

	C	D	E	F	G	H
2	Unitarian Universalist Association	FY16	FY17	FY18	Percent	FY19
3	Budget Overview	Results	2Q17 Fcst	Budget	Inc/(Dec)	Budget
4	Current Operations				E to F	
5						
6	\$ in Thousands					
7	Income:					
8	Income for General Support					
9	Annual Program Fund	6,538	6,750	6,750	0.0%	6,750
10	Annual Program Fund - Regional	468	1,695	1,636	-3.5%	1,636
11	Unrestricted Gifts	957	1,270	1,435	13.0%	1,435
12	Leadership Annual Giving	0	0	500	100.0%	500
13	Bequest Income	445	500	500	0.0%	500
14	Administrative Fees	2,216	2,221	2,206	-0.7%	2,224
15	Endowment Income	3,148	2,971	2,772	-6.7%	2,672
16	Publications Income	1,173	1,425	1,455	2.1%	1,455
17	Net Lease Income	953	968	1,005	3.8%	1,017
18	Other Current Fund Income	573	492	485	-1.3%	485
19	Total Income for General Support	16,471	18,292	18,744	2.5%	18,674
20						
21	Income for Designated Purposes					
22	Campaign Income	1,507	1,494	1,134	-24.1%	1,086
23	UUCSR Veatch Grants	2,372	2,508	2,589	3.2%	3,102
24	Grants and Scholarships	1,006	991	890	-10.3%	841
25	Ministerial Aid Funds	522	479	455	-4.9%	447
26	Holdeen and International Trusts	1,469	1,346	1,272	-5.5%	1,272
27	Income for Other Purposes	1,690	2,349	2,071	-11.8%	2,066
28	Total Inc for Designated Purposes	8,566	9,167	8,411	-8.2%	8,814
29	Total Income	25,037	27,459	27,155	-1.1%	27,488
30						
31	Expenses:					
32	Board & Volunteer Leadership	467	500	451	-9.7%	462
33						
34	Programs:					
35	Program and Strategy Office	815	590	565	-4.3%	569
36	Multicultural Growth and Witness	1,309	1,142	1,130	-1.0%	1,163
37	International Programs	1,937	1,508	1,317	-12.6%	1,317
38	Congregational Life	3,451	5,638	5,395	-4.3%	5,491
39	Ministries and Faith Development	4,877	4,917	4,826	-1.8%	4,797
40	UU Funding Program	1,405	1,373	1,374	0.0%	1,377
41	Crisis Relief & Misc. Programs	158	417	58	-86.0%	57
42	Communications	2,659	2,778	2,860	2.9%	2,891
43						
44	Total Programs	16,612	18,363	17,525	-4.6%	17,662
45						
46	Administration	1,359	1,524	1,469	-3.6%	1,483
47	Contingency/Salary Increase	0	228	554	143.0%	857
48						
49	Infrastructure					
50	Stewardship and Development	1,867	2,194	2,351	7.2%	2,394
51	Information Technology Services	1,441	1,510	1,582	4.8%	1,607
52	Internal Services	2,883	3,550	3,672	3.4%	3,673
53	Total Infrastructure	6,191	7,254	7,606	4.9%	7,674
54						
55	Total Expenses	24,630	27,869	27,605	-0.9%	28,138
56						
57	Depreciation Spending	0	400	450		450
58						
59	Current Section Excess/(Deficit)	407	(10)	0		(200)
60						

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY16	FY17	FY18	Percent	FY19
2	Budget Summary	Results	2Q17 Fcst	Budget	Inc/(Dec)	Budget
3	Current Operations				F to G	
4						
5	<i>\$ in Thousands</i>					
6	Income:					
7	Income for UUA General Support					
8	Annual Program Fund	6,538	6,750	6,750	0.0%	6,750
9	Annual Program Fund – Regional	468	1,695	1,636	-3.5%	1,636
10	Unrestricted Gifts	957	1,270	1,435	13.0%	1,435
11	Leadership Annual Giving	0	0	500	100.0%	500
12	Bequest Income	445	500	500	0.0%	500
13	Administrative Fees	2,216	2,221	2,206	-0.7%	2,224
14	Endowment Income	3,148	2,971	2,772	-6.7%	2,672
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17	Other Current Income	573	492	485	-1.3%	485
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19	Income for Designated Purposes					
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23	Ministerial Aid Funds	522	479	455	-4.9%	447
24	Holdeen & International Trusts	1,469	1,346	1,272	-5.5%	1,272
25	Income for Other Purposes	1,690	2,349	2,071	-11.8%	2,066
26		8,566	9,167	8,411	-8.2%	8,814
27	Total Income	25,037	27,459	27,155	-1.1%	27,488
28						
29	Board & Volunteer Leadership					
30	Board of Trustees	183	196	187	-4.9%	187
31	Board Committees	85	89	76	-14.1%	76
32	Board Task Forces	4	5	1	-67.9%	1
33	Moderator	23	20	20	0.0%	20
34	Nominating Committee	16	19	19	0.0%	19
35	Commission on Appraisal	21	31	18	-41.1%	18
36	Ministerial Fellowship Committee	114	103	103	0.0%	103
37	Commission on Social Witness	21	37	27	-28.0%	38
38	Total Board & Volunteer Leadership	467	500	451	-9.7%	462
39						
40	Programs:					
41	Program Strategy Office (former Growth Strategies)	815	590	565	-4.3%	569
42						
43	Multicultural Growth and Witness	1,309	1,142	1,130	-1.0%	1,163
44						
45	International Office	219	213	206	-3.3%	206
46	Holdeen International Partners	165	154	100	-35.2%	100
47	Holdeen India Program	1,239	870	734	-15.7%	734
48	UU-UNO	314	271	277	2.1%	277
49	Total International	1,937	1,508	1,317	-12.6%	1,317
50						
51	Congregational Life					
52	Congregational Life	2,267	1,359	1,408	3.7%	1,411
53	Southern Region	1,118	1,199	1,147	-4.3%	1,167
54	New England Region	0	1,202	1,128	-6.1%	1,188
55	Central East Region	0	1,803	1,638	-9.1%	1,651
56	Office of Congregational Stewardship Services	66	75	74	-1.8%	74
57	Total Congregational Life	3,451	5,638	5,395	-4.3%	5,491
58						
59	Ministries and Faith Development					
60	Resource Development Director	146	147	143	-2.1%	145
61	Resource Development Office	454	463	539	16.4%	544
62	Youth and Young Adult Ministries	580	622	630	1.3%	635
63	Director of Ministries and Faith Development	426	427	428	0.3%	432
64	Director of RE Credentialing	98	69	0	-100.0%	0
65	Director of Ministerial Credentialing	193	186	190	2.5%	192
66	Director of Transitions	339	318	322	1.4%	324
67	Office of Church Staff Finances	580	654	697	6.5%	702

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY16	FY17	FY18	Percent	FY19
2	Budget Summary	Results	2Q17 Fcst	Budget	Inc/(Dec)	Budget
3	Current Operations				F to G	
68	Office of UUA Health Plan	244	250	217	-13.1%	220
69	Director of Professional Development	208	210	218	3.6%	220
70	Scholarships and Ministerial Ed Grants	334	336	309	-8.0%	307
71	Continuing Education	65	82	79	-3.8%	78
72	Aid Funds	589	545	520	-4.6%	511
73	Panel on Theological Education	621	608	534	-12.1%	487
74	Total Ministries and Faith Development	4,877	4,917	4,826	-1.8%	4,797
75						
76	UU Funding Program	1,405	1,373	1,374	0.0%	1,377
77	Crisis Relief & Misc. Programs	158	417	58	-86.0%	57
78						
79	Communications					
80	IPW Office	368	386	396	2.6%	405
81	Periodicals Office	917	949	967	1.9%	976
82	Publications Administration	559	576	590	2.5%	600
83	UUA Bookstore	815	867	907	4.6%	910
84	Total Communications	2,659	2,778	2,860	2.9%	2,891
85						
86	Total Programs	16,612	18,363	17,525	-4.6%	17,662
87						
88	Administration					
89	Office of the President	526	561	568	1.2%	573
90	Office of the Executive Vice President	407	410	388	-5.2%	394
91	Contingency Expense	0	0	383	100.0%	375
92	Salary Increase	0	228	171	-25.0%	482
93	Human Resources	426	553	513	-7.4%	516
94	Total Administration	1,359	1,752	2,023	15.5%	2,340
95						
96	Infrastructure:					
97	Stewardship and Development					
98	Vice President, Development	48	264	510	93.3%	505
99	APF Campaign	290	382	429	12.2%	433
100	Friends Campaign	289	329	416	26.4%	418
101	Charitable Gift and Estate Planning	155	324	383	18.4%	386
102	Comprehensive Campaign	1,085	895	613	-31.5%	652
103	Total Stewardship and Development	1,867	2,194	2,351	7.2%	2,394
104						
105	Information Technology Services	1,441	1,510	1,582	4.8%	1,607
106						
107	Internal Services:					
108	Finance					
109	Treasurer and Vice President of Finance	367	391	394	0.7%	398
110	Financial Services	662	682	757	10.9%	765
111	Total Finance	1,029	1,073	1,151	7.3%	1,163
112						
113	Facilities					
114	24 Farnworth Street	1,854	2,477	2,521	1.8%	2,510
115	Total Operations Services	1,854	2,477	2,521	1.8%	2,510
116						
117	Total Internal Services	2,883	3,550	3,672	3.4%	3,673
118						
119	Total Infrastructure	6,191	7,254	7,606	4.8%	7,674
120	Total Expenses	24,630	27,869	27,605	-0.9%	28,138
121						
122	Depreciation Spending	0	400	450		450
123						
124	Current Section Excess/(Deficit)	407	(10)	0		(200)
125						

Budget Fiscal Year 2018 – Flux Analysis

The following is an analysis of the changes from the FY17 2nd quarter forecast to the FY18 budget.

Overall income – down 1.1%

Annual Program Fund – No change

Flat with the FY17 forecast.

Annual Program Fund Regional Dues – \$1.6 million

In FY18, the Central East and New England Regions’ finances will be incorporated into the UUA’s budget. Regional dues that formerly went to those regions – separate legal entities – will now come to the UUA to support staff and programs in the Regions. This new revenue will pay for the regional payroll and program expenses carried in the Congregational Life staff group.

Unrestricted gifts – up 13%

We assume increased unrestricted giving driven by the volatile political climate and the momentum from a new UUA president.

Leadership Annual Giving – \$500,000

This new income category – consisting of unrestricted gifts of \$10,000 and above – was previously included in Campaign Income. Since these donations are unrestricted, it is more appropriate to account for them in this section of the budget.

Endowment Income – down 6.7%

The decline in payout from the endowment is due to three factors:

- Lowering of the payout rate under the Board’s endowment spending policy. This incorporates the third step in the three-year reduction from 5.5% to 4.5%.
- Principal repayments on the loan used to finance the build-out of the UUA’s offices at 24 Farnsworth Street reduces the asset balance used in calculating the payout.
- Lower market performance of the endowment investments.

The UUA’s spending policy is based on the current year’s spending increased by inflation, weighted 70%, and 4.5% (down from 5% last year) of the average asset value for the four quarters ending December 31, weighted 30%. The formula is as follows:

	(Previous year endowment spending X (1+inflation rate)) X 70%
plus	(4 quarter average asset value at 12/31 X 4.5%) X 30%
equals	Endowment spending for FY starting 7/1

Campaign Income – down 24.1%

The apparent decrease is due to the shift of \$500,000 to Leadership Annual Giving, described above. Adjusted for this re-categorization, campaign income is actually up 9%.

Grants and Scholarships – down 10.3%

Revenue for grants and scholarships is primarily from endowment funds restricted to ministerial scholarships and theological education. In addition, under a Memorandum of Understanding with the board of the Liberal Religious Charitable Society (LRCS), approximately \$100,000 of the allowable spending from the LRCS fund has been allocated to theological education during President Morales' administration. \$50,000 of this was committed only for the duration of President Morales' administration and was thus discontinued for FY18 in accordance with the MOU.

Ministerial Aid Funds – down 4.9%

Revenue for ministerial aid is primarily from restricted endowment funds. The decline caused by the change in the spending policy and investment performance.

Holdeen and International Trusts – down 5.5%

This represents the payout from the Holdeen Trusts, managed by Wells Fargo. Most of this income is used for international programs, such as the Holdeen India Program, the International Office, and grants to outside organizations with an international mission. Wells Fargo has notified us that they have overpaid the UUA over the several years and will now recover that amount over the next three years. This lowers the amount available for programmatic spending.

Income for Other Purposes – down 8.7%

In FY17 this included draws on regional reserves used to make up the shortfall from the regional losses in excess of the allowable deficit. In FY18 funds from regional reserves were shifted to Restricted Income. In the FY18 Budget, the regions are expected to stay close to or below the allowable deficit.

Overall Expenses – down 0.9%

Board and Volunteer Leadership – down 9.7%

Reflects a proposed reduction to committee budgets. We recommend committees meet primarily via web conferences and a maximum of one time per year in person.

Program and Strategy Office – down 4.3%

Grants have been reduced by \$30,000. The grant to the College of Social Justice is budgeted at \$175,000.

International – down by 12.6%

Expenses reduced to accommodate the decreased payout from the Holdeen Trusts.

Congregational Life – down 4.3%

Five staff positions in the Regions eliminated. Three were administrative, made possible by the incorporation of regional administrative functions into the UUA.

Crisis Relief & Miscellaneous– down by 86%

The FY17 forecast includes \$300,000 for BLUU. Plans for the funding of BLUU in FY18 and beyond are still being developed. Therefore both fundraising revenue and grant expenses are not reflected in this budget. The board commitment to BLUU, both income

and expense, will be included in the first budget forecast of FY18 once the plan has been determined.

Contingency/Salary Increase

Contingency is set in the by-laws as 3% of unrestricted income. The salary increase for FY18 is carried in this section as a lump sum that will be distributed into the staff group budgets when increases are determined around mid-year.

Salary increase assumes:

- 2% pool for staff cost of living increases and attendant benefits effective January 2018
- 0.5% pool for grade and job changes
- Pool for merit increases = \$25,000

Stewardship and Development - up by 7.2%

The increase reflects the expenses of managing the Legacy Challenge, funded with a grant from Veatch, and the costs of raising money for the BLUU commitment, which will be funded from gifts for this purpose. Aside from these two funded programs, expenses are flat with FY17.

Information Technology Services - up 4.8%

Change is primarily due to maintenance contracts made necessary by the expiration of warranties on equipment purchased at the time of the move to 24 Farnsworth. In addition, depreciation on hardware and software has increased as new systems have been installed.

Internal Services - up 4.3%

A 1/2 time staff position in accounting was added to handle increased transaction load from incorporating Regional activities.

Depreciation Spending

One important use for the depreciation allowance is ongoing capital replacement. But there is no necessary relationship between depreciation charges and prudent capital investment. It is best practice among nonprofit institutions with substantial physical assets to conduct a Facilities Condition Assessment (FCA) periodically to determine the right amount to set aside for the replacement of major building systems. The FCA looks at each major system – roof, HVAC, elevator, electrical panel, fire safety, etc. – and estimates when each will reach the end of its useful life and the cost of replacement at that time. This is plotted over time, typically 10 years, which yields an annual capital budget for major systems replacement. The FCA is updated regularly.

According to our FCA, the UUA will need \$2.8 million through 2026 for capital replacement, or an average of \$280,000 per year. The FCA shows annual capital needs for the next four years as follows:

FY 18	FY 19	FY 20
\$418,000	\$1,010,500	\$170,000
3-year average	\$532,833	

In the FY 18 budget, total depreciation expense is forecast to be \$ 1,387,000 (including ITS) compared to a projected capital need of \$418,000 yielding an average cash surplus

of \$968,000. After deducting \$210,000 for IT capital investment, over \$750,000 remains. This budget assumes that \$450,000 of that amount is spent on the operating budget.

Notes on Fiscal Year 2019 “Out-year” Budget

The purpose of creating a budget for the year following the upcoming budget year is to see where current income and spending trends are pointing. For the most part, income and expenses are assumed to be steady. Significant exceptions are as follows:

- Endowment income will decline due to the principal repayment of the bank loan that funded the build-out of the UUA’s offices. The payments lower the asset balance used in calculating the payout.
- The increase in Campaign Income is due to the Legacy Challenge funded by the UU Congregation at Shelter Rock. Under the matching grant agreement, payments will begin in FY19.
- Small increases in program expenses primarily reflect the salary increases that became effective January 1, 2017.
- The increase in Contingency/Salary Increase includes the carry-forward of the raises budgeted for FY18 and an allowance for a 2% cost of living adjustment in FY19.

The analysis shows we are tracking towards a deficit of \$200,000 in FY19. The UUA Administration will make adjustments in its operating plan to address this shortfall during FY18.