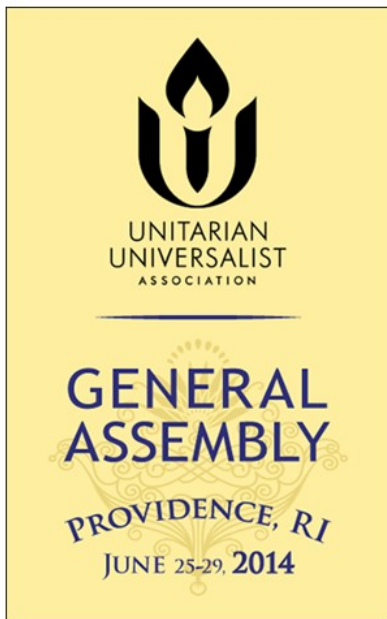


“It is my pleasure to speak to you today.”



Financial Advisor's Report

Larry Ladd



June 27, 2014

I will be covering five topics today.



Topics

- Role of the Financial Advisor
- Activities
- Results
- Growth "Urgency and Hope"
- Generosity "You are not alone"



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First, let me describe the role of the Financial Advisor, a position created by the General Assembly in 1969.



Role of the Financial Advisor

- Provides the President, Board of Trustees, & General Assembly with an independent and expert evaluation of financial issues and the fiscal health of the UUA, and
- Recommends changes that will improve the quality of fiscal planning and management of the UUA



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For me, the role is best summed up by this advice I received from a long time senior minister in our Association, back in 1996 when I first ran for the position.



"Those of us who serve volunteer organizations, even if we have fiscal awareness, cannot reach to the heart of finances. The treasurer usually represents management. What we need is a person who strives mightily (not always successfully) to give us an independent and critical view – the best assurance available that we are being responsible....The Financial Advisor must take that role as central."

Rev. Dr. Peter S. Raible 1929-2004

4

The Board of Trustees of our Association determines the “ends” of the Association, but it is also legally a fiduciary.



Board as Fiduciary

Two legal fiduciary responsibilities of a not-for-profit board:

- Duty of loyalty
- Duty of care

Financial Advisor supports the board in fulfilling its "duty of care" responsibilities



5

In fulfilling the role, the Financial Advisor serves on a few committees. [I won't mention the committees; I'll just ask for the next slide after the small amount of laughter subsides.]



Where the Financial Advisor Serves

- Board of Trustees
 - Executive Committee
 - Finance Committee
- Investment Committee
- Committee on Socially Responsible Investing
- Audit Committee
- Employee Benefits Trust
- Retirement Plan Committee



6

This slide gives you a picture of the full range of assets “under management or oversight” by the Board. Don’t worry that you can’t read all of these quickly enough, because they are listed in my written report that is available to you. [Again, I won’t mention them; I’ll just quickly ask for the next slide].

Key Entities/ Assets



- Board of Trustees (\$33M budget)
- Investment Committee
 - Common Endowment Fund (\$165M)
- Employee Benefits Trust (\$5.2M assets; \$4.5M investments; \$9.2M annual revenue)
- Retirement Plan (\$265M)
- Outside trusts: Holdeen Master Trusts, Charitable Trust Funds, etc. (\$42M)
- Beacon Press (\$3.0M)
- Building Loans (\$6.9M)



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In performing my work on your behalf, I follow these basic principles or “standards for financial performance.” Again, I’m not going to read them because you can do so in my written report. [Slide quickly changes]



Standards for Financial Performance

- A clear religious message
- A program worthy of support
- Strategic thinking
- Expanding resources
- Strong endowment performance
- Conservative budget management
- Budget reflects the plan
- Creative use of assets
- Explicit policies consistently applied
- Risk management
- Quality financial information
- Skilled and knowledgeable people
- Don't forget Beacon Press



As you may know, I'm finishing the first year of a new term as Financial Advisor, having served previously from 1997 to 2005. While many things in our Association have changed, my attitudes and values have not changed, and it worth noting my "parting advice" when I thought I was completing my final term back in 2005.



Parting Advice (from 2005)

- Focus on growth rather than maintenance
 - “Mission not governance”
- Look outward not inward
- Respect roles and accountabilities
- Be worthy of our youth
- Everything I know about money I learned in the UUA in the late 1960s:
 - “Money is an instrument of our values.”

Now let me mention briefly some of my activities on your behalf in the last year.



Activities

- Recruitment for business committees
- Enterprise risk assessment
- Financial policies review
- Coaching on FY2015 budget narrative
- Paper on "Ecology and Economics of Theological Schools" (copy on request)

Our financial results include only good news.



Financial Results

- Endowment performance remains strong
- "Clean opinion" for audit in FY2013
- Budget for FY2014 that describes how budget implements plan
- Capital campaign in the works

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I am of the opinion that mission-driven not-for-profit organizations should have essentially perpetual capital campaigns, i.e. that fund raising should be an ongoing high priority, because the need is there but, more importantly, because donors need an opportunity to give their assets for a larger purpose than themselves.

Our endowment performance, with a strong socially responsible ethos, remains very strong.



Endowment Performance

- Over five, seven and ten year time periods, performance ranked in the **top quartile** of endowments in the \$50 million to \$250 million range
- Over ten years, return of 7% vs.
 - 6.5% for endowments \$50-250 million
 - 6% for policy index



Budget Results

- For two years in a row, large gifts that were to support the operating budget didn't materialize
- Principles violated:
 - not staying on top of revenue,
 - relying on large gifts to support operations
 - president not on top of fund raising



Budget Results

- Mistakes and surprises happen in organizations – that's no excuse but **we shouldn't get anxious**
- Board and administration are committed to establishing good practice
 - Revenue predicted conservatively
 - Not rely in large gifts to support operations
 - Address systemic issues

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Any mission-based organization should grow, and especially one with a message as compelling as ours. But for us, the performance is mixed.

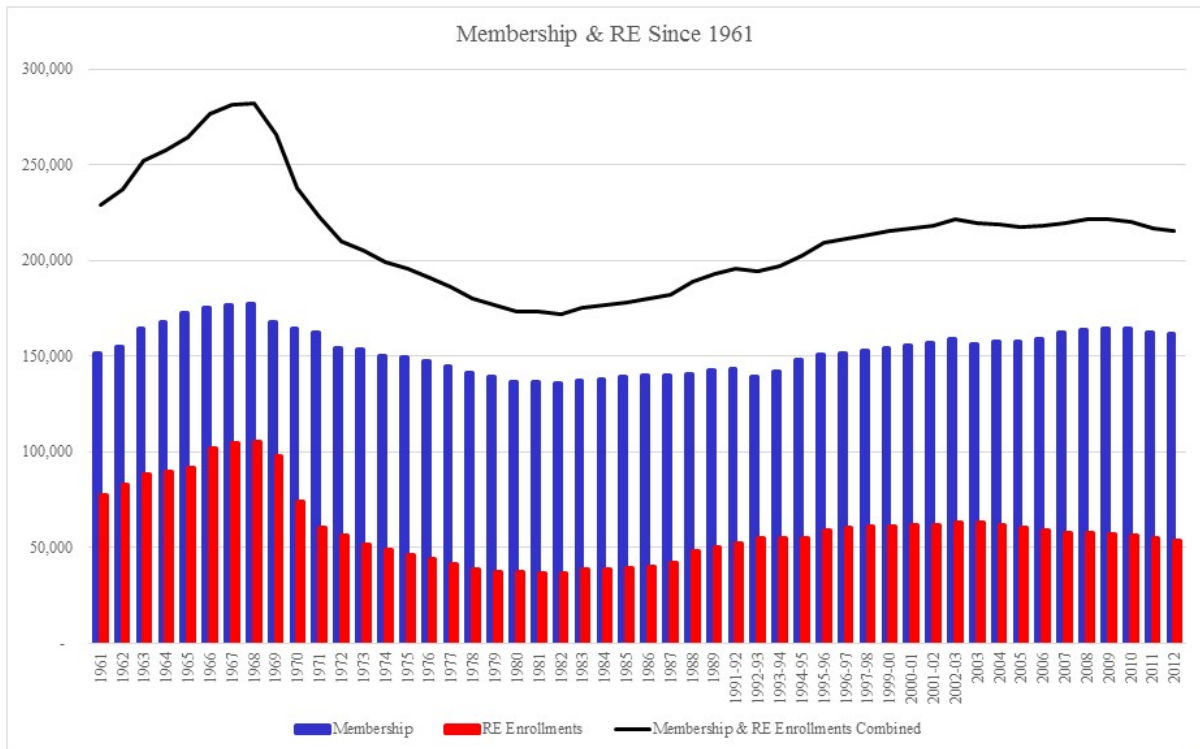


Growth: Urgency and Hope

- Membership has been declining for five years
- RE enrollments have been declining for seven years
- But the total numbers, at least for membership, **mask large swaths of growth and hope in our congregations**

14

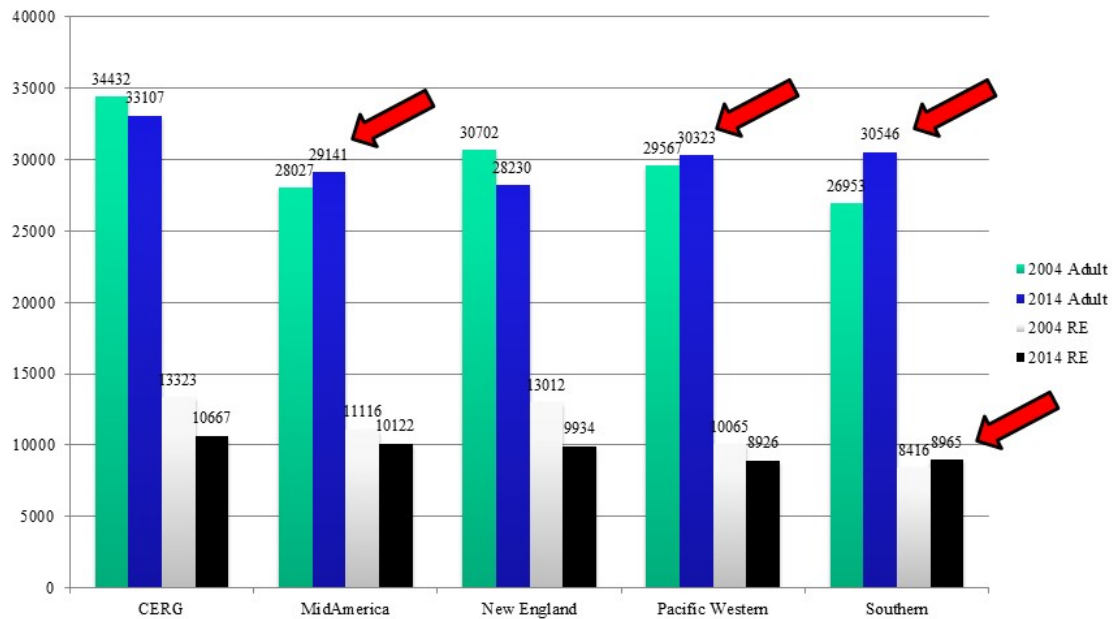
Ladies and gentleman, this is the first chart I prepared as your Financial Advisor back in 1997, and it may be the first modern example of “performance metrics” used in the UUA. While the numbers in the 1960s are exaggerated (the “fair share” wasn’t used yet so there was no incentive to make the figures accurate), the story is basically: we grew in the 1960s, declined in the 1970s, in the early 1980s began to grow very slowly each year until five years ago, when we began to decline very slowly.



But as I mentioned a few slides back, the overall decline masks growth in the MidAmerica, Pacific Western, and Southern regions.



10 Year Comparison by Region Adult Membership & RE Enrollment



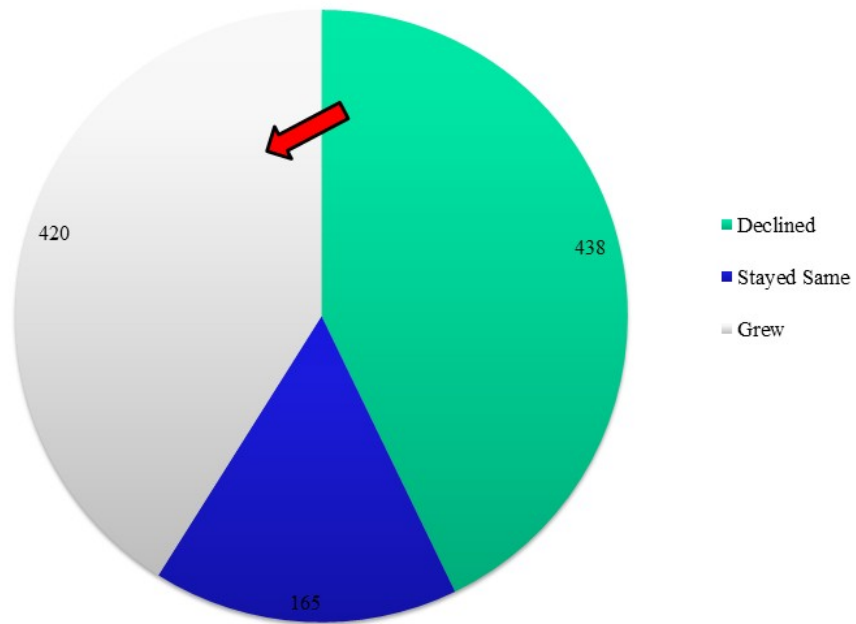
16

Where there is growth, it is occurring at all congregational sizes.

And almost half of our congregations are growing. I'm moving through these slides very quickly, but remember that these graphs are available in my written report.



UUA in the USA Adult Membership



In summary,



Growth: Urgency and Hope

- In congregations (close to half of them)
- In three of five regions
- We need to speak of congregations
- We need to address the decline in RE enrollments
- We need to be blunt about the facts of decline and nuanced about the facts of growth

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Lastly, let me talk about generosity.



Generosity

- You are not alone
- Generosity is a spiritual practice (it's about what you give)
- You give to connect yourself with something larger than yourself
- Giving is joyful!



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This lady is Rev. Olympia Brown, one of our pioneer women ministers from the latter part of the 19th and early 20th centuries. Throughout of history, people of color and women have sought to provide religious leadership and their struggles should be lifted up. Olympia Brown is one of those who made possible the professional ministries of my wife, daughter-in-law, and daughter. Near the end of a life of struggle for accomplishment and recognition within our faith community, she could still say these words:



Rev. Olympia Brown

"Dear Friends, stand by this faith. Work for it and sacrifice for it. There is nothing in all the world so important to you as to be loyal to this faith which has placed before you the loftiest ideal, which has comforted you in sorrow, strengthened you for the noble duty and made the world beautiful for you."



**Thank you for the
opportunity to serve!**