



**Unitarian Universalist Association
Annual Treasurer's Report
June 2004
GA Long Beach, CA**

Jerry Gabert, Treasurer and Vice President of Finance

**Unitarian Universalist Association
Annual Treasurer's Report
To the 2004 General Assembly in Boston**

The UUA **Current Operations Budget Summary** contains results for the fiscal years ending June 30, 2002 and 2003, along with the budget for the current fiscal 2004 year just ending, the approved budget for the upcoming FY2005 budget year and the outlying FY2006 budget that has been received by the Board of Trustees. You will also find an Operating Budget Supplement as an aid to understanding the budget categories and Operating Budget Graphs to satisfy your visual interest.

Fidelity Investments Tax-Exempt Services Company, as the provider of trust investment, record-keeping and administration services for our **Unitarian Universalist Organizations Retirement Plan**, has permitted the continued expansion of the number of congregations electing to participate in the plan to more than 575 organizations and 2355 participants. We have increased the number of investment options participants may select for their retirement funds to ten, including the Fidelity family of Freedom Funds, the Domini Social Equity fund and two Walden Asset Management socially responsible mutual funds. Fidelity has offered enhanced education and retirement investment planning services, more timely electronic "statement on demand" reporting with more choice and increased flexibility.

A salary reduction, personal investment feature is included where the retirement plan participant's member congregation contribution has reached 10% or more. Participants may elect to borrow up to the lesser of \$50,000 or 50 percent of his/her accumulated assets for two purposes: a medical emergency or for the purchase of a primary residence. Regular monthly payments on the amount borrowed, plus interest, must be made to the participant's account.

The **Strategic Review of the Asset Allocation Policy** of the UUA General Investment Fund (GIF) was begun in 2002. In conjunction with the services of New England Pension Consultants (NEPC), the committee studied a wide range of asset classes in 2003 that are appropriately considered for an endowment such as the General Investment Fund, with its attendant goals, objectives and constraints. The study included a number of asset classes that had not previously been represented in the asset allocation policy of the GIF. The asset allocation policy of the GIF has, for many years, targeted a 60% investment in equity securities and a 40% allocation to fixed income securities. In prior years, this overall policy had been achieved through the use of "balanced managers" each of whom managed a blend of both stocks and bonds. Rebalancing had been the responsibility of the individual manager, without knowledge of the allocation of the other managers.

The Investment Committee unanimously voted to maintain the overall asset allocation, but to revise the UUA policy to include additional fixed income and equity asset classes in the GIF. The Committee also voted unanimously to revise target asset class allocations to accommodate new classes, to set permissible ranges for each asset class and to create a revised rebalancing policy driven by the position of the asset class within the range established. The Committee recognized that the implementation of such changes warranted the review, search and selection of investment advisors that are specialist managers, with expertise in a particular asset class. It was determined that the funding of new asset classes would either occur through a change in management of a component (equity or fixed income) presently managed by a balanced manager or by the elimination of one or more managers. The committee set the goal and has completed its implementation of the revisions.

Due to the cyclical nature of securities markets, the investment management business itself is cyclical. The strain of under-performing had the effect of driving change and consolidation with the investment advisor and investment managers. Such changes do not always benefit clients or their portfolios and resulted in changes in the operating structure of several investment advisers who had managed GIF assets.

The Investment Committee previously voted to liquidate the global fixed income assets managed by Lazard Asset Management, due to significant under-performance relative to the appropriate benchmark. The proceeds were combined with other core fixed income funds managed by the Pacific Investment Management Company (PIMCO), known as the SIT Total Return II Trust, under the aegis of Oppenheimer Capital. The Committee also terminated the services of Beacon Asset Management for both the equity and fixed income portion of the portfolio, as well as the equity funds managed by Oppenheimer Capital and Regent Investment Advisors for both equity and fixed income management.

The Committee had been studying high yield and global bond managers and selected two specialty managers to assist with a broader diversification through the reinvestment of fixed income assets. The fixed income proceeds were invested in Seix Investment Advisors Hi-Yield Investment Strategy and the Grantham, Mayo, Van Otterloo & Co. (GMO) Global Bonds Fund. Additional equity proceeds were placed in the Domini Social Funds Index.

The committee then began analysis of alternatives for placement and strategic investment of core equity assets at its meetings in May and September 2003. In its analysis, the history, structure and strategy of the investment firms was considered and also their investment philosophy and practice, professional staff, fee structure and their ability to assist the UUA with implementation of its socially responsible investment strategy.

The **Investors Bank & Trust Company** (IBT), custodian for the General Investment Fund (GIF), has enabled more timely quarterly endowment fund reconciliation and calculation of the GIF market value thus permitting earlier distribution of the checks to be mailed. We have established the 12th business day of the following quarter as our goal for reporting and releasing checks. The priority GIF service goal is to improve the clarity and quality of the quarterly statements sent to member congregations and affiliates who choose to invest with the Association.

The Association encourages member congregations, districts and affiliates to invest endowment funds along with the UUA's GIF endowment portfolio. Investing with the Association offers the advantages of an actively managed and administered portfolio versus an index fund, with little effort expended for a fee of about 1%. The UUA GIF is overseen by two committees of qualified professionals: the Investment Committee and the Committee on Socially Responsible Investing.

The **Committee on Socially Responsible Investing** has made substantial growth progress in the past year. During this year the CSRI introduced a new renewable energy screen and the pages following this report include the description of the special program events and workshops that may be of interest to you. Come and join us!

The **Unitarian Universalist Association Financial Statements** for the years ended June 30, 2003 and 2002, on which Deloitte & Touche expressed an unqualified opinion, are included elsewhere in the independent section of these UUA 2004 Annual Reports. We recommend them for your understanding of our overall financial picture, and the more comprehensive knowledge that emerges from the reading of the footnotes, as well. The one page comparison of the Statements of Financial Position, on Page 2, is especially of value for the overview it provides of the financial strength of our Association. The total current assets less current liabilities, or working capital, at June 30, 2002 was \$12 million. There are Supplemental Schedules of assets, liabilities and net assets on pages 15 - 17 that you may find of interest.

Under the terms of the Holdeen and certain other trusts, the Association has an irrevocable right to receive and to use the income earned on the trust assets for designated purposes, but the principal itself will not be spendable. In compliance with the practice recommended in the American Institute of Certified Public Accountants Not for Profit Audit and Accounting Guide, the fair value of the trust assets have been recorded as permanently restricted net assets amounting to \$30.9 million, comprised of the Holdeen and other trusts. This reporting practice affects the reporting visibility of these trust assets, but should not be construed as increasing the amounts to be received in the future or changing the designated use of the income.

The **Blackbaud Financial Edge reporting system software** has permitted the development of more useful monthly and quarterly reporting for our current operations. In addition to consistent timely monthly reports, quarterly consolidating statements by business segment are prepared for reporting to the Finance Committee, our mortgage banker and the Administration that include: Current Section, Beacon Press, Congregational Properties & Loan Commission, and Trust and Agency and Endowment. Also, Committee chairs and each staff liaison receive quarterly financial reports that compare expenditure activity with budget and prior year levels.

Continuing progress is expected to include improved operating cash flow reporting and electronic access to the financial reporting system for information and analysis by the program and support service staff of the Association. The budgetary planning is also more reflective of our historical monthly and quarterly experience, through tracking the income as well as the program and service department budgets for comparative purposes, with the budget reflecting seasonal variation.

The **Committee on Socially Responsible Investing** has made substantial progress in the past year. The following page includes the description of the special program event and workshops that may be of interest to you. Come and join us!

I am honored to have the opportunity to make a personal contribution, as your Treasurer, to our progress along the path....

Jerry Gabert, Treasurer and Vice President of Finance

Unitarian Universalist Association GENERAL INVESTMENT FUND



Performance Summary for

DEC. 31, 2003

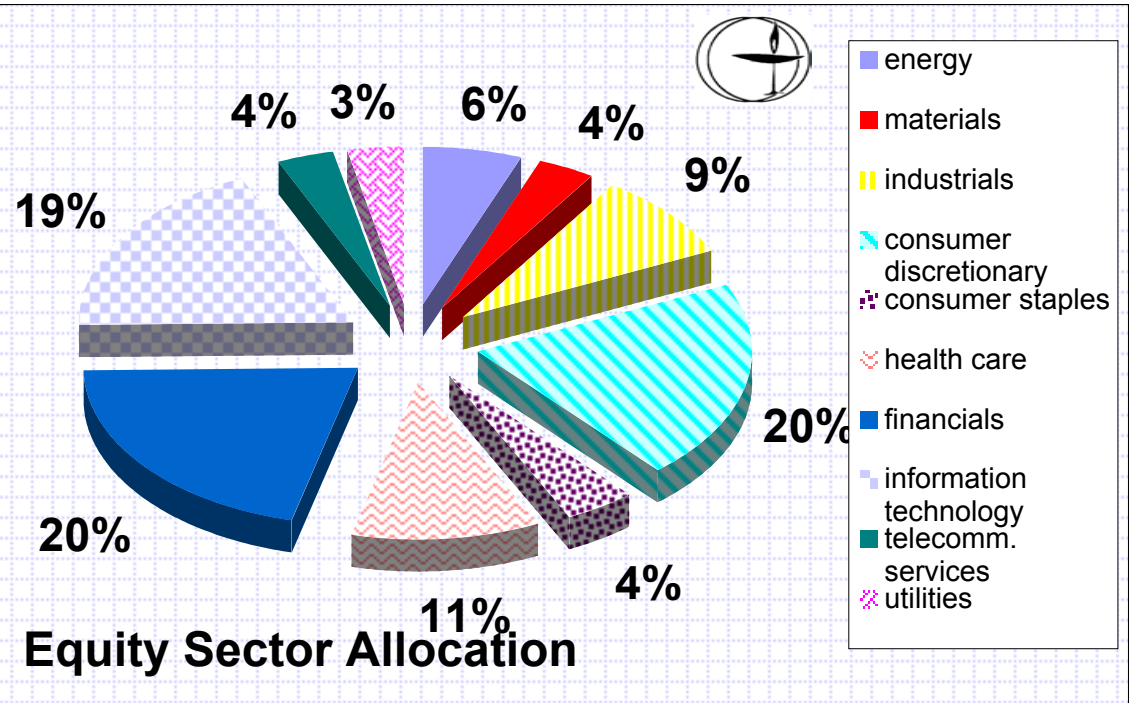
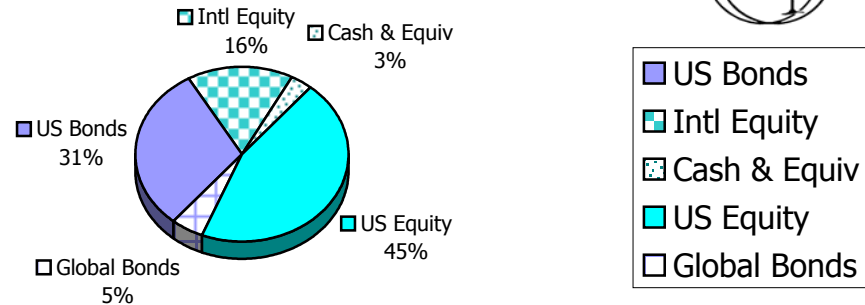
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Investment Returns Summary	Inception Date	Assets \$ mil	Qtr to date 9/30/03-12/31/03	CYTD 12/31/02-12/31/03	FYTD 6/30/03-12/31/03	Cumulative since Inception	Annualized since Inception
Total Assets	12/31/95	102	9.2	24.3	13.3	80.9	7.7

Top 10 Equity Portfolio Holdings By Size of Holding

Security	Size\$(000)	% of Total Equity Mkt Value	Quarterly Total Return (%)
EBAY	1,227.6	2.6	20.5
Citigroup Inc	942.8	2.0	7.4
Cisco Systems	896.5	1.9	23.7
Genentech Inc	795.3	1.7	16.8
Microsoft Corp	747.7	1.6	-1.0
Dell Inc	747.6	1.6	1.7
Harley Davidson	712.9	1.5	-1.2
Capital One Financial	704.8	1.5	7.5
Apollo Group Inc	678.1	1.5	2.7
Starbuck Corp	663.2	1.4	15.1
Total Top 10	8,116.5	17.3	

Asset Allocation



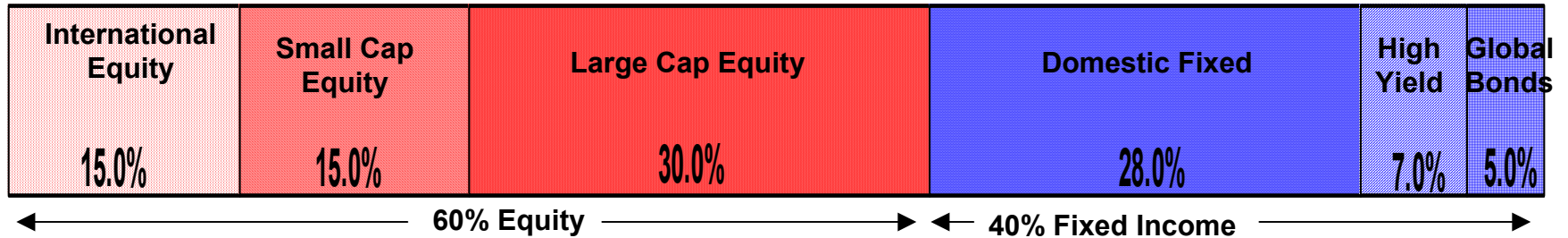
For more details, please logon to our website at

<http://www.uua.org/finance>

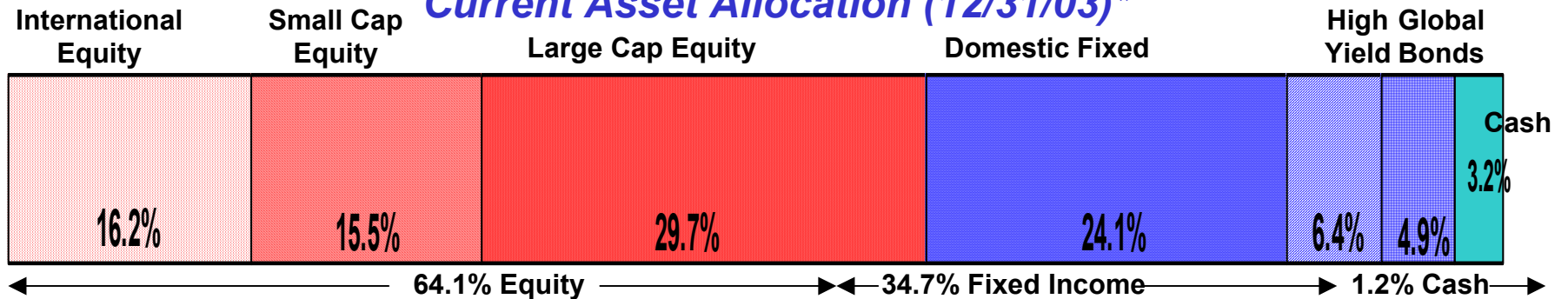
UUA GIF

Asset Allocation

Target Allocation (12/31/03)



*Current Asset Allocation (12/31/03)**



* Manager weights exclude manager cash



**Total Fund Performance
UUA GIF**



	Quarter Return	1 Year Return	2 Years Return	3 Years Return	5 Years Return	7 Years Return
Total Fund Periods Ending 12/31/2003	9.2	24.3	3.1	-0.7	1.9	6.7

Fiscal Years Ending June 30	Year Ending JUNE 03 Return	Year Ending JUNE 02 Return	Year Ending JUNE 01 Return	Year Ending JUNE 00 Return	Year Ending JUNE 99 Return
Total Fund	4.3	-12.5	-6.1	6.5	13.3

COMPREHENSIVE SOCIAL ANALYSIS AND GUIDELINES COMMUNITY IMPACT

AVOID COMPANIES THAT:

- FAIL TO INVEST ADEQUATELY IN LOCAL COMMUNITIES AS EVIDENCED BY BANKS WITH A "NEEDS TO IMPROVE" OR "SIGNIFICANT NONCOMPLIANCE" COMMUNITY REINVESTMENT ACT (CRA) RATING IN A MAJOR BANKING SUBSIDIARY, OR FAILURE TO COMPLY WITH EQUAL CREDIT OPPORTUNITY REGULATIONS
- ENGAGE IN PREDATORY LENDING PRACTICES OR REDLINING OF COMMUNITIES IN NEED OF SERVICES
- HAVE DEMONSTRATED A LACK OF REGARD BY FAILING TO COMMUNICATE ABOUT IMPORTANT CORPORATE ISSUES WHICH DIRECTLY INVOLVE THE LOCAL COMMUNITY SUCH AS LAND USE, FACILITY CLOSINGS (WARN ACT) AND POLLUTION CONCERNS

FAVOR COMPANIES WITH:

- "OUTSTANDING" CRA RATING
- FORMAL COMMUNICATIONS STRUCTURES WITH COMMUNITY GROUPS AND A HIGH LEVEL OF PUBLIC ACCOUNTABILITY
- STRONG WOMEN AND MINORITY ECONOMIC DEVELOPMENT POLICIES AND PROGRAMS
- INNOVATIVE COMMUNITY INVOLVEMENT SUCH AS PAID TIME OFF OR SABBATICALS FOR VOLUNTEERS, EMPLOYEE RECOGNITION, COMPANY SPONSORED VOLUNTEER PROGRAMS AND GENEROUS CORPORATE PHILANTHROPY

COMPREHENSIVE SOCIAL ANALYSIS AND GUIDELINES ENVIRONMENTAL IMPACT

AVOID COMPANIES THAT:

- SHOW A PATTERN OF SERIOUS ENVIRONMENTAL VIOLATIONS
- HAVE BEEN NEGLIGENT ON HANDLING SIGNIFICANT ENVIRONMENTAL PROBLEMS
- ARE RESPONSIBLE FOR MAJOR ENVIRONMENTAL DISASTERS
- ARE SIGNIFICANTLY ENGAGED IN PRACTICES WITH NEGATIVE GLOBAL IMPACT SUCH AS RAINFOREST DESTRUCTION AND OZONE DEPLETION
- ARE UNCOOPERATIVE IN DISCLOSING ENVIRONMENTAL INFORMATION
- ARE IN "DIRTY" INDUSTRIES WITH BELOW-AVERAGE RECORDS OF PERFORMANCE

FAVOR COMPANIES WITH:

- A COMMITMENT TO INCREASE INVOLVEMENT IN RENEWABLE ENERGY SOURCES.
- PRODUCTS OR SERVICES THAT REDUCE WASTE GENERATION OR CONSERVE NATURAL RESOURCES
- SIGNIFICANT PROGRESS IN REDUCING VOLUME AND TOXICITY OF WASTE, EMISSIONS AND EFFLUENTS
- INNOVATIVE PROGRAMS TO REDUCE USE OF ENERGY, WATER, MATERIALS AND LAND
- CONSISTENTLY GOOD COMPLIANCE RECORDS
- STRONG ENVIRONMENTAL MANAGEMENT SYSTEMS INCLUDING CLEAR ENVIRONMENTAL POLICIES AND REGULAR AUDITS (CERES, THE COALITION FOR ENVIRONMENTALLY RESPONSIBLE ECONOMIES)
- A COMMITMENT TO STANDARDIZED ENVIRONMENTAL REPORTING (CERES)

COMPREHENSIVE SOCIAL ANALYSIS AND GUIDELINES EMPLOYEE IMPACT

AVOID COMPANIES THAT:

- ARE EGREGIOUS OFFENDERS OR HAVE PATTERNS OF EQUAL EMPLOYMENT OPPORTUNITY VIOLATIONS
- HAVE A PATTERN OF SERIOUS NATIONAL LABOR RELATIONS BOARD (NLRB) CASES OR OTHER ANTI-UNION ACTIONS
- ARE ON THE AFL-CIO BOYCOTT LIST
- ARE EGREGIOUS OFFENDERS OF OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA) REGULATIONS
- ARE INVOLVED DIRECTLY IN VIOLATIONS OF THE MOST BASIC HUMAN RIGHTS TO SURVIVAL AND INTEGRITY
- ARE KNOWN TO USE FORCED LABOR, CHILD LABOR, SWEATSHOPS OR VIOLATE OTHER INTERNATIONAL LABOR ORGANIZATION STANDARDS

FAVOR COMPANIES WITH:

- ABOVE-AVERAGE REPRESENTATION OF WOMEN AND MINORITIES ON BOARDS OF DIRECTORS AND IN SENIOR MANAGEMENT AND PIPELINE POSITIONS
- STRONG RECRUITING, AFFIRMATIVE ACTION, DIVERSITY AWARENESS AND ANTIRACISM IDENTITY AND PRACTICES
- INCLUSIVE NONDISCRIMINATION POLICIES THAT INCLUDE SEXUAL ORIENTATION
- POSITIVE UNION RELATIONS OR EMPLOYEE PARTICIPATION RELATIVE TO THEIR INDUSTRY
- ABOVE-AVERAGE COMPENSATION AND BENEFITS, INCLUDING DOMESTIC PARTNER BENEFITS
- A DEMONSTRATED COMMITMENT TO WORK-LIFE BALANCE THROUGH OPTIONS SUCH AS FLEX-TIME, PART-TIME BENEFITS, JOB SHARING, TELECOMMUTING AND DEPENDENT CARE
- STRONG EMERGENCY TRAINING AND ON-GOING SAFETY PROGRAMS
- EXPLICIT HUMAN RIGHTS PRINCIPLES OR LABOR STANDARDS TO GUIDE GLOBAL OPERATIONS IN OWNED AND CONTRACTED FACILITIES, INCLUDING INDEPENDENT MONITORING AND REPORTING
- TRANSPARENCY ON ISSUES RELATED TO CHALLENGES IN THE WORKPLACE

COMPREHENSIVE SOCIAL ANALYSIS AND GUIDELINES CUSTOMER IMPACT

AVOID COMPANIES THAT:

- ARE MAJOR WEAPONS MANUFACTURERS (TOP 25-50) OR WITH WEAPONS SALES 5% OR MORE OF TOTAL SALES
- ENGAGE IN THE MANUFACTURE OF TOBACCO BASED PRODUCTS
- PRODUCE OR SELL HANDGUNS
- MANUFACTURE OR SELL PRODUCTS KNOWN TO HAVE ADVERSE PUBLIC HEALTH CONSEQUENCES WHETHER OR NOT IN CONTRAVENTION OF LOCAL STANDARDS
- HAVE MISLEADING OR IRRESPONSIBLE MARKETING OF PRODUCTS AND SERVICES SUCH AS STEREOTYPICAL DEPICTIONS OF WOMEN OR MINORITIES IN ADVERTISING

FAVOR COMPANIES WITH:

- SAFE, USEFUL, HIGH-QUALITY PRODUCTS OR SERVICES THAT ENHANCE THE QUALITY OF LIFE FOR CONSUMERS
- RESPONSIBLE PRICING AND MARKETING PRACTICES
- GOOD RESPONSE SYSTEMS TO ADDRESS PRODUCT SAFETY CONCERNS



UUA General Investment Fund

Investing based on UU values for your congregation's heart, mind and pocketbook

Pooling Your UU Organization's Funds w/the UUA

Learn how the UUA GIF (Endowment) is invested to align with UU values of justice and environmental sustainability, and how your congregation or camp/conference can pool its funds with the GIF. Breakout groups will cover Proxy Voting and Shareowner Activism, Investment Analytics (asset allocation, benchmarking) and Resources.

Speakers: Lucia Santini-Field & Jerry Gabert
Date: Friday, June 25th, 1:30 – 2:45pm
Room: Long Beach Convention Center Room 202B

REPEAT

Speakers: Lucia Santini-Field & Larry Ladd
Date: Monday, June 28th, 2:00 – 3:15pm
Room: Long Beach Convention Center Room 201A

Align, Ye UUs, Your Assets with Your Values

Review the basic tools of investing with your values – community investing, stock investing screening, proxy voting, and shareowner activism. Mini-case studies will be presented, followed by breakout groups. For individuals, social justice/finance committees, ministers and staff.

Speakers: Rev. Sydney Morris & Stephanie Leighton
Date: Saturday, June 26th, 11:00 – 12:15pm
Room: Long Beach Convention Center Room 202C

REPEAT

Speakers: Rev. Sydney Morris & Stephanie Leighton
Date: Saturday, June 26th, 3:15 – 4:30pm
Room: Long Beach Convention Center Room 201A

Creating Partnerships through Community Investing

Your investments can create partnerships in your community, nationally, and internationally. Explore affordable housing, community investing, and domestic and international micro-lending. Learn about the UUA matching investments of up to \$10,000

Speakers: Joan Cudhea & Mark Knight
Date: Sunday, June 27th, 8:30 – 9:45pm
Room: Long Beach Convention Center Room 302

Socially Responsible Investing

Operating Budget Summary

FY 2002 and 2003 Results

FY2004 and 2005 Budget

FY2006 Received Budget

**UUA Budget Summary
Current Operations**

	FY02 Results	FY03 Results	FY04 Budget 10/19/03	FY05 Budget 04/18/04	FY06 Received 04/18/04
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INCOME

Income for General Support

Fundraising - APF Churches & Fellowships	5,502,231	5,731,096	5,843,850	6,092,214	6,493,307
Fundraising - APF \$1 for Growth Fund			130,818	136,378	0
Fundraising - Friends of the UUA	1,020,680	1,041,693	1,042,000	1,092,000	1,146,600
Unrestricted Gifts and Bequests	525,000	450,000	450,000	450,000	375,000
Subtotal	<u>7,047,911</u>	<u>7,222,789</u>	<u>7,466,668</u>	<u>7,770,592</u>	<u>8,014,907</u>
Administration Fees	936,454	777,991	753,431	839,312	825,179
General Investment Fund Income	2,748,108	2,426,303	2,103,101	2,000,768	2,015,228
Other Current Fund Income	2,845,871	2,742,255	2,791,815	2,747,975	2,742,975
Total Income for General Support	<u>13,578,344</u>	<u>13,169,338</u>	<u>13,115,015</u>	<u>13,358,647</u>	<u>13,598,289</u>

Income for Designated Purposes

Handing on the Future Income	309,315	620,596	432,063	216,447	204,000
Campaign for Unitarian Universalism	262,925	660,167	910,404	828,592	1,153,000
UUCSR Veatch Grants	1,687,167	1,920,692	2,341,441	2,026,545	2,026,545
Grants and Scholarships	1,103,463	966,225	829,428	786,735	792,130
Ministerial Aid Funds	638,736	430,483	470,000	450,000	450,000
Holdeen and International Trusts and Grants	1,777,225	1,523,653	1,377,064	1,336,469	1,356,144
Income for Other Purposes	632,549	629,823	351,806	326,020	213,030
Capital Gains for Fundraising	855,201	713,806	696,879	646,820	685,238
Total Income for Designated Purposes	<u>7,266,581</u>	<u>7,465,445</u>	<u>7,409,085</u>	<u>6,617,628</u>	<u>6,880,087</u>

<i>General Assembly - net</i>	55,813	0	0	0	0
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Total Income	20,900,738	20,634,720	20,524,100	19,976,275	20,478,376
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EXPENDITURES

Board & Volunteer Leadership

Board of Trustees	164,323	169,768	169,201	164,201	164,201
Board Task Forces	104,353	148,302	120,687	105,578	111,596
Moderator	12,752	22,025	22,500	20,000	20,000
Nominating Committee	19,333	19,556	20,000	18,000	20,000
Fulfilling the Promise			0	0	0
Commission on Appraisal	27,849	36,632	28,000	30,000	28,000
Ministerial Fellowship Committee	220,870	202,095	179,000	169,000	169,000
APF Continental Committee	30,800	31,925	33,020	33,020	34,400
U U Funding Program	962,816	1,020,340	1,100,000	1,101,545	1,101,545
Total Board & Volunteer Leadership	<u>1,543,096</u>	<u>1,650,643</u>	<u>1,672,408</u>	<u>1,641,344</u>	<u>1,648,742</u>

Program

Advocacy and Witness

Information and Public Witness	171,017	182,178	213,709	210,255	210,255
Advocacy Programs	322,612	544,291	512,039	476,325	490,620
International Office	264,711	290,287	218,873	194,939	193,091
Holdeen Designation Trusts	585,000	540,000	476,038	446,987	464,175
Holdeen India Program	976,601	804,979	718,596	694,270	698,878
Total Advocacy and Witness	<u>2,319,941</u>	<u>2,361,735</u>	<u>2,139,255</u>	<u>2,022,776</u>	<u>2,057,019</u>

Congregational Services

Director's Office	196,562	415,326	347,781	294,554	460,854
Lay Leadership Development	67,789	138,796	177,486	142,277	142,277
New Congregation and Growth Resources	739,963	497,906	351,994	254,592	193,592
Congregational Justice Making Resources	0	240,646	282,563	225,134	225,134

**UUA Budget Summary
Current Operations**

	FY02 Results	FY03 Results	FY04 Budget 10/19/03	FY05 Budget 04/18/04	FY06 Received 04/18/04
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(Program, continued)

(Congregational Services continued)

Young Adult and Campus Ministry Director	393,458	457,579	396,017	342,678	342,678
Congregational Fundraising Services	430,578	411,358	421,555	414,325	414,325
Services to Large Congregations	116,350	177,809	465,867	307,542	307,542
<i>Total Congregational Services</i>	<u>1,944,700</u>	<u>2,339,420</u>	<u>2,443,263</u>	<u>1,981,102</u>	<u>2,086,402</u>

District Services

District Services	1,239,089	1,398,375	1,432,189	1,435,277	1,553,369
District APF Grants	567,802	585,168	597,449	609,416	641,545
<i>Total District Services</i>	<u>1,806,891</u>	<u>1,983,543</u>	<u>2,029,638</u>	<u>2,044,693</u>	<u>2,194,914</u>

Identity Based Ministries

Identity Based Ministries	0	434,120	492,897	490,675	460,543
Faith in Action	763,491	0	0	0	0
Programs Section	147,342	0	0	0	0
<i>Total Identity-Based Ministries</i>	<u>910,833</u>	<u>434,120</u>	<u>492,897</u>	<u>490,675</u>	<u>460,543</u>

Lifespan Faith Development

Director of Lifespan Faith Development	183,022	153,183	162,245	162,622	166,622
Curriculum Development	356,296	327,025	278,923	283,350	294,522
Our Whole Lives	0	0	35,000	0	0
Consultant on Youth	237,730	252,125	242,224	213,733	224,233
Youth Council	49,019	40,882	44,973	47,738	48,877
Youth Programs	38,184	31,994	27,500	27,500	27,500
<i>Total Lifespan Faith Development</i>	<u>864,251</u>	<u>805,209</u>	<u>790,865</u>	<u>734,943</u>	<u>761,754</u>

Ministry & Professional Leadership

Dir. of Ministry & Professional Credentialing	210,037	224,161	219,819	223,325	223,325
RE Credentialing	54,729	99,674	121,387	122,548	122,548
Ministerial Credentialing	147,745	157,730	164,664	176,488	176,488
Settlement	209,302	201,450	212,260	213,243	213,243
Office of Church Staff Finances	251,080	275,222	222,658	276,257	276,257
Professional Development	132,186	179,775	197,125	189,362	194,801
Scholarships and Ministerial Ed Grants	347,045	389,541	347,143	315,918	324,251
Recruitment	5,900	3,500	0	0	0
Continuing Education	66,346	61,748	50,000	51,767	70,000
Aid Funds	653,876	445,904	488,000	468,588	469,000
Panel on Theological Education	828,067	728,705	591,614	578,631	582,993
<i>Total Ministry & Prof. Development</i>	<u>2,906,313</u>	<u>2,767,410</u>	<u>2,614,670</u>	<u>2,616,127</u>	<u>2,652,906</u>

Publishing

Communications

Director of Communications	174,853	104,751	127,520	107,408	107,408
Periodicals	914,656	834,828	734,591	822,518	827,518
Publications Administration	403,914	398,846	430,050	425,398	426,398
UUA Bookstore	778,537	794,798	811,462	838,665	829,235
<i>Total Communications</i>	<u>2,271,960</u>	<u>2,133,223</u>	<u>2,103,623</u>	<u>2,193,989</u>	<u>2,190,559</u>

Beacon Press supplement			100,000	100,000	100,000
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Beacon Press

Total Operating Income	5,100,357	4,909,655	4,442,259	5,108,000	
Total Operating Expenses	5,149,596	4,805,119	4,617,749	5,129,000	
Beacon Press (display only, not in totals)	(49,239)	(186,000)	(189,000)	(71,000)	

<i>Total Publishing</i>	<u>2,271,960</u>	<u>2,133,223</u>	<u>2,203,623</u>	<u>2,293,989</u>	<u>2,290,559</u>
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<i>Total Program</i>	13,024,889	12,824,660	12,714,211	12,184,305	12,504,097
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**UUA Budget Summary
Current Operations**

	FY02 Results	FY03 Results	FY04 Budget 10/19/03	FY05 Budget 04/18/04	FY06 Received 04/18/04
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Administration

Office of the President	324,329	343,390	337,304	312,163	387,163
Office of the Executive Vice President	336,343	331,028	332,911	308,281	331,281
Contingency Expense	241,176	216,308	309,696	318,320	325,659
Human Resources	497,744	336,683	359,056	509,599	863,519
Total Administration	1,399,592	1,227,409	1,338,967	1,448,363	1,907,622

Infrastructure

Stewardship and Development

VP of Stewardship & Development	132,479	150,940	245,826	40,527	43,527
APF Campaign	173,867	184,762	193,904	195,107	197,307
Friends Campaign	381,940	338,192	318,035	346,908	345,168
Charitable Gift and Estate Planning	209,319	229,868	229,203	197,353	203,783
Campaign for UUism / Umbrella Giving	757,104	655,510	626,879	646,820	685,238
Total Financial Development	1,654,709	1,559,272	1,613,847	1,426,715	1,475,023

Information Technology Services

Data and Technical Services	840,851	871,860	933,621	905,659	919,476
Office of Electronic Communications	177,152	200,382	254,402	227,202	216,812
Total Information Technology Services	1,018,003	1,072,242	1,188,023	1,132,861	1,136,288

Internal Services

Finance

Treasurer and Vice President of Finance	272,072	309,113	270,809	305,753	307,753
Financial Services	430,452	450,110	443,260	469,305	469,305
Miscellaneous Funds and Scholarships	122,669	130,743	0	0	0
Total Finance	825,193	889,966	714,069	775,058	777,058

Facilities & Operations Services

Facilities - General	532,470	823,202	798,514	810,823	813,323
25 Beacon Street	85,130	93,071	90,000	94,500	103,250
41 Mt Vernon Street	184,362	168,310	164,096	165,609	183,479
Eliot and Pickett House	227,052	238,934	229,967	246,696	253,696
Depreciation Expense	435,928	0	0	0	0
Total Facilities & Operations Services	1,464,942	1,323,517	1,282,577	1,317,628	1,353,748

Total Internal Services 2,290,135 2,213,483 1,996,646 2,092,686 2,130,806

Total Infrastructure 6,276,051 6,159,414 6,137,483 6,040,440 6,600,255

Total Expenditures 20,844,026 20,634,720 20,524,100 19,976,275 20,862,578

Expenditures (over) under Income 56,712 0 0 0 (384,202)

Operating Budget Supplemental

OPERATING BUDGET SUPPLEMENT

The following supplemental information is provided as an aid to help you understand the major categories of the Association's budget.

INCOME

INCOME FOR UUA GENERAL SUPPORT

Fundraising – APF Churches & Fellowships

Annual Program Fund

The Annual Program Fund (APF) provides for about 45% of the UUA's budgeted income for general support. The APF Program concentrates its efforts on raising revenue from our member congregations: the suggested contribution for fiscal year 2004 is \$48 per member, \$50 per member for fiscal year 2005 and fiscal year 2006 is expected to be determined at the June meeting of the Board of Trustees. The UUA bylaws restrict budgetary increases in APF contributions to no more than 7% over the previous year's actual income. APF income is projected to increase by 4.25% in FY2004 and 4.25% in FY2005. In both of these years \$1 of the \$2 increase is specifically designated to fund congregational growth.

Fundraising - Friends of the UUA

The Friends of the UUA campaign is directed to individual Unitarian Universalists. Through direct mail, phone, and personal visits by staff and volunteers, the Friends campaign raises about 8% of the Association's annual income for general support. The projected giving from current and new Friends donations is expected to be \$1,042,000 in FY2004, \$1,092,000 in FY2005 and \$1,146,000 in FY2006.

Unrestricted Gifts and Bequests

Charitable Gifts and Estate Planning encourages individuals to include the UUA in their financial estate plans and to create charitable trusts. The budgeted income in FY2004 was \$450,000, will be level in FY2005 and will be further reduced by \$75,000 in FY2006.

Administration Fees

The Association charges its general investment funds, the UUA Retirement plan, and other funds an annual administrative fee equal to the approximate cost of handling the funds.

General Investment Fund (GIF) Income

Represents income on investments made with funds donated or bequeathed to the Association by individuals and organizations. The unitized "common trust" fund is valued quarterly based on a thirteen quarter rolling average of the market value of the fund. The projection for the second half of FY2004, for FY2005 and for FY2006 is based on the assumption the market will remain at the December 31, 2003 level. The GIF includes a \$20 million endowment donated to the Association by the Unitarian Universalist Congregation at Shelter Rock (UUCSR) of Manhasset, New York.

The spending rate or draw in FY2004 through FY2006 is 5% that is paid quarterly. The income is expected to be down about 13 % in FY2004, also down by 5% in FY2005 and will be ahead about 1% in FY2006.

Other Current Fund Income

The Other Current Fund Income is included on a gross basis, before the cost of services provided. It consists of UUA bookstore sales, our lodging house for Unitarian Universalists rental income, periodicals subscriptions and advertising income, office facilities rental income from affiliates, income received from outside trusts, investment income from community and minority banks, fundraising consultation fees related to congregational annual fund and capital campaigns and other miscellaneous income. In FY2004 the income increased overall by 2% due to outside trust, periodicals and other unrestricted income, offset by the elimination of Beacon Press occupancy charges, and a reduction in LRCS distributions. In FY2005 income is expected to decrease about 2% from reduced fees for building programs, LRCS distributions partially offset by increased periodicals advertising.

INCOME FOR UUA DESIGNATED PURPOSES

Handing on the Future Income

Income from the completed Handing on the Future capital campaign is reflected as the planned program expenditures are provided. This includes the annual earnings on ministry-related endowments (identifying and recruiting promising candidates, scholarship aid to students and continuing education grants) plus the commitments made against four 'spend down' funds for recruitment of ministerial candidates, youth and young adult ministry, public relations, and nurturing congregational growth. The overall income from the capital campaign will decrease as these funds are fully utilized.

Campaign for Unitarian Universalism

Income from the Capital Campaign for Unitarian Universalism includes the Metropolitan Pathways strategy and the marketing campaign, religious education curriculum visioning, and the implementation of the Young Adult Campus Ministry long range plan "Searching for the Future."

UUCSR Veatch Grants

Grants from the Veatch Program of the Unitarian Universalist Congregation of Shelter Rock allow the UUA program staff groups, including Congregational and District Services extension programs, Lifespan Faith Development and Lay Leadership development to support the growth of mission-based, faith-filled Unitarian Universalist congregations. Also included are the Unitarian Universalist Funding Program grants. FY2004 reflects an annual grant of \$1,000,000 committed for: Growth \$350,000, RE Credentialing \$100,000, Lay Leadership \$275,000, Ethics in Congregational Life \$150,000. Veatch Grants of \$900,000 in FY2005 will also be dedicated to Growth, RE Credentialing, Lay Leadership, Ethics in Congregational Life, and to Identity Based Ministries (IDBM), Advocacy and Witness (A&W), Young Adult and Campus Ministry (YACM) Young Adults, and UU&Me. The Unitarian Universalist Funding Program panels continue at \$1.1 million available for grant making.

Educational Grants and Scholarships

Reflects income from an endowment of \$9,000,000 made by the Unitarian Universalist Congregation at Shelter Rock for theological education, from two-thirds of the St Lawrence Educational trust income, UUA endowed scholarship funds and the Living Tradition fund.

Ministerial Aid Funds

Represents the anticipated income from Ministerial Aid endowment funds and the Living Tradition fund.

Holdeen and International Trusts

Includes the income from the Holdeen Trust funds for Holdeen India Program grants, for the designation trust recipients and other international program charitable service activity.

Other Purposes

Capital Gains for Fundraising income represents accumulated gains on endowment funds that are used for funding the expenses of the Capital Campaign for Unitarian Universalism. These funds will be returned to the endowment as the proceeds of the campaign are received. Other income is from a variety of sources including the Liberal Religious Charitable Society (LRCS), with program support and other subsidy income of \$100,000 in FY2004 and continuing transition program support of \$50,000 in FY2005. Journey Toward Wholeness Sunday income with expectations reduced to \$16,000 in FY2004 is expected to provide support for anti-racism / anti-oppression training and Whitney Young awards. Funds from the John Cross trust are included to be used for staffing support related to gay and lesbian issues. Also, income is provided by the Council on Church Staff Finances, the UUMA and LREDA in support of administrative staffing expenses incurred by the Office of Church Staff Finances. In FY2004, \$15,000 of the Berry social action/social justice funds supports advocacy and witness programs.

General Assembly

When the General Assembly earns an excess of income over expenses, this excess is added to the general income of the Association. When there is an excess of expense over income, the resulting loss is recorded as an expense and made up from the Association' unrestricted endowment funds. The financial objective of the General Assembly is to break even.

EXPENDITURES

Board and Volunteer Leadership

The Board of Trustees serves as the chief management body of the Association when the General Assembly is not in session. The budget provides for travel accommodations and meals for the Board of Trustees and all Board level and elected committees and task forces, so that they can

conduct the affairs of the Association as set forth in the bylaws. Expenses for the Moderator and Financial Advisor's travel and activities are also covered.

Regional subcommittees of the Ministerial Fellowship Committee are included in the budget at their anticipated costs: \$100,000 in FY2004 and \$90,000 in FY2005 and in FY2006.

The UU Funding Program receives grants from the Veatch Program of the Unitarian Universalist Congregation of Shelter Rock and administers four lay leadership led grant making panels.

Programs

Advocacy and Witness

This staff group includes the UU Washington Center – advocacy and witness programs; the Office of Information and Public Witness, the International Office and work with the Holdeen India Program and Holdeen International Partners.

The UUA Holdeen India Program distributes trust income designated for use in India for maternity, child welfare, education and migration expenses, and other charitable services. The fund enables some of the poorest and weakest groups in India to improve their lives and change their social and economic conditions in directions of their own choosing. Particular attention is paid to the needs of low-income women. The FY2004 Holdeen India Program grants budget is \$503,554, and the grants for FY2005 are expected to be \$493,112 as a result of the decline in the market value of the Holdeen investment portfolio.

Congregational Services

This staff group provides services to support the growth, health, vitality and diversity of Unitarian Universalist congregations around the continent, including: New Congregation and Growth Resources, Congregational Justice Making Resources, Young Adult Campus Ministry, Congregational Fundraising Services, Lay Leadership Development, and Services to Large Congregations. The mission of Congregational Services is to inspire and support Unitarian Universalist congregations and communities to more fully embody our Principles and to continue their transformation into vital, growing, anti-racist and anti-oppressive institutions offering witness and ministry to their communities. These offices provide training for ministers and laypeople committed to growth, support for ministries to young adults, fundraising services (annual canvass, capital campaign and more) and administration for the building loan, loan guarantee and first home grant programs. With generous support from the Veatch Program of the Unitarian Universalist Congregation at Shelter Rock, grants have been made for support of extension ministry and new congregation ministry, as well as historic urban churches.

District Services

District Services provided or managed by district staff are available to congregations under the auspices of the district in which they are located. The mission of the district staff is to foster the spiritual and institutional health of Unitarian Universalism by serving as leaders, consultants, advocates and educators in our community of congregations.

Through the APF Grants program, districts benefit directly from the success of the Annual Program Fund. The Association redistributes a portion of the total APF contributions to all 20 districts in the form of Grants. Commencing last year, the Basic Grant is 11% of the District's percentage of Fair Share attained, up to 100%, times the total amount the district contributed to the Association in the prior year. In addition to the Basic Grant, a Fair Share Congregations' Grant of \$1,000 is given when 75% or more of a district's member congregations are full Fair Share. If at least 90% of the congregations in a district are full Fair Share, the district will receive \$5,000.

Identity-Based Ministries (IDBM)

The mission of Identity-Based Ministries is to create an environment in which bisexual, gay, lesbian, and/or transgender (BGLT) persons, economically oppressed people, Latina / Lantino and Hispanic people, multiracial families, people of color, and persons with disabilities will experience a renewed sense of belonging, enthusiasm, and support for Unitarian Universalism; nurture spiritual community; strengthen their individual and collective leadership; and actively participate in transforming Unitarian Universalism into an anti-oppressive faith community.

The Identity-Based Ministries staff group works collaboratively with other staff groups to develop resources, strategies, and programs that build the leadership and sustainability of the identity groups named above. Additionally, Identity-Based Ministries gives support to all UUA staff groups to develop their anti-oppression knowledge, skills and competencies, and consults with the Association on its anti-oppression efforts.

Lifespan Faith Development

The Lifespan Faith Development staff group offers curricula, resources, leadership training and a vision for lifespan religious education programs for member congregations.

Curriculum Development promotes life long learning with resource development; including major new initiatives in Sexuality Education (Our Whole Lives) and a comprehensive core curriculum that is currently being developed. Also provided are family ministry packets, consultations, lay religious education training and support for lay religious educators.

The Youth Office provides services in: communication, publication/resources, consultation, training, and event planning, including YRUU Youth Council and Youth Programs.

Ministry and Professional Leadership

The Ministry and Professional staff group serves the needs of congregations, ministers, and religious educators by providing counsel, leadership, and resources. It develops and delivers programs ranging from credentialing and settlement, counsel in career development, scholarships and grants, ministerial/congregational relations, church staff finances and retirement financial planning and counseling. The department administers the income from substantial endowment funds for designated purposes, the Living Tradition Fund, monies contributed at the Service of the Living Tradition and from services honoring ministry such as Installations and Ordinations. The Ministerial Fellowship Committee, a standing committee of the UUA Board of Trustees, now has six regional subcommittees on candidacy (RSCCs) to provide earlier guidance to aspiring ministers.

Publishing

The Communications staff group publishes information that enriches the lives of individual UUs, supports the work of their congregations, promotes UUA programs and articulates UU values. UU World Magazine reaches approximately 120,000 households; Skinner House, the UUA imprint, publishes books especially for Unitarian Universalists; the Publications office edits, designs, and produces many other UUA publications. The UUA Bookstore distributes books of interest to religious liberals.

Beacon Press

Beacon Press publishes general interest books that promote UU values to a broad constituency. Beacon continues to be the most highly regarded and distinguished denominationally owned publishing house in America. The quality of Beacon books and their commitment to diversity is often recognized and frequently celebrated.

Administration

This area includes expenses for the UUA President and the Executive Vice President, including legal expenses and Human Resources. A provision for contingencies is made in accordance with the Bylaws, which provide for three percent of the Association's unrestricted income to be available to meet the cost of unforeseen expenditures.

Stewardship and Development

This staff group plans and implements fund-raising strategies for the long-term growth and financial health of Unitarian Universalism. Different programs target the needs of congregations, districts, ministers and outreach programs. Funding for the capital campaign development expenses through the use of accumulated gains on unrestricted and temporarily restricted endowment funds has been authorized by the Finance Committee and the Board, with a plan for the return of these funds from the funds to be raised during the Campaign for Unitarian Universalism. The Board authorized the transfer of \$2 million from the sale of the 8 Mt Vernon Place building into the endowment to be used toward paying the accumulated gains that would otherwise be drawn to fund the campaign expenses.

Information Technology Services

This staff group manages the computer-related hardware and software support needs in the Boston area and electronic mail connections among field staff and volunteer Board and committee members. The Office of Electronic Communications is a component of this group.

Internal Services

Finance

This staff group, including the Treasurer and Vice President of Finance and Financial Services, provides administration of the financial, audit and banking relationships, plus building loan, loan guarantee and first home grant applications from congregations and related expenses. Financial services is responsible for: maintaining the Association's financial accounting systems and records;

issuing timely payments to staff, volunteers and vendors; issuing periodic financial statements on the activity of the Current Operations Section, the Congregational Properties & Loan Commission and building loan program; accounting administration and reporting for the UUA's General Investment Fund, plus Beacon Press, with consolidating quarterly financial statements and the Association's annual financial statements; and administering the financial aspects of the UU Organization's Retirement Plan.

Facilities / Operations Services

The Operations staff group provides support services and maintains the Association's physical facilities at staff office locations. This staff group also maintains the Eliot & Pickett lodging house and meeting facility for the economical housing of the UUA staff, the board, committees and Unitarian Universalists meeting and doing business in Boston.

The long planned, but delayed, provision of a handicap accessible ramped entrance into the lodging house, approved by the Massachusetts Bureau of State Office Buildings, with the support of the Beacon Hill Architectural Commission and the Civic Association, has been completed in FY2004 with a provision for two handicap accessible bedrooms on the first floor.

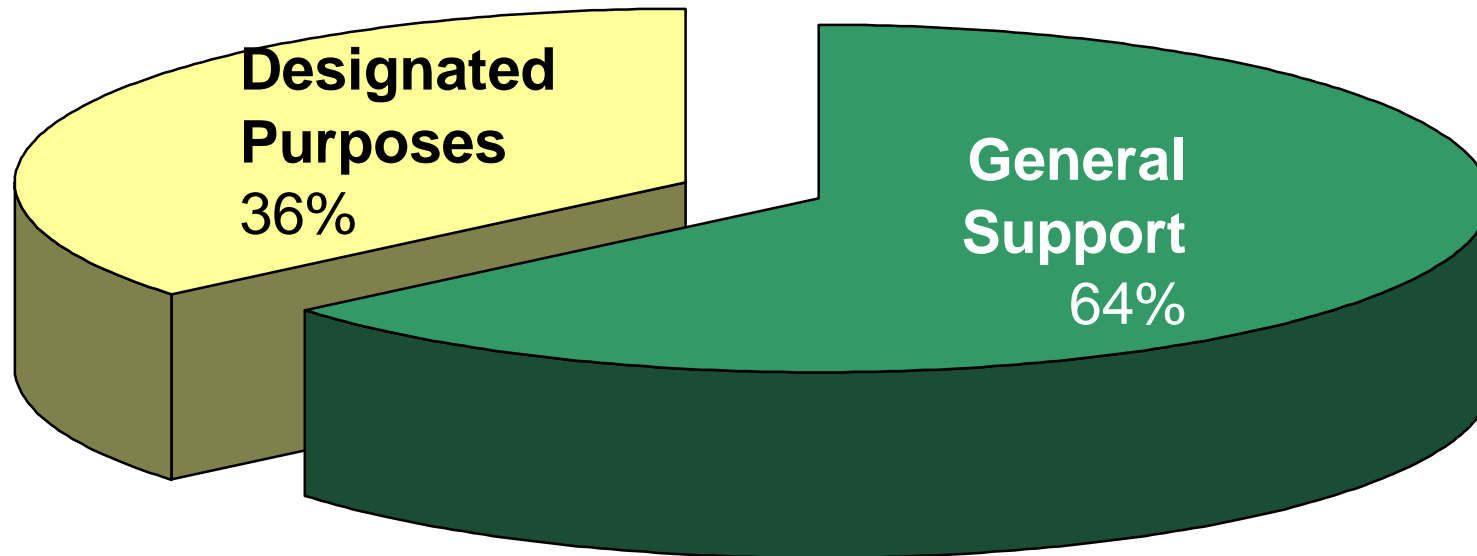
Depreciation Expense

Property and equipment are recorded at cost. Depreciation is computed on a straight-line method over the estimated useful lives of the assets. Maintenance renewals and repairs under \$500 are expensed as incurred and renovations, renewals and betterments are capitalized. The depreciation expenses have been reclassified into the Information Technology Services, 41 Mount Vernon Street and Operations staff groups.

Operating Budget Graphs

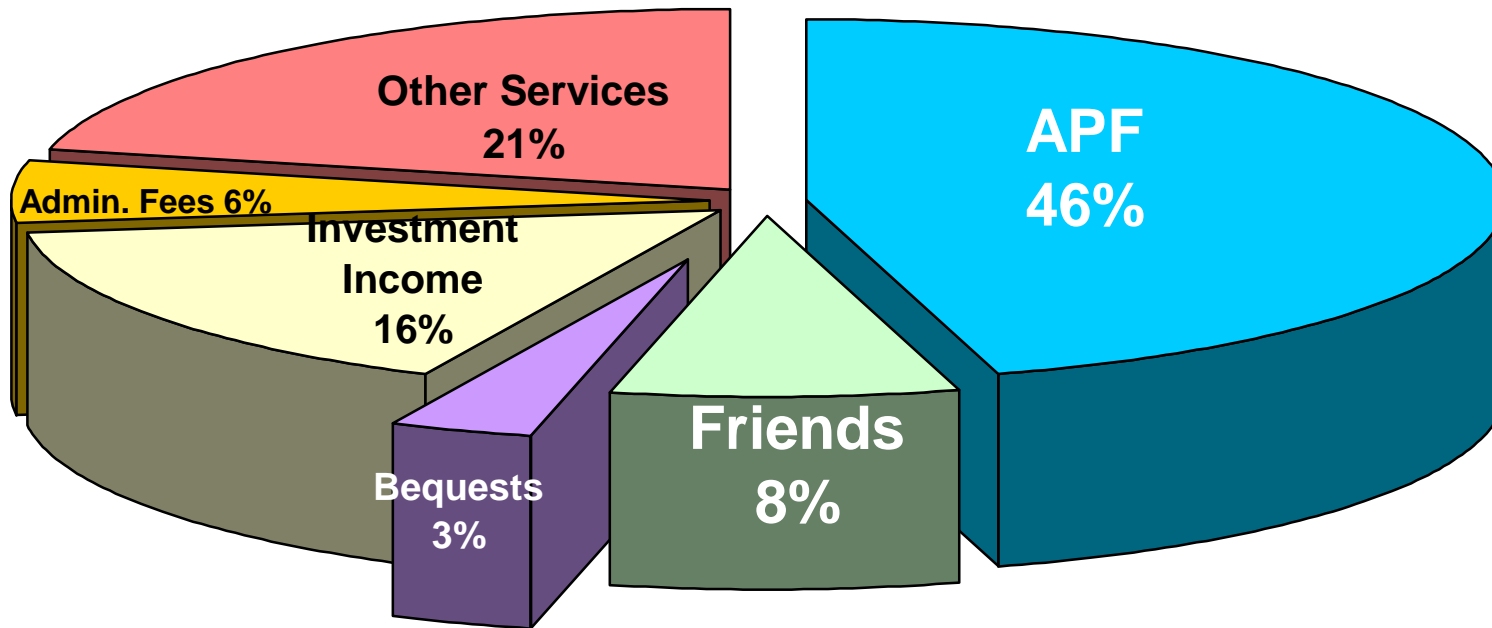
Budget FY 2004

FY04 Total Income: \$20,524,100



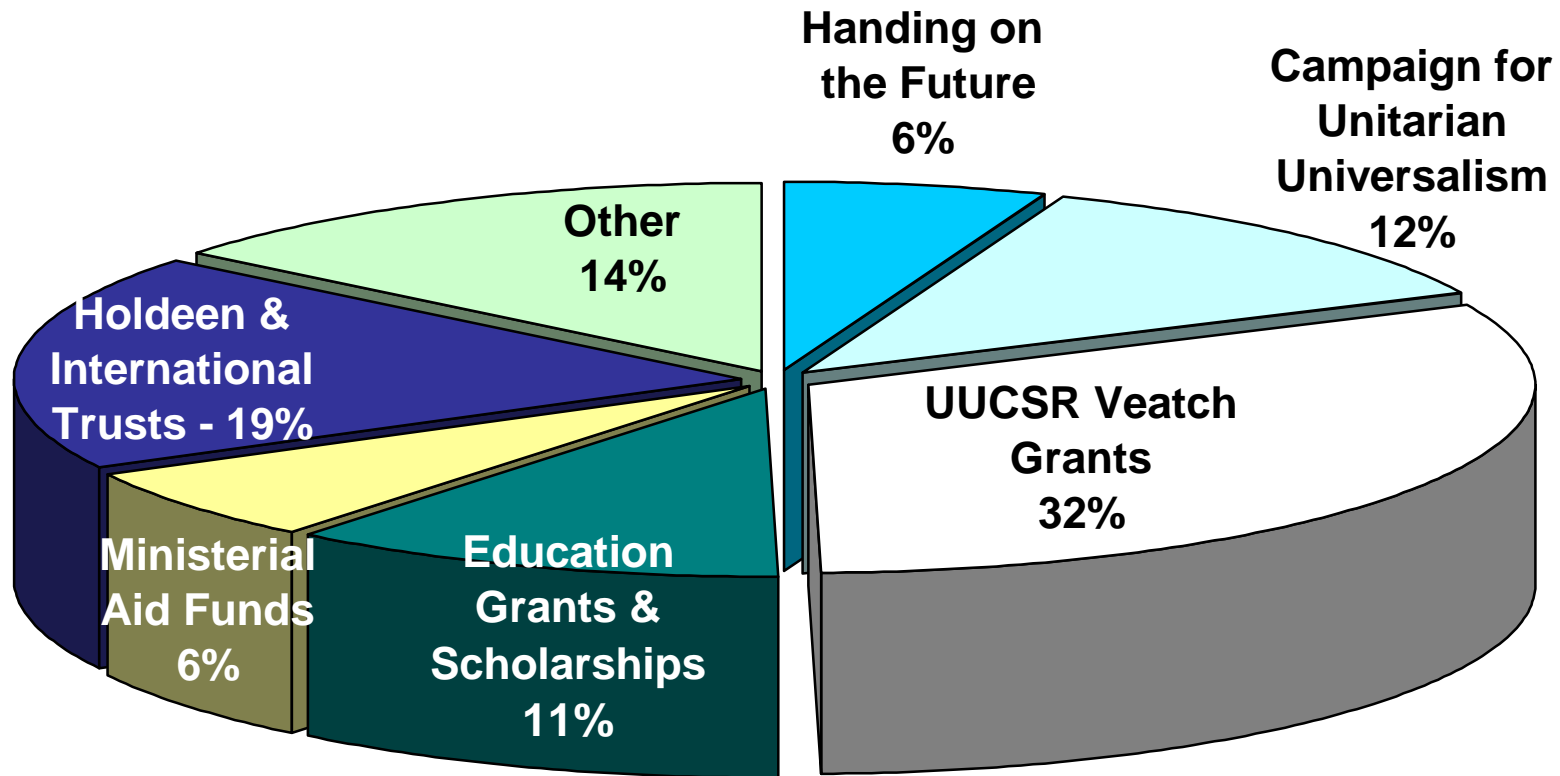
Income for Designated Purposes	\$ 7,409,085
Income for General Support	\$13,115,015

FY04 Income for General Support: \$13,115,015



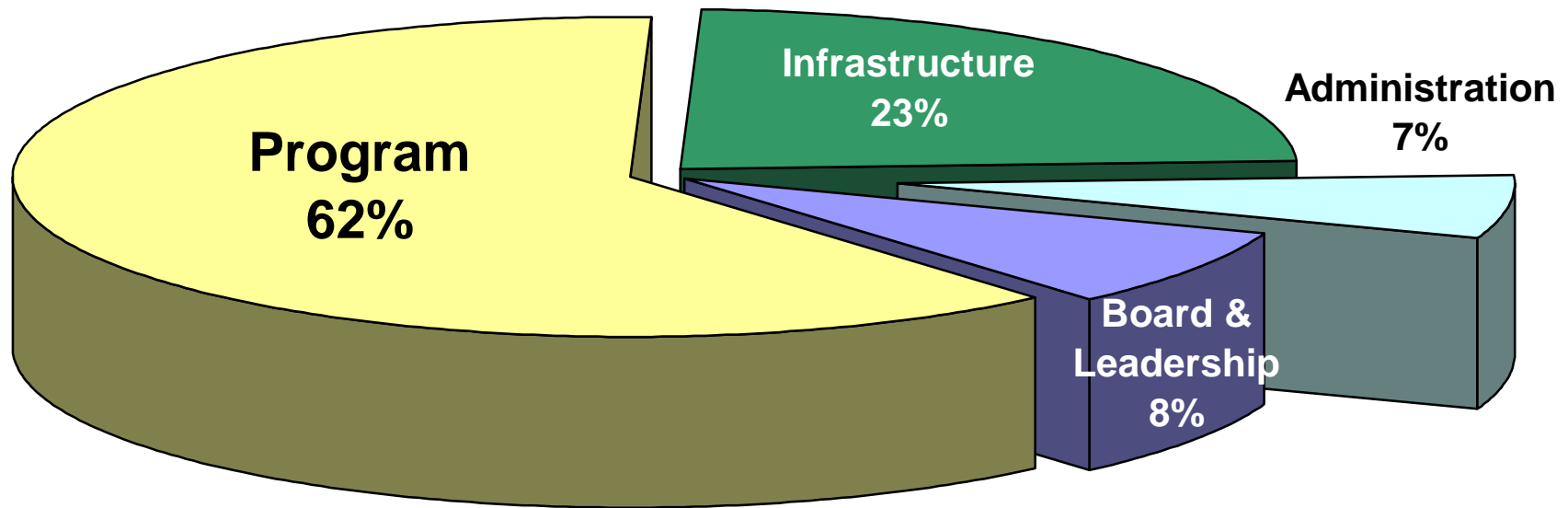
Other Services	\$2,791,815	APF	\$5,974,668
Admin. Fees	\$ 753,431	Friends	\$1,042,000
Investment Income	\$2,103,101	Bequest	\$ 450,000

FY04 Income for Designated Purposes: \$7,409,085



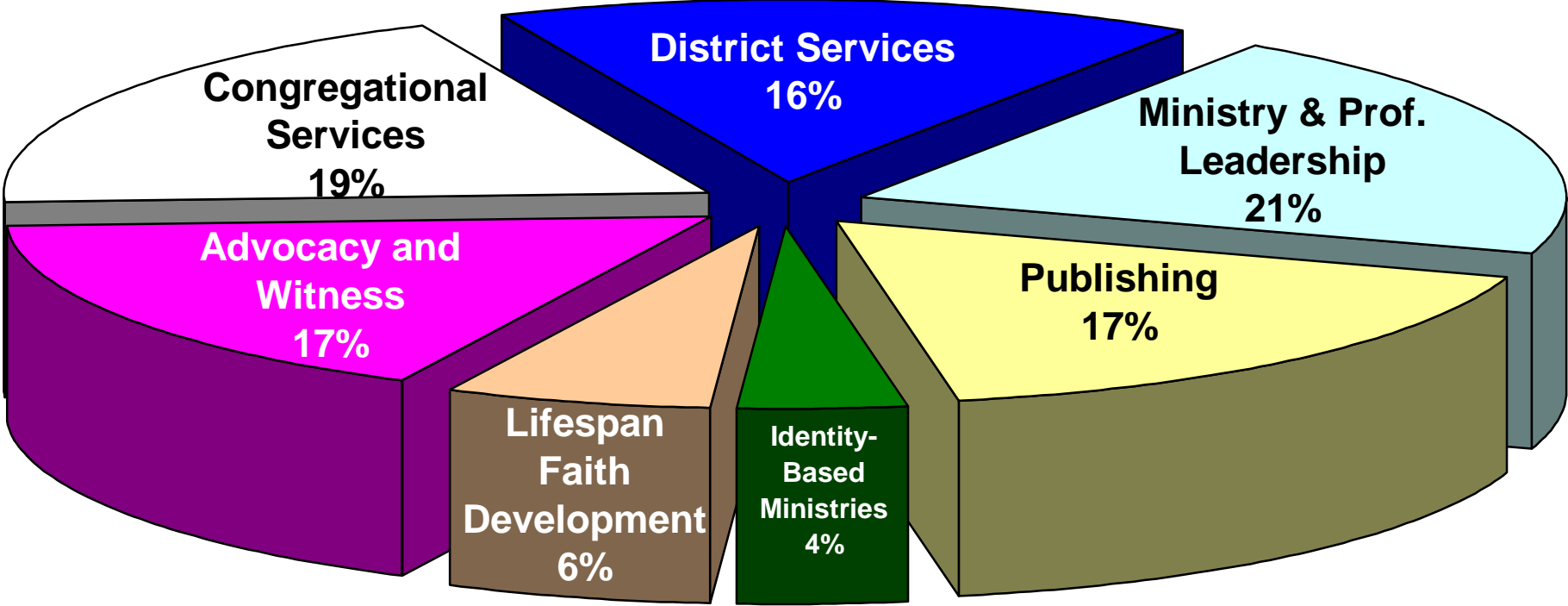
Other	\$1,048,685	Handing on the Future	\$ 432,063
Holdeen and International Trusts	\$1,377,064	Campaign for UU	\$ 910,404
Ministerial Aid Funds	\$ 470,000	UUCSR Veatch Grants	\$2,341,441
Scholarships	\$ 829,428		

FY04 Total Expenditures: \$20,524,100



Program	\$ 12,714,211	Board & Volunteer Leadership	\$ 1,672,408
Infrastructure	\$ 4,798,516	Administration	\$ 1,338,967

FY04 Program Expenditures: \$12,714,211

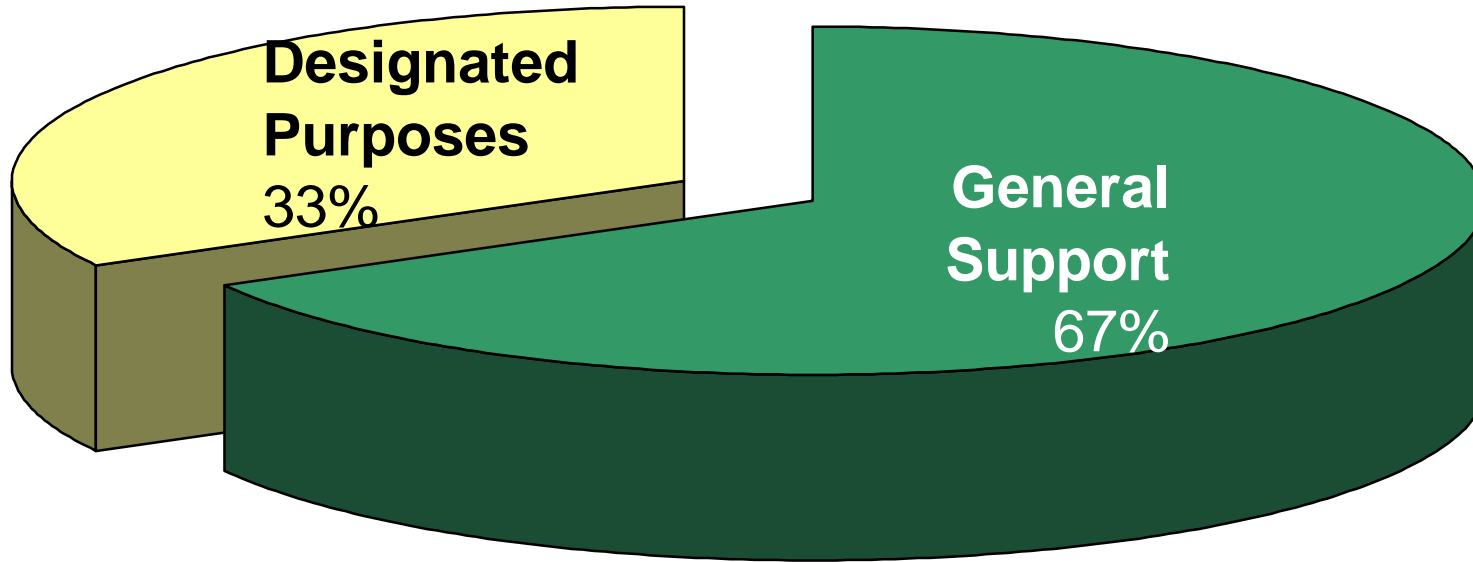


Advocacy and Witness	\$2,139,255	District Services	\$2,029,638
Congregational Services	\$2,443,263	Ministry & Prof. Leadership	\$2,614,670
Lifespan Faith Development	\$ 790,865	Identity-Based Ministries	\$ 492,897
		Publishing	\$2,203,623

Operating Budget Graphs

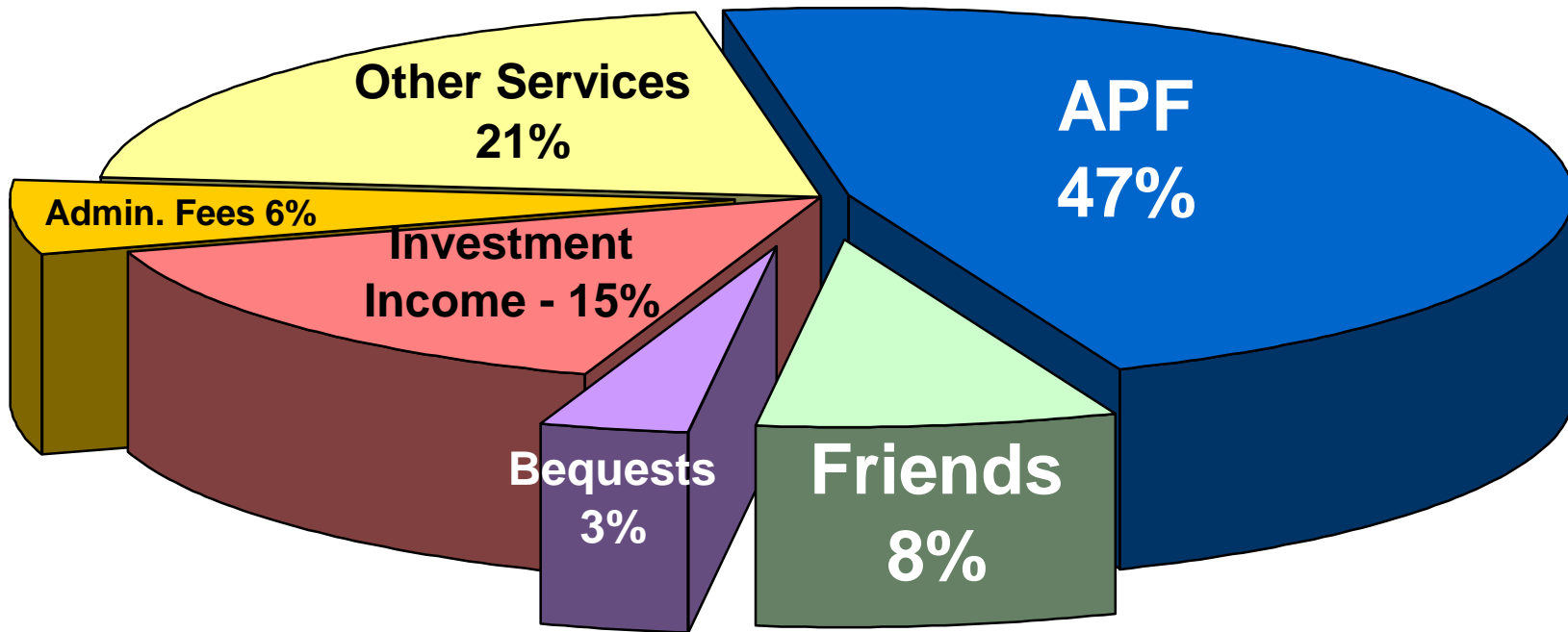
Budget FY 2005

FY05 Total Income: \$19,976,275



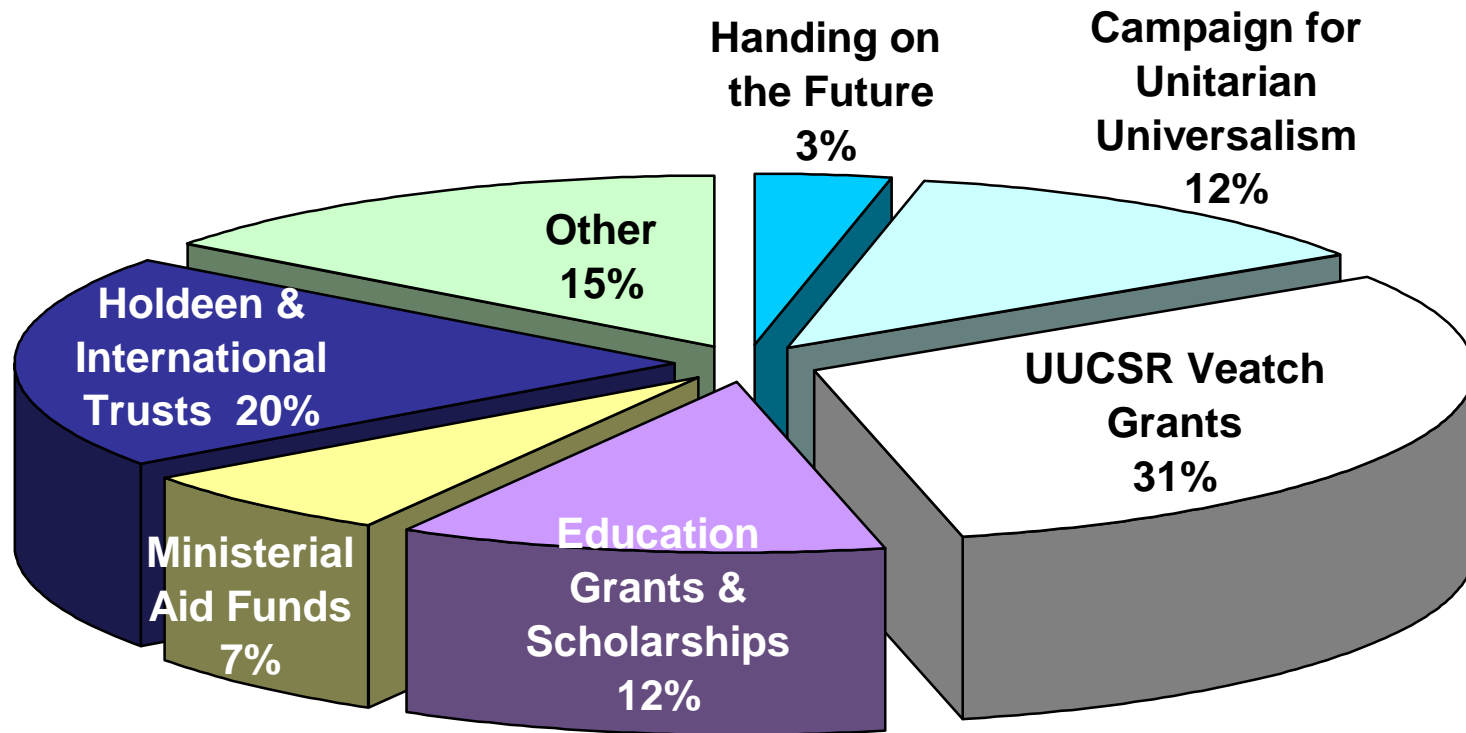
Income for Designated Purposes	\$ 6,617,628
Income for General Support	\$13,358,647

FY05 Income for General Support: \$13,358,647



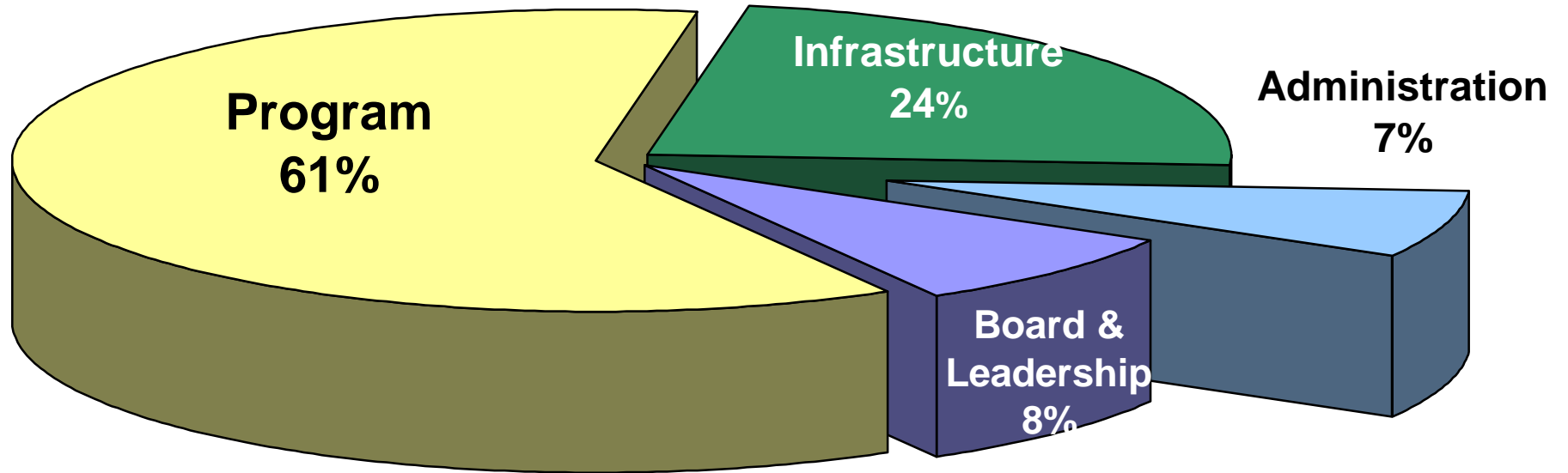
Other Services	\$2,747,975	APF	\$6,228,592
Admin. Fees	\$ 839,312	Friends	\$1,092,000
Investment Income	\$2,000,768	Bequest	\$ 450,000

FY05 Income for Designated Purposes: \$6,617,628



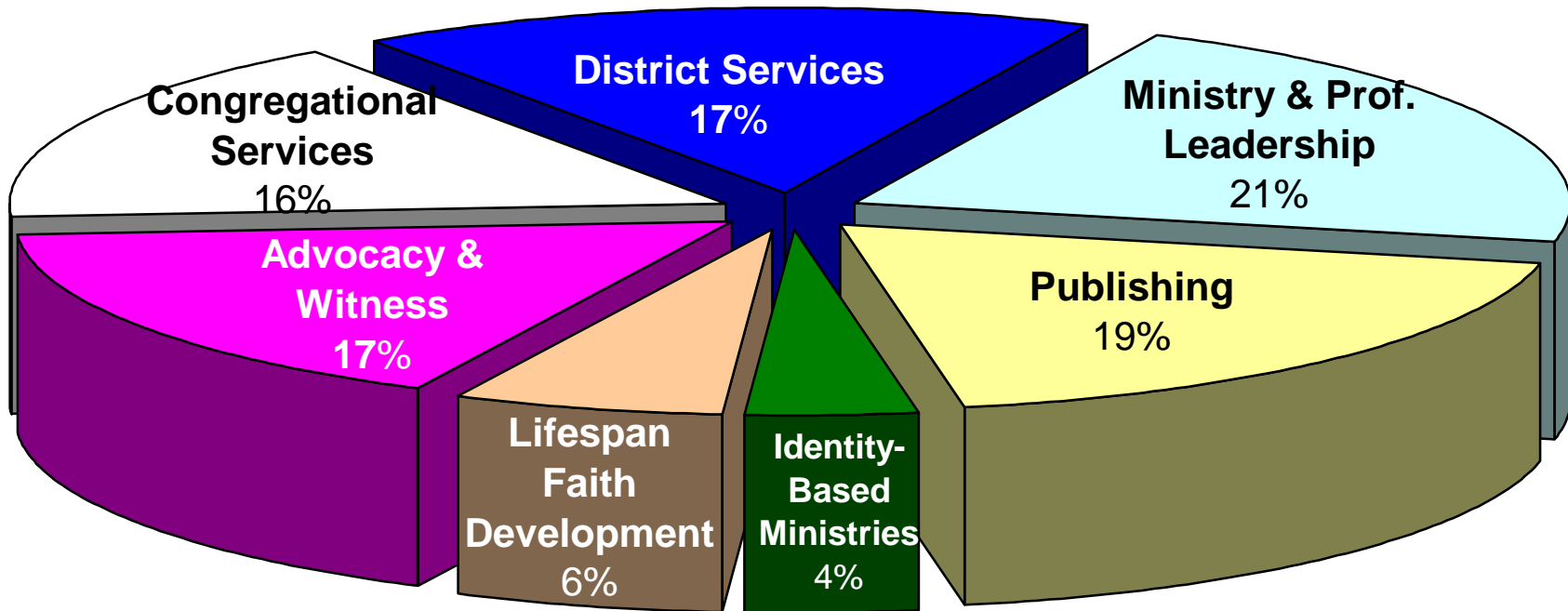
Other	\$ 972,840	Handing on the Future	\$ 216,447
Holdeen and International Trusts	\$1,336,469	Campaign for UU	\$ 828,592
Ministerial Aid Funds	\$ 450,000	UUCSR Veatch Grants	\$2,026,545
Scholarships	\$ 786,735		

FY05 Total Expenditures: \$19,976,279



Program	\$ 12,184,306	Board & Volunteer Leadership	\$ 1,641,347
Infrastructure	\$ 4,652,263	Administration	\$ 1,448,363

FY05 Program Expenses: \$12,184,305



Advocacy and Witness	\$ 2,022,776	District Services	\$ 2,044,693
Congregational Services	\$ 1,981,102	Ministry & Prof. Leadership	\$ 2,616,127
Lifespan Faith Development	\$ 734,943	Identity-Based Ministries	\$ 490,675
		Publishing	\$ 2,293,989