

MEMORANDUM

To: UUA Board of Trustees

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

Re: Consolidated and Capital Budget Submission for 2024-2025

Date: May 8, 2023

Consolidated Budget

The consolidated budget presents the FY24-25 forecasts for the UUA Operating Budget, as well as the organization's other "business units": Beacon Press, the General Insurance Program (GIP), the Building Loan Program, UUCEF, General Assembly, and the UUA's role as landlord at 24 Farnsworth. Budgets for each of these areas are presented, along with adjustments for eliminations. The eliminations line recognizes that we cannot simply add up the various sections to determine totals for the Consolidated Budget, since some of these units are doing business with each other and we do not want to double count income and expense lines.

Among the highlights of the Consolidated Budget:

- Beacon Press expects to run an operating deficit of nearly \$700k in FY24, although the bottom line is expected to return much closer to breakeven in FY25. The press has seen sales return to levels like those observed before the summer of 2020. Moreover, the publishing industry is facing general headwinds of slower sales versus levels seen from 2020-2022, and supply chain constraints have slowed the pace of new titles reaching the market.
- UUCEF's budget simply assumes a 7.0% return on the UUA's portion of the fund, less the various manager and third-party fees and administrative expenses charged to the fund.
- General Assembly is forecast with a breakeven budget, and with comparatively lower income/expense totals in FY24 versus FY25 in recognition of the planned virtual GA in 2024.



- Lease income is modeled to hold steady between FY24 and FY25. While our lease with WeWork was terminated effective January 2023, the ultimate payout of the lease settlement will occur through early 2025. For budgeting purposes, we have modeled our income as if lease payments continued uninterrupted, and we have further assumed that by the second half of FY25 a different tenant will contribute to our lease income.

On a consolidated basis, we are forecasting surpluses of \$2.3 million for FY24 and \$1.3 million for FY25. The year-over-year decline is mainly a function of assuming lower prior period surplus (PPP funds, COIC implementation resources) figures in the operating budget in FY25. Also, note that these consolidated surpluses are highly dependent on the observed returns from the endowment.

Capital Budget

For FY24, we anticipate spending \$295,000 in IT-related capital expenditures (CapEx), a further \$87,000 in capitalized software expense, and \$963k in CapEx on the building and other fixed assets. These figures are budgeted at \$100k, \$25k and \$1.33 million respectively in FY25.

For IT CapEx, much of the anticipated spending reflects projects that we had included in the FY23 capital budget but were precluded from completing in the current year due to extremely long lead times from vendors on key hardware components. For example, a total of \$100k of CapEx in the FY24 budget covers upgrades to our universal power supply (backup power source) and other hardware required to modernize our backup systems. An additional \$180k of projected IT capital spending is for technology enhancements in several of our meeting rooms at the UUA, with the chapel's AV upgrades representing the majority of this. While we have included these items in the budget for planning purposes, the actual execution of projects like this could get wrapped up in any discussions we have about the UUA's future use of 24 Farnsworth.

Lastly, we have included \$87k for capitalized software costs, with project work around StewDev's replacement of the Raiser's Edge donor management system accounting for the largest portion of this. The replacement donor management software could end up being a straight expense to the UUA (i.e., not capitalized), should we go with a



software as a service (SAAS) model rather than a traditional software license model. However, it seemed prudent to include the expected capitalized cost in the baseline capital budget.

On the facilities side, we follow the best practice for nonprofit institutions with substantial physical assets by conducting 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 aggregate 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.

When we last updated the FCA, we had several relatively expensive projects to complete over the next decade: replacing the boilers in the building, adding interior reheating to the UUA portion of the building, replacing the building’s fire pump, repair of the masonry façade, and replacement of the building’s windows. Unfortunately, due to end-of-life concerns, these projects were somewhat front-loaded in the 10-year plan. Of this list, just two remain, the window replacement project and the rear masonry repairs. The combined cost for this work is forecast at about \$1.3 million dollars, and this budget includes it all, divided between FY24 and FY25. As with some of our forecast IPS CapEx, decisions about the UUA’s future use of 24 Farnsworth could affect the ultimate timing of these facilities projects.

The FY25 facilities budget also includes \$375k in flood prevention project funds, where we would add flood barriers to the many below-grade openings the building has into the basement/parking garage level.

Even with this heavy burden of capital costs in FY24 and FY25, we still show CapEx only slightly higher than our depreciation expense. Including the FY23 forecast into this average, we have CapEx below depreciation for the three-year period from FY23-FY25. Over the long run, we would expect our CapEx to be less than our depreciation costs, recognizing that we aren’t growing our capital base, and we had to make significant upfront investments when we moved to 24 Farnsworth. The fact the total CapEx and depreciation are similar in FY23-FY25 reflects the large group of capital projects flowing through the system right now. In FY26 and beyond, we would expect



depreciation to greatly exceed new CapEx. The condition we would not want to see is new capital expenditures running consistently higher than depreciation, since that would not be sustainable for us in the long run.



UUA FY24 and FY25 Consolidating Budgets
Statement of Unrestricted Operating Income and Expense

(in \$000s)

Fiscal Year 2024	Current Operations	Beacon Press	General Insurance Program	Building Loan Fund	UUCEF	General Assembly	Farnsworth Bldg	Elimina- tions	UUA Total
Support and Revenue									
Income for general support	18,984	-	2,273	27	-	1,122	1,993	(4,670)	19,729
Income for designated purposes	8,787	175	-	-	-	-	-	(1,483)	7,479
New sales form publishing	-	10,952	-	-	-	-	-	-	10,952
Interest income	-	-	-	131	-	-	-	-	131
Investment income, gains/losses	-	-	-	-	7,157	-	-	-	7,157
	<u>27,771</u>	<u>11,127</u>	<u>2,273</u>	<u>158</u>	<u>7,157</u>	<u>1,122</u>	<u>1,993</u>	<u>(6,152)</u>	<u>45,448</u>
Expenses									
Programs	20,098	-	1,631	-	-	1,122	-	-	22,851
General and administrative	11,006	-	553	197	-	-	797	(1,780)	10,773
Cost of goods sold and publishing	-	11,814	-	-	-	-	-	-	11,814
Expenses associated with investments	-	-	-	-	945	-	-	-	945
	<u>31,104</u>	<u>11,814</u>	<u>2,184</u>	<u>197</u>	<u>945</u>	<u>1,122</u>	<u>797</u>	<u>(1,780)</u>	<u>46,384</u>
Depreciation Spending	624	-	-	-	-	-	-	-	624
Depreciation Spending Laptops	21	-	-	-	-	-	-	-	21
Church Staff Finances Reserve	125	-	-	-	-	-	-	-	125
UU the Vote releases	422	-	-	-	-	-	-	-	422
One-time data system projects	180	-	-	-	-	-	-	-	180
UUCEF release from BP Investment	45	-	-	-	-	-	-	-	45
Subtotal - before Prior Period Surplus	<u>(1,916)</u>	<u>(687)</u>	<u>89</u>	<u>(40)</u>	<u>6,211</u>	<u>-</u>	<u>1,195</u>	<u>(4,372)</u>	<u>482</u>
PPP Loan Usage	874	-	-	-	-	-	-	-	874
COIC Implementation Funds	518	-	-	-	-	-	-	-	518
Received Prior Year Surplus	395	-	-	-	-	-	-	-	395
Surplus (deficit)	<u>(129)</u>	<u>(687)</u>	<u>89</u>	<u>(40)</u>	<u>6,211</u>	<u>-</u>	<u>1,195</u>	<u>(4,372)</u>	<u>2,269</u>

UUA FY24 and FY25 Consolidating Budgets
Statement of Unrestricted Operating Income and Expense

(in \$000s)

Fiscal Year 2025	General					UUCEF	General Assembly	Farnsworth Bldg	Eliminations	UUA Total
	Current Operations	Beacon Press	Insurance Program	Building Loan Fund						
Support and Revenue										
Income for general support	19,095	-	2,341	28	-	1,585	1,993	(4,565)	20,477	
Income for designated purposes	8,779	175	-	-	-	-	-	(1,482)	7,473	
New sales form publishing	-	11,800	-	-	-	-	-	-	11,800	
Interest income	-	-	-	124	-	-	-	-	124	
Investment income, gains/losses	-	-	-	-	7,327	-	-	-	7,327	
	<u>27,874</u>	<u>11,975</u>	<u>2,341</u>	<u>152</u>	<u>7,327</u>	<u>1,585</u>	<u>1,993</u>	<u>(6,047)</u>	<u>47,201</u>	
Expenses										
Programs	20,283	-	1,680	-	-	1,585	-	-	23,548	
General and administrative	11,161	-	569	198	-	-	818	(1,719)	11,027	
Cost of goods sold and publishing	-	12,241	-	-	-	-	-	-	12,241	
Expenses associated with investments	-	-	-	-	959	-	-	-	959	
	<u>31,444</u>	<u>12,241</u>	<u>2,250</u>	<u>198</u>	<u>959</u>	<u>1,585</u>	<u>818</u>	<u>(1,719)</u>	<u>47,776</u>	
Depreciation Spending	624	-	-	-	-	-	-	-	624	
Depreciation Spending Laptops	21	-	-	-	-	-	-	-	21	
Church Staff Finances Reserve	125	-	-	-	-	-	-	-	125	
UU the Vote releases	-	-	-	-	-	-	-	-	-	
One-time data system projects	-	-	-	-	-	-	-	-	-	
UUCEF release from BP Investment	45	-	-	-	-	-	-	-	45	
Subtotal - before Prior Period Surplus	<u>(2,755)</u>	<u>(266)</u>	<u>91</u>	<u>(45)</u>	<u>6,367</u>	<u>0</u>	<u>1,175</u>	<u>(4,328)</u>	<u>240</u>	
PPP Loan Usage	470	-	-	-	-	-	-	-	470	
COIC Implementation Funds	174	-	-	-	-	-	-	-	174	
Received Prior Year Surplus	395	-	-	-	-	-	-	-	395	
Surplus (deficit)	<u>(1,716)</u>	<u>(266)</u>	<u>91</u>	<u>(45)</u>	<u>6,367</u>	<u>0</u>	<u>1,175</u>	<u>(4,328)</u>	<u>1,279</u>	

UUA Capital Budget FY24-25

	FY23	FY24	FY25
	Forecast	Budget	Budget
CAPITAL SPENDING			
Computer Hardware & Software			
Computer Hardware	156,898	295,000	100,000
Computer Software	-	87,000	25,000
Telephone System	-	-	-
Subtotal	156,898	382,000	125,000
Property & Renovations			
UUA Occupied Space	10,000	113,000	16,000
Furniture and Fixtures	10,000	10,000	10,000
General Building Improvements	281,000	840,000	1,305,000
Subtotal	301,000	963,000	1,331,000
Total Capital Expenditures	457,898	1,345,000	1,456,000
DEPRECIATION EXPENSE			
Computer Hardware & Software			
Computer Hardware	94,674	113,155	144,028
Computer Software	28,384	30,681	45,858
Telephone Equipment	345	345	345
Subtotal	123,403	144,181	190,231
Excess (Deficiency)	(33,495)	(237,819)	65,231
Property & Renovations			
UUA Occupied Space	537,251	540,138	542,838
Furniture and Fixtures	16,463	14,461	11,290
General Building Improvements	563,090	592,491	612,991
Subtotal	1,116,804	1,147,090	1,167,119
Excess (Deficiency)	815,804	184,090	(163,881)
Total Depreciation Expense	1,240,207	1,291,271	1,357,350
Total Excess (Deficiency)	782,309	(53,729)	(98,650)