



## MEMORANDUM

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**TO:** Finance Committee

**FROM:** Tim Brennan

**RE:** UUA Budget Forecast 2<sup>nd</sup> Quarter FY 13

**CC:** Board of Trustees, Peter Morales, Kay Montgomery, Harlan Limpert

**DATE:** January 12, 2013

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### Summary

This memorandum describes the key differences between the adopted budget for Fiscal Year 2013 and the second quarter forecast. The biggest change from budget is a significant shortfall in projected APF revenue. This is being offset by major gifts fundraising, spending reductions, and contingency. The resulting projected deficit is \$73,000, which will be addressed over the remaining five months of the year.

### Notes on Variances from Budget FY12 to 2<sup>nd</sup> Quarter Forecast

#### Overall Income – down 2.0%

##### Annual Program Fund – down by 10.0%

We were overly optimistic in forecasting APF revenue one year ago. At that time we were in the middle of a successful FY12 campaign that yielded a significant increase over the previous year. Our sense was that the economy was moving into recovery and that a new approach to APF fundraising, which engaged the Stewardship and Development staff and the Leadership Council, would lead to significant growth in revenue. What we have discovered in the first half of this year is that many of our congregations, particularly many of our largest, are still facing significant financial difficulty. This is consistent with national trends. According to *Giving USA*, “annual giving in America remains \$12 billion less today than at the beginning of the recession in 2008. And according to the Donorcentrics Index of National Fundraising Performance by Target Analytics, giving is not anticipated to rebound anytime soon.” As a result, we now expect APF to come in at approximately the same level as last year. This will have implications for the FY14 budget, now being prepared.

##### Friends of the UUA – down by 2.4%

The conservative forecast is \$27,000 below budget. The Stewardship and Development staff is developing a more aggressive campaign to increase annual gifts. This will require some additional investment and will be rolled out over the next several months. Since this is a new effort, no net revenues are projected.

**Other Current Fund Income – down by 4.3%**

The negative variance reflects two changes: our inability to sublet excess space in our Washington office and a shortfall of \$25K in book sales.

**Campaign Income – collectively up by 24.7%**

This significant increase reflects two changes from budget together amounting to \$540,000. First, a restricted gift to the Handing on the Future Campaign from the late 1990s, which was never used, will be repurposed with the permission of the donor. Second, a one-time gift from a major donor, not originally contemplated in the budget, will be applied to current budgeted expenses.

**Income for other purposes –down 9.5%**

Budget originally contemplated \$168K from the Beacon reserve to fund a foundation fundraising executive and related support. This has now been drastically scaled back to a part-time consulting position for approximately 5 months.

**Overall Expenses – down 1.7%**

Projected expenses are very close budget. Savings from unfilled positions are reflected throughout.

**Board and Volunteer Leadership – up by 2.5%**

Reflects the expenses of the Appointments Committee, created after the adoption of the annual budget.

**Congregational Life – up by 3.6%**

Includes \$54,000 committed to the Arizona Immigration Ministry funded through a GA collection, \$75,000 for the College of Social Justice, and \$24,000 for Leap of Faith.

**Crisis Relief & Misc. Programs – up by 2.3%**

Reflects a small increase in the subsidy to Beacon Press for the occupancy allocation.

**Administration – down 13.9%**

The contingency, budgeted at \$366K, has been eliminated to offset the revenue shortfalls discussed above.

**Stewardship and Development – down 7.3%**

The original budget contemplated the hiring of a foundation fundraising executive and related support expenses. This has now been drastically scaled back to a part-time consulting position for approximately 5 months. See Income for Other Purposes above.

**Information Technology Services – down 3.8%**

Due primarily to lower salary and benefit expenses arising from a position that was not immediately filled upon the departure of an employee.

**Current Section Deficit – \$73K**

The Leadership Council is in the process of identifying expense savings to offset the shortfall.