$ 11,186	\$ (8,939)	-44%
Commission for Witness Life	206,050	14%	203,330	(2,720)	-1%
Commission for Community Life	40,600	3%	32,422	(8,178)	-20%
Resource Center	70,517	5%	70,663	146	0%
Pilgrim Lodge	320,307	22%	342,482	22,174	7%
Rockcraft Retreat Center	151,402	11%	121,647	(29,755)	-20%
Coordinating Council for Conference Life	617,782	43%	613,644	(4,138)	-1%
TOTAL EXPENSES	\$ 1,426,783	100%	\$ 1,395,372	\$ (31,441)	3%

Commission for Spiritual Life*1% of the 2006 Conference budget*

Expenditures were 44% below budget, owing in part to the receipt of fees for program participation.

Commission for Witness Life

*11% of the 2006 Conference budget for
Basic Support to United Church of Christ
plus 3% for other commission-directed expenses*

The budget for this Commission includes the Conference's Basic Support to the United Church of Christ. Divided for the purpose of clarity, the Commission's own program budget was \$46,050 (6% increase from 2005 budget), while Basic Support of the UCC was \$160,000 (3.9% increase from 2005 budget). The Conference makes equal Basic Support payments to the wider church on a monthly basis, though this is not mirrored in the pace of

contributions from congregations. Regarding the program portion of its budget, the Commission ended the year having spent \$2,700 less than what was budgeted.

Commission for Community Life *3% of the 2006 Conference budget*
Expenditures were 20% below budget.

Resource Center *5% of the 2006 Conference budget*
The Resource Center hit its target budget almost exactly.

Pilgrim Lodge *22% of the 2006 Conference budget*
Budgeted to be a self-supporting operation, Pilgrim Lodge expenses for budgeted operations this year outspent actual income by \$8,000, or 2%.

Rockcraft Retreat Center *11% of the 2006 Conference budget*
Rockcraft is budgeted to be a nearly self-supporting operation. The 2006 budget for Rockcraft assumed an anticipated 12.3% increase in retreat activity. This increase did not materialize. Both income and expense were 20% below budget, with income slightly exceeding expense.

Coordinating Council for Conference Life *43% of 2006 Conference budget*
This budget included a reduction in anticipated expenses for the Coordinating Council's own activity, and maintained personnel benefits despite increasing health premiums, while giving cost of living increases to staff, and making progress toward fulfillment of the Personnel Committee's pay equity plan. Coordinating Council expenses, overall, matched budget expectations.

Table 3
Comparative Statement of Budgeted Activities

	2006 Actual	2006 Budget	2005 Actual
INCOME			
Conference Operating Revenues:			
Our Church's Wider Mission	\$ 561,111	\$ 625,000	\$ 588,140
Fellowship Dues	220,387	236,763	219,895
Investment Income	65,011	55,918	63,929
Miscellaneous Income (net of interest expense)	<u>33,394</u>	<u>37,393</u>	<u>46,185</u>
Total Conference Operating Revenue	879,904	955,074	918,149
Pilgrim Lodge:			
Income from Use	261,008	277,356	235,771
Conference Support	8,452	8,452	8,278
Other Income	<u>64,891</u>	<u>34,499</u>	<u>58,039</u>
Total Pilgrim Lodge	334,351	320,307	302,088
Rockcraft Center:			
Income from Use	91,808	124,462	99,765
Conference Support	13,090	13,090	12,916
Other Income	<u>18,052</u>	<u>13,849</u>	<u>12,851</u>
Total Rockcraft Center	<u>122,950</u>	<u>151,401</u>	<u>125,532</u>
TOTAL INCOME	\$ 1,337,204	\$ 1,426,783	\$ 1,345,770
EXPENSES			
Commission for Spiritual Life:			
Program Expenses	\$ 10,047	\$ 18,825	\$ 15,528
Commission and Committee Expenses	<u>1,139</u>	<u>1,300</u>	<u>759</u>
Total Commission for Spiritual Life	<u>11,186</u>	<u>20,125</u>	<u>16,287</u>
Commission for Witness Life:			
Program Expenses (includes UCC basic support)	202,916	205,200	195,544
Commission and Committee Expenses	<u>414</u>	<u>850</u>	<u>606</u>
Total Commission for Witness Life	<u>203,330</u>	<u>206,050</u>	<u>196,150</u>
Commission for Community Life:			
Program Expenses	31,916	40,300	39,319
Commission and Committee Expenses	<u>506</u>	<u>300</u>	<u>187</u>
Total Commission for Community Life	<u>32,422</u>	<u>40,600</u>	<u>39,506</u>
Resource Center	<u>70,663</u>	<u>70,517</u>	<u>64,544</u>
Pilgrim Lodge	<u>342,482</u>	<u>320,307</u>	<u>305,338</u>
Rockcraft Center	<u>121,647</u>	<u>151,402</u>	<u>118,403</u>
Coordinating Council for Conference Life:			
Personnel Costs	408,017	422,359	382,200
Occupancy Costs	77,859	76,037	85,035
Other Costs	127,768	119,386	126,798
Debt Reduction and Contingencies	-	-	-
Total Coordinating Council for Conference Life	<u>613,644</u>	<u>617,782</u>	<u>594,033</u>
TOTAL EXPENSES	\$ 1,395,372	\$ 1,426,783	\$ 1,334,260
OPERATING SURPLUS (DEFICIT)	\$ (58,168)	\$ -	\$ 11,510
Transfers, Extraordinary Revenue, accruals	-	-	-
NET SURPLUS (DEFICIT)	\$ (58,168)	\$ -	\$ 11,510

Concluding Comments and Recommendations

The decisions that our congregations and their members make regarding their level of support for Our Church's Wider Mission critically impacts the effectiveness of the Conference (and the wider church) in all of its ministries and missions.

Traditional practices of those many churches which remit their Our Church's Wider Mission contributions at year-end (or after!) results in serious cash-flow difficulties for the Conference, at times necessitating short-term borrowing to meet budgeted expenses.

We need to create and develop concurrent means of funding the vital and distinguishing mission and ministries of the Conference and its affiliate congregations, to maximize the program potential of our facilities, and to develop those ministries being discovered and discerned. OCWM will continue to be our primary source of funding for ministry. However, going forward, we will need to develop additional income streams through endowments, redeployment of assets, grants and/or fees for service.

The size of the 2006 year-end deficit prompted the Coordinating Council to make prudent, difficult interim adjustments of \$33,640 to the 2007 budget originally adopted at the September, 2006, Annual Meeting. Additionally, Conference Minister David Gaewski, with Coordinating Council approval, has gathered a task force for Financial Envisioning and Development, which has been monitoring and analyzing Our Church's Wider Mission¹ and Fellowship Dues data, made progress on special gifts policies, reviewed directed appeals (Friends of the Maine Conference, Friends of Pilgrim Lodge, etc.) and gifts to particular ministries (Honduras Partnership), and is working on OCWM development strategies.

Financial Controls

Independent auditors found no violations of internal control in the Conference operation.

Further, they found the financial statements of the Conference fairly represent the condition of Conference finances.¹

Independent auditors of the Consolidated Trust Fund found no reportable conditions or weaknesses in internal control.²

High quality stewardship of benevolences and donor-restricted funds continues. Because good systems and procedures are implemented and operated, each and every dollar entrusted to the Maine Conference UCC for forwarding goes to the following national benevolences in a timely manner: One Great Hour of Sharing, Neighbors in Need, Strengthen the Church, The Christmas Fund, Hunger Action and other directed benevolences (miscellaneous and special appeals: hurricanes, floods, fires).

¹ Financial Audit Reports, issued by Certified Public Accountants for the year ending December 31, 2006, for both the Maine Conference and the Consolidated Trust, are available through the Conference Office. There are a limited number of copies available for review at the 2007 Annual Meeting Registration Desk.

² See note above.

Multiple budget reporting systems provide essential oversight and encourage effective and responsible stewardship of Conference and Trust resources. The Conference Treasurer and Business Manager make frequent and timely reports of the Conference operations to the Coordinating Council and to the Finance Committee. The Coordinating Council created an **Audit Committee** in an effort to follow best practices. The Audit Committee follows a charter of involvement and oversight in the audit processes of both the Conference and Consolidated Trust, meeting with both the independent auditors and those in management roles during the audit processes, and discussing and reporting the outcomes.

Other Items of Note

Loan to the Four Directions Development Corp.

The Commission for Witness Life recommended to the Coordinating Council a loan of \$50,000 to the Giving Winds initiative of the Four Directions Development Corporation, which is engaged in providing low-cost housing and small-business loans to Maine tribal members. Pursuing due diligence, the Conference scrutinized the Corporation's financial statements to ascertain the probability that Four Directions would be capable of repaying the loan. They gave evidence of sufficient stability as a financial institution, with a low loan default rate and sufficient reserves at the time of their disclosure. After assessing the relative merits and costs of such a loan of unbudgeted Conference funds, the Coordinating Council, at its meeting in April 2006, approved a \$25,000 loan for a term of 5 years, at an interest rate of 2%, interest due annually, and a balloon payment of principal due at maturity (5/15/2011). This loan will, for a time, reduce the Conference's invested funds, from which we derive income for budgeted ministries.

Benevolences

Following the record-setting year of 2005, with its generous response to multiple relief appeals, this year's figures for UCC Special Offerings and other benevolences directed from the congregations through the Conference could be more meaningfully compared with prior years, as it falls midway between the total for 2004 and 2003.

Report of Conference Benevolence	2006	2005	2004	06 versus '05	
One Great Hour of Sharing	\$ 67,114	\$ 64,009	\$ 79,957	\$ 3,105	4.9%
Neighbors in Need	35,955	34,038	32,811	1,917	5.6%
Strengthen the Church	2,832	2,794	1,097	38	1.4%
Christmas Fund (Veterans of the Cross)	38,847	35,095	35,042	3,752	10.7%
Hunger Action /1	-	-	229	-	
Just Peace Appeal /1	-	-	-	-	
Directed (misc. & special appeals: floods, fires)	11,819	295,179	28,427	(283,360)	-96.0%
Total	\$ 156,568	\$ 431,115	\$ 177,563	\$ (274,548)	-63.7%

Note

/1 No longer active appeals in 2003.

Table 5

**The Maine Conference of the United Church of Christ
Comparative Statement of Financial Position**

Years ended December 31, 2006, 2005, 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
ASSETS			
Cash on Hand and in Banks	\$ 162,903	\$ 247,377	\$ 300,870
Accounts Receivable	123,531	188,754	123,142
Prepaid Expenses	40,970	49,842	45,500
Inventory	29,184	31,790	14,752
Campaign Pledges Receivable			**
Investments in the Consolidated Trust:			
Available for Current Operations	306,242	285,480	278,754
Other Investments	7,006	35,591	38,900
Notes Receivable	51,160	60,160	32,491
Land	415,030	415,030	415,030
Net Depreciable Assets	443,381	475,886	501,600
Contributions Receivable from Remainder Trusts	90,606	91,106	89,082
Investments in the Consolidated Trust:			
Held for Endowment Purposes	1,800,070	1,659,278	1,614,599
Beneficial Interest in Trust	534,314	503,795	490,414
TOTAL ASSETS	<u>\$ 4,004,397</u>	<u>\$ 4,044,089</u>	<u>\$ 3,945,134</u>
LIABILITIES			
Accounts Payable	\$ 84,874	\$ 134,801	\$ 98,567
Accrued Expenses	9,558	10,383	12,466
Prepaid Fees	7,479	3,439	1,505
Notes Payable	-	-	-
Deposits	-	-	-
Held for Others	7,222	46,330	51,463
TOTAL LIABILITIES	<u>\$ 109,133</u>	<u>\$ 194,953</u>	<u>\$ 164,001</u>
NET ASSETS			
Unrestricted	\$ 1,339,274	\$ 1,452,559	\$ 1,442,074
Temporarily Restricted	221,606	233,504	234,047
Permanently Restricted	2,334,384	2,163,073	2,105,012
TOTAL NET ASSETS	<u>\$ 3,895,264</u>	<u>\$ 3,849,136</u>	<u>\$ 3,781,133</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,004,397</u>	<u>\$ 4,044,089</u>	<u>\$ 3,945,134</u>

** Presentation in previous reports included these note items:

Campaign Pledges Receivable	13,156	13,156
Deferred Pledge Revenue	13,156	13,156

Table 6
Maine Conference of the United Church of Christ
Statement of Cash Flows
Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ 46,128
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	66,724
Unrealized and Realized (Gains) Losses on Investments	(171,311)
(Increase) Decrease in Accounts Receivable	65,223
(Increase) Decrease in Inventory	2,606
(Increase) Decrease in Prepaid Expenses	8,872
(Increase) Decrease Note Receivable	9,000
(Increase) Decrease in Remainder Trust	500
Increase (Decrease) in Accounts Payable	(49,927)
Increase (Decrease) in Accrued Expenses	(825)
Increase (Decrease) in Prepaid Fees	<u>4,040</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (18,970)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	\$ (34,866)
Loss on Disposal of Fixed Assets	647
Proceeds From Sale of Investments	<u>7,823</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (26,396)</u>
CASH FLOWS FROM AGENCY ACTIVITIES	
Increase (Decrease) in Funds Held for Others	<u>\$ (39,108)</u>
NET DECREASE IN CASH	\$ (84,474)
CASH - BEGINNING OF YEAR	<u>247,377</u>
CASH - END OF YEAR	<u><u>\$ 162,903</u></u>

This report was prepared by Rev. Linda K. Gard, Conference Treasurer