

Loan Cancellation Proposal

Background

The initial plan approved in September 1996 by the congregation to move to our present site assumed that we would retain our Washtenaw site and build only the Sanctuary and the entrance corridor for Sunday services. A revised plan approved 4 months later included the sale of the Washtenaw site and the completion of our present home without the SGD wing.

The revised plan would be financed through the money that has already been raised for the initial plan (\$1.5 million), the sale of the Washtenaw site (\$420,000), the use of the Jackson Endowment Fund (\$373,000) and the use of funds in the Endowment for a Liberal Church (\$149,000). A very small mortgage (\$148,000) was projected.

The Jacksons' will stated that this endowment could be used for the support of the Unitarian Church. The Liberal Church Endowment was to be used for capital improvements to the church buildings and grounds.

The church was cash constrained at this time (similar to many times in its history). These funds represented its entire stock of "free cash" to be used in emergencies, and the church faced a move that would entail a significant outlay of cash. So rather than use the funds outright, the revised plan proposed that these funds be borrowed from the endowments, and repaid over a ten year period. Except for some minor repayments (and some additional borrowings from the Liberal Church Fund), these loans remain outstanding.

Proposal

It is proposed that the Congregation cancel these loans to itself.

Rationale

- In contrast to 1997, our major capital needs for new buildings are behind us.
- In contrast to the situation in 1997, the congregation is in a much more robust financial condition now. We have:
 - About \$150,000 - \$200,000 in free cash assets
 - Other endowments (e.g., 21st Century Endowment with about \$200,000 in assets)
 - Increased borrowing capacity against our assets
- We have much better financial management of our assets. We have a sustainable structure able to retire our present debt in an orderly fashion.
- It is problematic if we would ever have a capital campaign to raise \$500,000 that we don't need. It is also problematic if such a campaign would be successful.
- This financing arrangement requires explanation, and does not further our goal of financial literacy among the congregation.
- This is also an issue with our bank: we have had a half million dollar debt on our books for almost 20 years with no repayment plan.

Motion

The Congregation cancels its loans from the Jackson Endowment Fund of \$386,880.34 and the Liberal Church Endowment of \$123,788.34.