

MEMORANDUM

To: UUA Board of Trustees

From: UUA Administration, submitted by President Susan Frederick-Gray, Executive Vice President Carey McDonald, Treasurer Andrew McGeorge

Re: Use of FY21 Operating Surplus

Date: June 27, 2021

As was the case in FY20, the UUA will experience a material operating surplus in FY21. This three largest contributors to the surplus were:

1. The continued decline in travel and events. Net of conference fee income, our net expense for travel, meetings and events totaled just \$390k, versus an FY21 budget figure of \$1,953k. (As a reminder, the FY21 budget was done before the pandemic).
2. Unexpectedly high bequest income. We expect bequests to total \$1,080k versus a budget of \$350k, and
3. Lower facilities expenses. FY21 will come in at \$632k versus a budget of \$819k.

These positive variances were offset by:

1. Reduced APF. Again, since the budget was prepared before the pandemic, we anticipated total APF of \$8,138k versus a current forecast of \$7,647. (Note that we are hearing from StewDev that they believe we will exceed the 4Q21 forecast, likely by somewhere in the \$80-\$100k range.)
2. UUA Bookstore sales. The current forecast for FY21 is \$550k versus a budget of \$825k, and
3. Software Subscriptions. Net of sales of Zoom licenses to congregations, our software costs for FY21 will total \$442k versus a budget of \$247k.

The bottom line as of the 4Q21 forecast is that we expect an operating surplus of \$459k, with the good chance that this could be higher thanks to strong APF performance at the end of FY21.



The administration requests Board approval to use these funds to replenish our disaster relief funds and offer UUA staff a one-time bonus.

Disaster Relief Fund

The balance in the Disaster Relief Fund (DRF) is down to about \$12,000, the lowest point in the history of the fund. This is a precarious position for the fund to be in as we move into hurricane season. The table below shows the recent history of donor gifts to and grants paid by the DRF. It should be noted although it should be said that gifts highly correlated to the occurrence of a high-profile disaster, and 2020 was a year with no such instance.

| <u>Year</u> | <u>Donations to DRF</u> | <u>Grants made by DRF</u> |
|-------------|---|---------------------------|
| FY19 | \$130,000 | \$246,000 |
| FY20 | \$7,500 | \$164,814 |
| FY21 YTD | \$155,000 plus a \$43k contribution from the Mountain Desert District | \$177,783 |



Even just averaging the grants paid over the past three years, around \$196k per year, it would take an abnormally good fundraising year not to exhaust the DRF's reserves. A transfer of \$100k to the Disaster Relief Fund would stabilize the fund ahead of the summer season.

Staff Bonus

For UUA staff, we propose a one-time \$1,500 bonus for full-time regular employees. Bonuses for part-time regular employees would be prorated based on scheduled hours per week. Staff did not receive a cost-of-living adjustment during the current fiscal year. Moreover, we lowered 401(k) employer contributions effective 1-1-21 and staff face higher health insurance costs starting July 1, 2021. Although we did budget for a 2% COLA eff. 1-1-22, this one-time bonus will be much appreciated and will not increase the salary base of the UUA in a way that compounds into the future.

Our current estimate for the total cost of this bonus is \$245,950.

Proposed board resolution

The Board approves the usage of the FY21 operating surplus in the following manner:

- Use up to \$250,000 to offer a one-time bonus to UUA staff in recognition of their hard work over the past year and the lack of a cost-of-living adjustment during FY21.
- Use \$100,000 to replenish the Disaster Relief Fund.

And note that the remainder of the FY21 operating surplus will move to the unrestricted net surplus of the UUA.

