

	C	D	E	F	G	H
2	<b>Unitarian Universalist Association</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>Percent</b>	<b>FY23</b>
3	<b>Budget Overview</b>	<b>Results</b>	<b>2Q21 Fcst</b>	<b>Budget</b>	<b>Inc/(Def)</b>	<b>Budget</b>
4	<b>Current Operations</b>					
5						
6	\$ in Thousands					
7	<b>Income:</b>					
8	<b>Income for General Support</b>					
9	Annual Program Fund	6,376	6,115	7,265	18.8%	7,265
10	Annual Program Fund - Regional	1,500	1,609	0	-100.0%	0
11	Unrestricted Gifts	1,051	1,050	1,150	9.5%	1,150
12	Leadership Annual Giving	301	300	425	41.7%	425
13	Grants Income - Unrestricted	3,297	0	0	0.0%	0
14	Bequest Income	871	625	600	-4.0%	600
15	Administrative Fees	2,222	2,407	2,613	8.5%	2,626
16	Investment Income	2,498	2,419	2,368	-2.1%	2,457
17	Publications Income	962	1,058	1,101	4.1%	1,101
18	Net Lease Income	1,181	1,123	1,133	0.9%	1,092
19	Other Current Fund Income	591	581	754	29.8%	754
20	<b>Total Income for General Support</b>	<b>20,848</b>	<b>17,287</b>	<b>17,408</b>	<b>0.7%</b>	<b>17,469</b>
21						
22	<b>Income for Designated Purposes</b>					
23	Campaign Income	1,514	1,005	833	-17.1%	833
24	UUCSR Veatch Grants	2,154	2,379	2,388	0.4%	2,388
25	Grants and Scholarships	852	853	853	-0.1%	853
26	Ministerial Aid Funds	482	443	441	-0.6%	441
27	Holdeen and International Trusts	1,551	2,126	1,688	-20.6%	1,688
28	Income for Other Purposes	4,738	1,437	1,511	5.2%	1,514
29	<b>Total Inc for Designated Purposes</b>	<b>11,291</b>	<b>8,244</b>	<b>7,713</b>	<b>-6.4%</b>	<b>7,717</b>
30	<b>Total Income</b>	<b>32,139</b>	<b>25,531</b>	<b>25,121</b>	<b>-1.6%</b>	<b>25,186</b>
31						
32	<b>Expenses:</b>					
33	<b>Board &amp; Volunteer Leadership</b>	<b>304</b>	<b>278</b>	<b>282</b>	<b>1.3%</b>	<b>282</b>
34						
35	<b>Programs:</b>					
36	Organizing Strategy	742	1,053	903	-14.2%	816
37	International Programs	1,822	2,032	1,760	-13.4%	1,766
38	Congregational Life	4,766	4,517	4,735	4.8%	4,861
39	Ministries and Faith Development	5,034	5,167	5,734	11.0%	5,782
40	UU Funding Program	1,146	1,404	1,413	0.6%	1,413
41	Crisis Relief & Misc. Programs	238	73	136	87.5%	136
42	Communications	1,353	1,242	1,453	17.0%	1,473
43	Publications	1,158	1,279	1,353	5.8%	1,360
44						
45	<b>Total Programs</b>	<b>16,260</b>	<b>16,767</b>	<b>17,487</b>	<b>4.3%</b>	<b>17,608</b>
46						
47	<b>Administration</b>	<b>4,547</b>	<b>1,905</b>	<b>1,995</b>	<b>4.7%</b>	<b>2,043</b>
48	<b>Contingency/Salary Increase</b>	<b>0</b>	<b>175</b>	<b>531</b>	<b>203.4%</b>	<b>534</b>
49						
50	<b>Infrastructure</b>					
51	Stewardship and Development	1,942	2,169	2,438	12.4%	2,461
52	Information Technology Services	1,533	1,651	1,750	6.0%	1,720
53	Internal Services	2,944	3,573	3,435	-3.9%	3,498
54	<b>Total Infrastructure</b>	<b>6,418</b>	<b>7,393</b>	<b>7,623</b>	<b>3.1%</b>	<b>7,679</b>
55						
56	<b>Total Expenses</b>	<b>27,530</b>	<b>26,518</b>	<b>27,918</b>	<b>5.3%</b>	<b>28,146</b>
57						
58	<b>Depreciation Spending</b>	<b>0</b>	<b>600</b>	<b>547</b>		<b>547</b>
59	<b>Depreciation Spending Laptops</b>	<b>0</b>	<b>0</b>	<b>57</b>		<b>57</b>
60	<b>Church Staff Finances Reserve</b>	<b>0</b>	<b>126</b>	<b>123</b>		<b>123</b>
61	<b>Beacon Press Profit Sharing</b>	<b>0</b>	<b>261</b>	<b>565</b>		<b>565</b>
62	<b>PPP Loan Usage</b>	<b>0</b>	<b>0</b>	<b>1,036</b>		<b>1,036</b>
63	<b>Regional UUCEF Release</b>	<b>0</b>	<b>0</b>	<b>200</b>		<b>200</b>
64	<b>COIC Implementation Funds</b>	<b>0</b>	<b>0</b>	<b>270</b>		<b>270</b>
65						
66	<b>Current Section Excess/(Deficit)</b>	<b>4,609</b>	<b>0</b>	<b>0</b>		<b>(163)</b>
67						

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY20	FY21	FY22	Percent	FY23
2	Forecast Summary	Results	2Q21 Fcst	Budget	Inc/(Def)	Budget
3	Current Operations Expenses					
4						
5	\$ in Thousands					
6	Income:					
7	Income for UUA General Support					
8	Annual Program Fund	6,376	6,115	7,265	18.8%	7,265
9	Annual Program Fund – Regional	1,500	1,609	0	-100.0%	0
10	Unrestricted Gifts	1,051	1,050	1,150	9.5%	1,150
11	Leadership Annual Giving	301	300	425	41.7%	425
12		3,297	0	0	0.0%	0
13	Bequest Income	871	625	600	-4.0%	600
14	Administrative Fees	2,222	2,407	2,613	8.5%	2,626
15	Endowment Income	2,498	2,419	2,368	-2.1%	2,457
16	Publications Income	962	1,058	1,101	4.1%	1,101
17	Net Lease Income	1,181	1,123	1,132	0.8%	1,092
18	Other Current Income	591	581	754	29.8%	754
19		20,848	17,287	17,407	0.7%	17,469
20	Income for Designated Purposes					
21	Campaign Income	1,514	1,005	833	-17.1%	833
22	Veatch Grants	2,154	2,379	2,388	0.4%	2,388
23	Grants and Scholarships	852	853	853	-0.1%	853
24	Ministerial Aid Funds	482	443	441	-0.6%	441
25	Holdeen & International Trusts	1,551	2,126	1,688	-20.6%	1,688
26	Income for Other Purposes	4,738	1,437	1,511	5.2%	1,514
27		11,291	8,244	7,713	-6.4%	7,717
28	<b>Total Income</b>	<b>32,139</b>	<b>25,531</b>	<b>25,120</b>	<b>-1.6%</b>	<b>25,185</b>
29						
30	<b>Board &amp; Volunteer Leadership</b>					
31	Board of Trustees	149	116	127	9.5%	127
32	Board Committees	15	70	70	0.1%	70
33	Moderator	33	32	20	-36.5%	20
34	Nominating Committee	4	13	13	0.0%	13
35	Commission on Appraisal	9	16	20	25.0%	20
36	Ministerial Fellowship Committee	87	21	21	0.0%	21
37	Commission on Social Witness	6	10	10	0.0%	10
38	<b>Total Board &amp; Volunteer Leadership</b>	<b>304</b>	<b>278</b>	<b>282</b>	<b>1.3%</b>	<b>282</b>
39						
40	<b>Programs:</b>					
41	<b>Organizing Strategy</b>	<b>742</b>	<b>1,053</b>	<b>903</b>	<b>-14.2%</b>	<b>816</b>
42						
43	International Office	229	218	242	11.0%	244
44	Holdeen International Partners	140	142	154	8.0%	154
45	Holdeen India Program	1,193	1,447	1,142	-21.1%	1,144
46	UU-UNO	260	224	222	-0.9%	224
47	<b>Total International</b>	<b>1,822</b>	<b>2,032</b>	<b>1,760</b>	<b>-13.4%</b>	<b>1,766</b>
48						
49	<b>Congregational Life</b>					
50	Congregational Life	1,321	1,671	1,786	6.9%	1,878
51	Southern Region	837	683	680	-0.5%	687
52	New England Region	885	852	862	1.2%	873
53	CL-Combined Staff Costs	436	260	263	1.2%	266
54	Central East Region	1,263	1,020	1,144	12.2%	1,156
55	Office of Congregational Stewardship Services	24	30	0	-100.0%	0
56	<b>Total Congregational Life</b>	<b>4,766</b>	<b>4,517</b>	<b>4,735</b>	<b>4.8%</b>	<b>4,861</b>
57						
58	<b>Ministries and Faith Development</b>					
59	Resource Development Director	71	0	0	0.0%	0
60	Resource Development Office	507	578	591	2.2%	597
61	Youth and Young Adult Ministries	500	620	745	20.1%	754
62	Director of Ministries and Faith Development	789	558	620	11.0%	626
63	Multicultural Programs	74	190	305	60.3%	306
64	Director of Ministerial Credentialing	132	151	134	-11.7%	135
65	Director of Transitions	339	347	394	13.5%	398
66	Office of Church Staff Finances	750	765	970	26.8%	982
67	Office of UUA Health Plan	236	246	246	-0.1%	249
68	Director of Professional Development	180	205	204	-0.6%	206
69	Worship Arts	59	88	112	26.8%	113
70	Scholarships and Ministerial Ed Grants	314	302	307	1.8%	307
71	Continuing Education	43	104	104	-0.1%	104

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY20	FY21	FY22	Percent	FY23
2	Forecast Summary	Results	2Q21 Fcst	Budget	Inc/(Def)	Budget
3	<b>Current Operations Expenses</b>					
72	Aid Funds	528	508	505	-0.4%	505
73	Panel on Theological Education	513	505	498	-1.2%	498
74	<b>Total Ministries and Faith Development</b>	5,034	5,167	5,734	11.0%	5,782
75						
76	UU Funding Program	1,146	1,404	1,413	0.6%	1,413
77	Crisis Relief & Misc. Programs	238	73	136	87.5%	136
78						
79	<b>Communications</b>					
80	IPW Office	517	525	661	26.0%	674
81	Periodicals Office	835	717	792	10.5%	800
82		1,353	1,242	1,453	17.0%	1,474
83	<b>Publications</b>					
84	Publications Administration	683	753	803	6.7%	804
85	UUA Bookstore	475	527	550	4.5%	556
86	<b>Total Communications</b>	1,158	1,279	1,353	5.8%	1,360
87						
88	<b>Total Programs</b>	16,260	16,767	17,487	4.3%	17,608
89						
90	<b>Administration</b>					
91	Office of the President	476	483	486	0.5%	501
92	Office of the Executive Vice President	3,484	971	1,077	10.9%	1,085
93	Contingency Expense	0	0	383	100.0%	386
94	Salary Increase	0	175	148	-15.4%	148
95	Human Resources	587	450	432	-4.0%	457
96	<b>Total Administration</b>	4,547	2,080	2,526	21.5%	2,577
97						
98	<b>Infrastructure:</b>					
99	<b>Stewardship and Development</b>					
100	Vice President, Development	703	683	785	14.9%	796
101	APF Campaign	363	453	544	20.2%	550
102	StewDev Events	0	0	96	100.0%	96
103	Friends Campaign	312	335	354	5.5%	355
104	Charitable Gift and Estate Planning	139	190	203	6.5%	205
105	Comprehensive Campaign	425	507	456	-10.1%	460
106	<b>Total Stewardship and Development</b>	1,942	2,169	2,438	12.4%	2,461
107						
108	<b>Information Technology Services</b>	1,533	1,651	1,750	6.0%	1,720
109						
110	<b>Internal Services:</b>					
111	<b>Finance</b>					
112	Treasurer and Vice President of Finance	483	457	456	-0.1%	461
113	Financial Services	776	787	792	0.6%	801
114	<b>Total Finance</b>	1,258	1,244	1,248	0.3%	1,262
115						
116	<b>Facilities</b>					
117	24 Farnworth Street	1,685	2,329	2,187	-6.1%	2,236
118	<b>Total Operations Services</b>	1,685	2,329	2,187	-6.1%	2,236
119						
120	<b>Total Internal Services</b>	2,944	3,573	3,435	-3.9%	3,498
121						
122	<b>Total Infrastructure</b>	6,418	7,393	7,623	3.1%	7,679
123	<b>Total Expenses</b>	27,530	26,518	27,918	5.3%	28,146
124						
125	<b>Depreciation Spending</b>	0	600	547		547
126	<b>Depreciation Spending Laptops</b>	0	0	57		57
127	<b>Church Staff Finances Reserve</b>	0	126	123		123
128	<b>Beacon Press Profit Sharing</b>	0	261	565		565
129	<b>PPP Loan Usage</b>	0	0	1,036		1,036
130	<b>Regional UUCEF Release</b>	0	0	200		200
131	<b>COIC Implementation Funds</b>	0	0	270		270
132						
133	<b>Current Section Excess/(Deficit)</b>	4,609	0	0		(163)
134						

## **Budget Fiscal Year 2022 – Flux Analysis**

The following is an analysis of the changes from the FY21 Q2 forecast to the FY22 budget. Changes of 2% or more and \$100k or more are described.

**Overall income – down 1.8% / \$452k**

**Annual Program Fund – down 5.9% / \$459k**

Our pre-pandemic APF budget for FY21 included solid growth of about 3.3% over the FY20 actuals. The pandemic cut into that growth, but our actual FY21 results should end up within 2% of the prior year. APF had been tracking ahead of FY20 for most of the year but has recently slowed, and we expect that slowdown to persist into FY22. Note that this decline in APF will be offset by a planned draw on our PPP loan proceeds currently held in reserve. The amount of the PPP draw, \$1.036 million, appears as a below the line adjustment to the budget.

**Unrestricted gifts – up 9.5% / \$100k**

Our Stewardship and Development team anticipate an increase in individual gifts, such as the Friends of the UUA program. There are several reasons for this, including building more organizational capacity in fundraising such as this and the strong possibility that we could be the recipient of more one-off gifts of appreciated stock.

**Leadership Annual Giving – up 41.7% / \$125k**

Now in its fifth year, the Leadership Annual Giving Program – consisting of unrestricted gifts of \$10,000 and above – should have a stronger year in FY22 as it is not competing against other large campaigns for support.

**Administrative Fees – up 8.5% / \$206k**

The largest portion of these increases comes from the UUA's Group Insurance Plan and Pension administration fees, much of which arises from the assumption that adding a new Congregational HR Coordinator position will increase the utilization of these plans among member congregations. This figure also includes an increase to the UUCEF administration fees based on a revised calculation of UUA expenses to be allocated to the fund.

**Other current fund income – up 23.8% / \$145k**

This catch-all category includes items like outside trust income, parking garage income, revenue from ITS services and other miscellaneous items. No single item is driving this increased forecast, but one noteworthy item is the increase in ITS revenue due to resales of Zoom licenses to congregations, although this income is largely offset by greater software licensing expense.

**Campaign Income – down 17.1% / \$172k**

The decrease here is mostly related to having much less restricted income available to release on the UU the Vote project, although we still have some restricted funds available to support the work

of the Organizing Strategy Team. This decline is somewhat offset by a projected increase in restricted legacy gifts, which roll up into this category.

### **Holdeen and International Trusts – down 20.6% / \$438k**

This decline is mostly related to outside grants from the Ford Foundation, WE Trust and SED all reaching the end of their terms. These decreases amount to some \$304k and are offset by reductions in grants made by the international office. Meanwhile, the income stream from the Holdeen Trusts is also forecast to decline by around \$138k. These distributions are highly variable and a function of market performance and the IRS 990 filings for each individual trust to determine any overpayment in prior years. As such, the distributions are difficult to predict ahead of time. Income from Holdeen trusts has historically supported some general UUA work in Congregational Life and the Office of the EVP and that's where the decline in the Holdeen Trust income appears on the expense side of the budget.

### **Overall Expenses – up 5.3% / \$1.4 million**

#### **Organizing Strategy – down 14.2% / \$150k**

The decline in the OST expense forecast stems more from FY21 expenses being high than the budget declining. Due to the success of UU the Vote and our capacity to do more work in FY21 than originally conceived, we added some \$140k in expenses to UUtV in FY21, all of which was offset by restricted fundraising. While this work is coming to an end in FY22, OST is actually adding capacity through new positions including a Leadership Development Specialist, Justice Communications Strategist, and the interim congregational organizer.

#### **International Programs – down 13.4% / \$272k**

This decline represents the offset from the end of the grant programs discussed earlier. The decrease shows up in the budget entirely as reduced grantmaking available from the Holdeen India program.

#### **Congregational Life – up 4.8% / \$218k**

The increase versus the FY21 forecast stems from increased expectations for travel and meetings in FY22. Indeed, compared to the FY21 forecast these items have increased some \$203k in the FY22 budget. However, the overall travel and meeting budget for Congregation Life is just \$303k, compared to actual results of \$669k in FY19. In other words, the FY22 budget is about 45% of pre-pandemic levels.

#### **Ministries and Faith Development – up 11.0% / \$567k**

As with Congregational Life, the MFD budget sees a notable increase in travel and meetings versus the FY21 forecast. The FY22 budget includes a total of \$378k in travel and meeting expense, an increase of \$302k versus the current year forecast. This total still compares favorably to actual expenses of \$641k in FY19, meaning the current budget is about 59% of pre-pandemic levels. The MFD budget also includes \$210k in additional salary and benefit costs for Youth and Young Adult Ministries, the Office of Church Staff Finance and Worship Arts.

### **Communications – up 17.0% / \$211k**

The largest contributor to the increased budget versus FY21 forecast arises from filling positions that remained open for much of FY21 and the new Justice Communications Specialist position. While salaries and benefits will increase as a result, the expected spending on consultants, upon whom we relied heavily in FY21, will decrease. The net effect of the new salaries/benefits less the reduced spending on consultants is a \$131k increase versus FY21 forecast. Other increases arise from the inclusion of funds to support ongoing work around UU World redesign and creation of a UU World advisory board.

### **Stewardship and Development – up 12.4% / \$269k**

Increases versus the FY21 forecast are due to salaries and benefits (+124k) and travel and events (+112k). Unlike other staff groups, the increase in travel and event budgets returns StewDev to levels approaching pre-pandemic amounts. The need to restart in-person donor visits and have a robust presence at GA is important for the long-term financial vitality of the Association. Meanwhile, the increase in salaries and benefits relate to the new gift officer position and filling an ongoing opening on the APF team.

### **Internal Services – down 3.9% / \$138k**

This category includes both finance and building operations. Most of the decline is related to reductions in depreciation expense for much of the furniture and telephone equipment that reached the end of its depreciable life during FY21. We are also forecasting a modest decrease (\$27k) in interest expense due to the refinancing of the mortgage on 24 Farnsworth.

### **Contingency/Salary Increase**

Contingency is set in the by-laws as 3% of unrestricted income and amounts to \$383k.

The salary increase for FY21 of \$147k accounts for an assumed 2% cost of living adjustment effective 1-1-22 and a smaller amount dedicated to grade and job changes.

### **Depreciation Spending**

One important use for the depreciation allowance is ongoing capital replacement, but there is not a direct linkage between depreciation charges and prudent capital investment. Instead, best practice among nonprofit institutions with substantial physical assets is 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 was last completely updated with the guidance of consultants and engineers during FY19, although we make annual adjustments to the plan based on the condition of the facility and resulting priorities.

In the FY21 budget, total depreciation expense is forecast to be in excess of a prudent reserve for capital replacement based on the FCA. This budget assumes that \$547,000 of that amount is spent on the operating budget.

We also have included an additional \$57k in depreciation expense used in the operating budget related to the administration's decision to begin expensing the purchase of laptops and other hardware peripherals. The current UUA policy calls for items under \$2,500 to be expensed rather than set up as fixed assets, but our practice has been to aggregate such purchases and capitalize the hardware. This has led to problems such as fixed asset write offs on disposed equipment and difficulties in selling hardware to departing employees due to the high residual net book value. Expensing all laptop purchases will cause extra expense in the short term as we make depreciation entries and expense all new purchases, but this effect will dwindle over the next three years and after that the accounting cost to the UUA will be the same. In the near term, we propose an additional \$57k in depreciation spending included in the operating budget to address this extra expense.

### **Church Staff Finances Reserve**

The Office of Church Staff Finances, which oversees the benefit programs for congregations and the UUA, has accumulated a significant cash reserve over the years. These funds are unrestricted but have been held aside for special projects. In FY22 the reserve will be tapped for several projects addressing inclusion, equity and change at a level equal to the transfer made in FY21. Because these funds were received in past years, the cash expended is not technically income in FY22, and is therefore shown on a separate line below the expense section. We also envision transitioning the OCSF reserves from bank CDs where the funds are currently held to the UUCEF. This change will result in increased endowment income that has been incorporated into the operating budget.

### **Beacon Financial Agreement**

UUA has recently been in discussion with Beacon Press about formalizing a new agreement that governs the financial relationship between the two entities. Among the principles agreed to are

- a framework for calculating occupancy allocation that accounts for the actual costs of supporting Beacon Press and the possibility that our use of office space at 24 Farnsworth could evolve
- a methodology for determining how much of the occupancy allocation is contributed from Beacon to the UUA. The range of contribution scales from 50% to 100% of occupancy allocation based on Beacon Press' annual performance
- a mechanism for further surplus sharing in the event that Beacon exceeds its reserve targets and has a very successful annual performance, and
- an underlying financial guarantee of Beacon Press by the UUA and a mechanism for loss sharing in the event that Beacon Press is substantially below reserve targets.

The new agreement takes effect for FY22, and a total of \$715k is included in the budget in two places: \$150k in Income for Other Purposes and \$565k as a below the line adjustment to the budget. We also agreed that FY21 would be a transition year to the new agreement. Rather than applying the new framework retroactively, Beacon agreed that the UUA's PPP loan proceeds would

remain consolidated in the UUA operating budget and not allocated to Beacon Press in proportion to its payroll costs.

### **Notes on Fiscal Year 2023 “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 this year’s cycle, these forecasts were particularly difficult since the uncertainty around fundraising is so great looking ahead to FY23. Instead, we only made adjustments for endowment distributions, depreciation, the 1-1-22 cost of living adjustment and known increases to UUA benefits expenses and left all other items unchanged. Not surprisingly, this analysis shows the UUA tracking toward a large operating deficit in FY23, some of which will be filled with PPP funds and continued draws on the reserves held for COIC implementation. Beyond this, UUA Administration will make adjustments in its operating plan to address this shortfall when the budget for FY23 is prepared.