

## MEMORANDUM

To: UUA Board of Trustees

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

Re: Budget Submissions for FY23 and FY24

Date: April 11, 2022

We are pleased to submit to the Board of Trustees for its adoption this budget for Fiscal Year 2023 (July 1, 2022 to June 30, 2023) for the Unitarian Universalist Association. With this balanced budget, the UUA staff will continue its work in three primary mission areas: equipping congregations, training and supporting leaders, and advancing UU values, all aligned with our vision of a UUA where all people thrive. Overall, the FY23 budget is up by about 10 percent versus the FY22 pandemic-era budget, with large increases coming from salaries and benefits costs, new investments, particularly around COIC implementation, and funds for the 2022 UU the Vote initiative.

### Overall Budget Trends

The starting point for the FY23 budget was to maintain our staffing and programming expenses from FY22. As with the current fiscal year, FY23 will have an in-person multi-platform General Assembly in June 2023. While there will almost certainly be more opportunities for more travel and gatherings in 2023 versus 2022, we asked staff to be mindful of travel expenses, and to prioritize conducting the Association's meetings and events virtually. We continue to rely on savings in travel and events, now at roughly 60% of pre-pandemic levels, to provide competitive cost of living increases to staff and to continue to fund new investments in programming.

Use of the Paycheck Protection Program (PPP) funding continues to represent a major variable in producing a balanced budget for the UUA. At this time last year, we proposed using PPP funding to fill in a large anticipated gap in Annual Program Fund (APF) giving from congregations. Based on our last pre-pandemic forecast, and assuming a 2% increase in APF contributions, our total APF estimate for FY22 would have been just over \$8.3 million. The original APF budget for FY22 was \$7.265 million, the Board had approved using



PPP funds to fill this gap, a total of \$1,036,028. However, with stronger than expected performance on APF by our member congregations, the 2Q22 forecast saw PPP use drop to about \$375k, with the chance it could fall even more before FY22 is closed.

For FY23, we propose the same methodology, and we would like to include an additional amount to account for UUA Bookstore sales that have been adversely affected by the pandemic. Starting with APF, taking the calculated pre-pandemic FY22 figure of \$8.3 million and growing it another 2% results in an FY23 value of \$8,466,692. Again, this is what APF would have been in FY23 based on our last pre-pandemic estimate and assuming 2% annual growth. With a budgeted figure of \$8,124,960 for FY23, this represents an APF shortfall of \$341,732.

Total sales for the UUA Bookstore have suffered since the pandemic because so many of our congregations are not back to normal in-person services. A large fraction of Bookstore sales is for hymnals, pamphlets and brochures, and OWL curriculum, all of which have been adversely affected by the pandemic. In FY19, the last full pre-pandemic year, the Bookstore saw gross sales of about \$700,000 for UUA publications. The cost of goods sold for such titles is about 21% of sales. For FY23, we are forecasting \$500k in sales, or a decline of \$200k from pre-pandemic levels. Subtract the 21% for cost of goods sold, and the net revenue lost due to pandemic-related sales declines is \$158,000.



Lastly, we are including \$75k in annual expenses for digital music resource development (details in next section) that we propose paying for over the next two fiscal years with PPP funding. It became clear during the pandemic that congregations needed assistance with digital rights for music and incorporating music into online services in a compliant manner. This is a problem the UUA is well-suited to address, and we believe dedicating PPP funding to this project is prudent.

The total proposed PPP usage for FY23 is  $\$341,732 + \$158k + \$75k = \$574,732$ , which we've rounded to \$575k.

We also propose using 25% of the FY21 operating surplus, or \$395k, towards the FY23 budget. We closed FY21 with a surplus of \$1.58 million, and this was mainly a consequence of a massive decrease in travel and event expenses. Rather than designating this surplus for

specific purposes in the years ahead, we hope to be able to spread its use out over the next four or more years to help fund some near-term investments needed to build our capacity. We have demonstrated to the Values and Resources group a model that shows we are trending toward long-run balanced budgets even with some extra spending over the next few years.

Finally, the budget includes \$507k in expenses related to implementation of recommendations from the Commission on Institutional Change. These funds support one-time projects and term limited positions and are detailed in the next section.

Beyond some of these one-time costs and uses of surplus, the fundamentals of the budget look strong. Income is up across the board, from APF, individual unrestricted donations, endowment distributions and outside grant income.

On the expense side of the ledger, our largest increases come in the areas of salaries (\$308k in cost-of-living adjustments), benefits expense (up \$412k), and travel, events and meetings (up \$230k).

### **Investments for FY23**

We are making new investments in the high-priority mission work of the UUA, and sustaining the new investments made in FY22. This is possible because of continued reductions and travel and event costs, usage of prior year surpluses, and the constant drive to save money where possible to reinvest and address urgent needs. The FY23 budget includes \$507,000 drawn from the COIC implementation funds set aside at the close of FY20 for one-time expenses and term-limited positions.

Investments continuing from last year include the “Hope for Us” Conflict Engagement Team; more capacity in human resources and workplace justice, equity, diversity and inclusion (JEDI) culture change; new positions with the Side with Love Organizing Strategy Team; increased staff in Communications, Worship Web, IT Data Systems, Publications, Church Staff Finances, and Fundraising Gift Processing; and resources Youth and Emerging Adult Ministry.

This budget also sustains the UUA’s most critical long-term investments in serving marginalized communities within Unitarian



Universalism, including funding for Diverse and Revolutionary UU Multicultural Ministries (DRUUMM), support for the retreat for Transgender Religious professional UUs Together (TRUUST), and the Finding Our Way Home retreat for religious professionals of color.

For FY23, new investments include:

- **Revitalizing Children & Family Ministries** – We are adding a two-year position with program funds to help address challenges in ministry with children and families.
- **Mosaic Curriculum and Leadership Resource Development** – As a priority for COIC implementation, we will dedicate staff and program funds to developing a unified platform for anti-racism and full inclusion programs.
- **UU the Vote 2022** – Building on the capacity of the new Side with Love Organizing Strategy Team, we will invest an additional \$350,000 in one-time expenses to build out our voter engagement and mobilization for 2022-23. In addition to Get Out The Vote (GOTV), this cycle we will focus on deep canvassing and communicating our values in the public square.
- **National youth and emerging adult ministry team** – We will be centralizing youth and emerging adult staff into a single national team that also supports regional events, under a shared national umbrella. This budget supports staff shifts and additional program funds.
- **Digital Music Resource Development** – A two-year part time position with program funds will support exploration of a new digital worship music collection. Rather than focusing on a new print hymnal, this new collection will evolve to meet the intersecting musical and technology needs of congregations.
- **Lay Leadership Development Coordinator** – Another priority of the COIC, this two-year position will re-envision the pathway for Associational volunteer leadership.
- **LGBTQ Programs Staff** – Recognizing the growing need for transgender/nonbinary community support, we will add ongoing staff capacity to support for these programs.



- **OWL Sexuality and Our Faith** – Production of new visual materials for Our Whole Lives Lifespan Sexuality Education.
- **EqUUal Access MOU** – With completion of an anticipated memorandum of understanding with EqUUal Access, we will invest more in disability justice, accessibility resources for congregations and the UUA, and direct support of the community of disabled UUs.
- **Governance investments** – Resources have been set aside to support the Board’s work to rewrite the UUA Bylaws, establish a new accountability commission, and provide chaplaincy support to UUA volunteers.

We have submitted a budget that makes high-impact investments in key mission areas, including equity and inclusion. We have been able to deploy continue savings in areas like travel and events to make meaningful enhancement to programmatic areas, while prudently employing one-time funding sources. As in prior years, we prioritize being responsible stewards our faith’s resources, while remaining realistic in revenue projections. We look forward to further reviewing this budget at the April Board meeting.

