



MEMORANDUM

To: UUA Board of Trustees

From: President Sofía Betancourt, Executive Vice President Carey McDonald, Vice President for Finance & Investments Dave Valentine, Vice President for Programs & Ministries Ashley Horan

Re: FY26 Budget Proposal and Multi-Year Financial Plan

Date: April 4, 2025

Summary

We are pleased to submit for your approval the UUA's \$32.7 million FY26 operating budget, consolidated FY26 budgets, and FY27-29 preliminary financial plan. This proposal for the operating budget is the first year on a three-year path towards financial sustainability and strategic prioritization. This budget proposal invests in core ministries and urgent needs for the UUA to meet the moment, and begins the shifts that will be required over the coming years. We are particularly focused on establishing trajectories for increasing income, as we wind down the planned expense of cash reserves which the Board has previously authorized.

Context

We are in a time of great economic and political risk and uncertainty; at the same time, there is incredible energy and need for our liberating faith values in the world. We recognize both the urgency of the moment to advance our mission-based work, as well as the need to thoughtfully manage the risks involved. Ultimately, the UUA's financial fate is tied with those of our congregations, who have seen increased financial commitments from members but also increased costs.

While our financial statements continue to show our strong position in terms of net assets, the UUA, like many organizations and congregations, has managed a structural operating deficit for years. Following the strong financial results of the acute years of the pandemic (FY20-22), we have been systematically utilizing our accrued cash to finance net deficit budgets. This has included a number of one-time investments, such as the

development of a new virtual hymnal, as well as a provided source of funds to provide for time to chart a path towards sustainable income growth.

Last year, we proposed a “bridge” budget to provide time to set a new foundation for a multi-year financial planning framework. As we said at the time, we remain committed to right-sizing our core budget footprint while investing in what is most essential to address our urgent challenges and opportunities. The FY26 budget proposal is the first year in a three-year plan towards financially sustainable operations, which would be fully actualized in FY29.

Path to Sustainability

Income

The proposed FY26 budget process has focused on establishing a sustainable income trajectory that will be realized in FY27-29. This includes work on the following primary income areas:

- ***Congregational Giving*** – As the largest source of income for the UUA, congregational giving through the Annual Program Fund has receded from its peak of \$8.4 m in FY22 to a projected \$7.5m in FY25, as congregations grapple with budget pressures and the expiration of pandemic-era stimulus support. We are now five years into the new unified APF formula, and it is an opportunity to evaluate how well it has achieved its original goals of equity and sustainability. Stabilizing APF and restoring a modest growth trajectory will be a top priority. Our approach will include sharing a renewed case for congregational APF support for our covenantal Association across all UUA channels, and reviewing the APF ask calculation to address attainment disparities.
- ***Donor-based fundraising*** – We have invested in rebuilding our donor-based fundraising infrastructure over the past few years through reconfigured staff structures and new data systems. In FY26, we anticipate these streams will contribute about \$2.6m in income for budget relieving purposes from unrestricted gifts and restricted campaign fundraising, as well as \$1.1m in legacy bequests. Our Stewardship and Development team is finalizing a detailed multi-year plan to scale up fundraising by developing and stewarding new high-level giving relationships, expanding outreach to donors at all levels (with special interest in Side With Love and justice ministries), re-engaging disaffected donors through tailored asks, and securing legacy commitments and bequests.
- ***Investments*** – Performance of the UU Common Endowment Fund has improved in the past year, with the addition of key staff to stabilize operations. The current total valuation is now \$273m, inclusive of both UUA assets and all subscribers. The UUA's anticipated FY26 investment income is \$2.8m, up \$0.1m from FY25.

We anticipate this positive trend will continue, and we will seek to grow the number of subscribers to the UUCEF so that the valuation of the fund increases. This will allow us to continue to expand our portfolio strategies, and generate additional income from administrative fees (currently providing for \$0.6m in income). While we are not proposing any additional structural changes to the endowment draw formula at this time, we anticipate this as a robust conversation with the Board in the coming year. For FY26, we are utilizing the formula as written in policy, and assuming small inflationary increases for FY27-29.

- **Leasing** – The UUA is currently receiving around \$0.7m in leasing income from the 24 Farnsworth building, down from about \$2m in FY23, due to the remaining two empty floors. We have been aggressively working with our real estate consultants and broker to market the space in a challenging time for commercial real estate; signs have begun to improve, and we have had several serious expressions of interest in the past few months. Securing tenants in the next three years is a cornerstone for our financial sustainability.
- **Other sources** – We continue to support growth in publications income, administrative fees, and income from outside trusts. Additionally, we have contracted with a grant consultant to help us pursue opportunities for support from private foundations and philanthropies.

We recognize we are submitting this budget at a moment of great economic uncertainty, which could have wide ranging impacts on the UUA and our congregations. In the months ahead, we will be assessing and “stress testing” our approach to growing income as we learn more about the unfolding economic realities. Of note, our endowment draw formula is designed to be stable through both bull and bear markets, to help us hedge against some of the worst scenarios.

Expense

While our planning has focused for this cycle on income, we have reduced expenses where possible. This includes the expiration of planned short-term expenses to implement recommendations from the Commission on Institutional Change’s 2020 report *Widening the Circle of Concern (WCC)*, such as funds for curricula that have been completed and published. The net effect is to propose only a 0.8% net increase in expenses, essentially absorbing inflationary increases with offsetting operational reductions. Our budget supports cost of living adjustments for staff, and takes into account increases in costs in benefits and third-party services. In general, our approach will be to hold expenses steady and absorb inflationary pressures over the next three years in order to give income growth time to catch up to expense.

The largest expense in the operating budget is staff salary and benefits. We are mindful that, over time, reducing the staff footprint will be necessary. However, rather than

proposing any structural changes to the staff at this stage, we are utilizing open positions to rethink staff needs and priorities. Two retiring positions will not be replaced for next year. A number of expected open positions in Congregational Life regional staff will enable us to take a holistic and strategic approach to that staff team's hiring over the next few years. Additionally, there are three staff positions subject to layoffs or consolidations, due to the changing needs of the staff groups in which they are located. Before proposing any possible structural changes to staff, we recognize the need to engage first in strategy planning about the work and needs across the UUA (see discussion below).

Use of Cash

As part of our commitment to sustainability, the UUA is winding down the planned cash expense that has been approved as part of budget proposals for the past five years. These approvals have been carefully tracked by source, purpose and utilization, in half a dozen separate categories. This support has allowed the UUA to finance one-time projects, hedge against uncertainty, and provide a longer runway to increase income projections. To recap, the arc of the expenditure of this cash has been:

- \$1.1m for implementation of the WCC report, approved in June 2020 based on the FY20 operating surplus; deployed FY21-26 for specific, time-limited projects
- \$1.6m for general operations, approved as part of the FY23 budget process based on the operating surplus from FY21; deployed ¼ in each year FY23-26
- \$3.3m from the 2020 Paycheck Protection Program grant (converted loan); deployed \$2.2m across FY23-25 to cover estimated declines in congregational giving and other income sources related to the pandemic; deployed \$1.2m for pandemic-related special projects (virtual hymnal development, Health Plan reserves infusion)
- \$1.2m to invest in the new Presidential priorities, approved in August 2023; deployed across FY24-26 for executive office initiatives and staffing
- Additional one-time cash expenditures included the securitized rent guarantee from the prior tenants (\$1.7m across FY24-25), and Meet the Moment planning (\$0.2m across FY25-26, from Beacon Press surplus sharing funds)

We estimate our remaining cash reserves, inclusive of the planned uses listed here as well as other sources, will be sufficient to cover the deficits anticipated as part of the three-year plan.

Mission & Priorities

In a moment of both upheaval and opportunity, our budget proposal is grounded in the UUA's imperative to help all UU's answer the call of our faith tradition to be a beacon for our values in the world. Our "Meet the Moment" initiative is at the forefront of this

response, providing a multi-year, unified approach to discernment and engagement across our Association. Started in fall 2024, “Meet the Moment” (MtM) is a framework that brings UUs at all levels into shared discernment about how our values compel us to show up in this moment, and engages UUs in cycles of praxis that encourage innovation, shared strategy, and deepened relationship across the faith.

As the theme for General Assembly in 2025, MtM will offer resources for congregational leaders to participate in this distributed national conversation beginning in the fall of 2025. Wave Cohorts to explore key issues and opportunities will proceed in both the fall and the spring, allowing leaders across the faith to grapple and experiment together around front-of-mind areas of religious life, such as lifespan faith formation, congregational fundraising, staffing needs, leadership development, and anti-racism/anti-oppression/ multiculturalism. These will lead into General Assembly 2026, which will reprise the MTM thematic focus and invite even more people into the cycles of learning, reflection, and action about key issues facing UUism in this moment.

In connection with the MTM framework, key projects and priorities among our programmatic staff groups include:

- *Executive Office* – Continued stakeholder engagement in the Widening the Pathways to Ministry initiative; establishing goals for a clean energy future and real carbon neutrality through the Climate Justice working group; and advancing beyond the first five-year implementation phase of the WCC report.
- *Congregational Life* – Expanding the LeaderLab and UU Institute online and in-person offerings for leadership development; assessing the last decade of regionalization and its impacts; engaging stakeholders about the needs of congregations from primary contacts and other CL staff; and redesigning staff structures through expected staff transitions, including hiring the next Director of Congregational Life.
- *Ministries and Faith Development* – Conducting a comprehensive review of the Transitions Process (ministerial search and settlement); moving forward with the Mosaic anti-racism platform into its next phase; building on the successful Mosaic conference of the past year; launching the virtual hymnal “Sing Out Love,”; and continued implementation of the Youth and Emerging Adult Ministries national framework.
- *Organizing Strategy* – Expanding the renewed Action Center as a hub for mobilizing values-rooted justice organizing; investing in programs and trainings to increase the organizing skills and capacity of faith-based justice leaders and congregations; and preparing for the next 2026 electoral cycle.

Additionally, the UUA will be expanding the still-new Pink Havens program to help transgender/non-binary people and their families get access to supportive communities

and gender affirming care. This is a collaborative effort across multiple staff teams, housed under the VP for Programs & Ministries.

In order to focus on our key priorities, the UUA is also sunsetting programs that have completed their charge. This spring, the UUA and UU Service Committee announced that we are concluding our joint operation of the UU College of Social Justice. Over the past dozen years of its operation, the UUCSJ has achieved its original goals to revitalize spiritually grounded activism and establish a bridge between our two institutions. This will allow the UUA to redeploy resources towards enhanced capacity within the Side With Love team and to support growing the Pink Havens program.

The UUA is initiating a strategy planning process this year, allowing us to achieve these programmatic goals while continuing on our path towards financial sustainability. Strategic planning currently occurs primarily within individual staff groups, so we will establish an organization-wide approach to ensure that we are focused on the most essential priorities while avoiding staff burnout. This process will include tools and templates for strategic evaluation of each staff team's current work, and consideration of key strategic questions aligned with the MTM framework and participatory approach. We will be engaging the UUA Board as well in this planning, which will lead into next year's budget process.

We are also accelerating internal infrastructure development to support these changes. Building on new data systems that we have recently invested in, we will be establishing a new general ledger to establish an updated foundation for streamlined financial analysis. We are bringing online new HR systems through our digital platforms and policy development. We continue to prioritize our safety and security of both our assets and our staff members, as risks and exposure rise.

Conclusion

Thank you for your consideration of this proposal, and for your engagement and guidance throughout the process through the Board's Values & Resources Group. By prioritizing a sustainable three-year path that minimizes disruptions to operations and maximizes mission-based impact, we will need to continue to ask the Board to approve a deficit-based submission that expends cash on hand for this year, which includes a prior planned expense of \$1.2m for FY26. We are confident that our work with you and our committed staff in the coming year will allow us to achieve these goals.