

	C	D	E	F	G	H
2	Unitarian Universalist Association	FY18	FY19	FY20	Percent	FY21
3	Budget Overview	Results	2Q19 Fcst	Budget	Inc/(Def)	Budget
4	Current Operations				E to F	
5						
6	\$ in Thousands					
7	Income:					
8	Income for General Support					
9	Annual Program Fund	6,474	6,436	6,600	2.6%	6,600
10	Annual Program Fund - Regional	1,600	1,624	1,624	0.0%	1,624
11	Unrestricted Gifts	1,141	1,199	1,492	24.4%	1,492
12	Leadership Annual Giving	296	400	600	50.0%	600
13	Bequest Income	303	200	300	50.0%	300
14	Administrative Fees	2,275	2,277	2,368	4.0%	2,393
15	Investment Income	2,769	2,870	2,697	-6.0%	2,576
16	Publications Income	1,131	1,230	1,275	3.7%	1,275
17	Net Lease Income	979	1,002	1,128	12.6%	1,107
18	Other Current Fund Income	465	534	563	5.4%	563
19	Total Income for General Support	17,433	17,772	18,647	4.9%	18,530
20						
21	Income for Designated Purposes					
22	Campaign Income	1,067	1,131	1,209	6.8%	1,214
23	UUCSR Veatch Grants	2,493	2,537	2,408	-5.1%	2,381
24	Grants and Scholarships	884	877	864	-1.5%	856
25	Ministerial Aid Funds	512	449	444	-1.1%	439
26	Holdeen and International Trusts	1,490	1,764	1,642	-6.9%	1,646
27	Income for Other Purposes	3,151	2,393	2,061	-13.9%	2,061
28	Total Inc for Designated Purposes	9,596	9,151	8,628	-5.7%	8,598
29	Total Income	27,030	26,923	27,275	1.3%	27,128
30						
31	Expenses:					
32	Board & Volunteer Leadership	541	728	634	-12.9%	633
33						
34	Programs:					
35	Program and Strategy Office	10	0	0	0.0%	0
36	Organizing Strategy	1,193	612	631	3.2%	642
37	International Programs	1,593	1,860	1,644	-11.6%	1,650
38	Congregational Life	4,719	5,175	5,206	0.6%	5,235
39	Ministries and Faith Development	5,025	5,254	5,398	2.7%	5,408
40	UU Funding Program	1,350	1,413	1,401	-0.9%	1,401
41	Crisis Relief & Misc. Programs	1,184	346	96	-72.3%	96
42	Communications	2,679	2,848	2,880	1.1%	2,905
43						
44	Total Programs	17,752	17,508	17,256	-1.4%	17,337
45						
46	Administration	1,694	2,009	1,882	-6.3%	1,905
47	Contingency/Salary Increase	0	150	520	246.7%	667
48						
49	Infrastructure					
50	Stewardship and Development	2,185	2,269	2,310	1.8%	2,364
51	Information Technology Services	1,521	1,619	1,591	-1.7%	1,626
52	Internal Services	3,002	3,696	3,758	1.7%	3,613
53	Total Infrastructure	6,708	7,584	7,659	1.0%	7,604
54						
55	Total Expenses	26,695	27,979	27,951	-0.1%	28,146
56						
57	Depreciation Spending	0	550	550		550
58	Church Staff Finances Reserve	0	200	126		126
59						
60	Current Section Excess/(Deficit)	335	(305)	0		(342)
61						

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY18	FY19	FY20	Percent	FY21
2	Forecast Summary	Results	2Q19 Fcst	Budget	Inc/(Def)	Budget
3	Current Operations Expenses				F to G	
4						
5	<i>\$ in Thousands</i>					
6	Income:					
7	Income for UUA General Support					
8	Annual Program Fund	6,474	6,436	6,600	2.6%	6,600
9	Annual Program Fund – Regional	1,600	1,624	1,624	0.0%	1,624
10	Unrestricted Gifts	1,141	1,199	1,492	24.4%	1,492
11	Leadership Annual Giving	296	400	600	50.0%	600
12	Bequest Income	303	200	300	50.0%	300
13	Administrative Fees	2,275	2,277	2,368	4.0%	2,393
14	Endowment Income	2,769	2,870	2,697	-6.0%	2,576
15	Publications Income	1,131	1,230	1,275	3.7%	1,275
16	Net Lease Income	979	1,002	1,128	12.6%	1,107
17	Other Current Income	465	534	563	5.4%	563
18		17,434	17,772	18,646	4.9%	18,529
19	Income for Designated Purposes					
20	Campaign Income	1,067	1,131	1,209	6.8%	1,214
21	Veatch Grants	2,493	2,537	2,408	-5.1%	2,381
22	Grants and Scholarships	884	877	864	-1.5%	856
23	Ministerial Aid Funds	512	449	444	-1.1%	439
24	Holdeen & International Trusts	1,490	1,764	1,642	-6.9%	1,646
25	Income for Other Purposes	3,151	2,393	2,061	-13.9%	2,061
26		9,596	9,151	8,627	-5.7%	8,598
27	Total Income	27,030	26,923	27,273	1.3%	27,127
28						
29	Board & Volunteer Leadership					
30	Board of Trustees	250	412	366	-11.2%	365
31	Board Committees	290	314	268	-14.7%	268
39	Total Board & Volunteer Leadership	541	728	634	-12.9%	633
40						
41	Programs:					
42	Program Strategy Office (former Growth Strategies)	10	0	0	0.0%	0
43						
44	Organizing Strategy	1,193	612	631	3.2%	642
45						
46	International Office	235	287	221	-23.1%	223
47	Holdeen International Partners	155	155	150	-3.0%	150
48	Holdeen India Program	928	1,150	1,020	-11.3%	1,022
49	UU-UNO	275	268	253	-5.5%	255
50	Total International	1,593	1,860	1,644	-11.6%	1,650
51						
52	Congregational Life					
53	Congregational Life	1,388	1,399	1,475	5.5%	1,480
54	Southern Region	897	1,118	1,194	6.8%	1,206
55	New England Region	852	1,010	983	-2.7%	981
56	Central East Region	1,560	1,613	1,520	-5.8%	1,535
57	Office of Congregational Stewardship Services	22	35	33	-6.3%	33
58	Total Congregational Life	4,719	5,175	5,206	0.6%	5,235
59						
60	Ministries and Faith Development					
61	Resource Development Director	214	99	34	-65.2%	34
62	Resource Development Office	548	524	472	-10.0%	465
63	Youth and Young Adult Ministries	643	600	666	11.0%	668
64	Director of Ministries and Faith Development	416	605	652	7.8%	659
65	Multicultural Programs	0	296	348	17.8%	351
66	Director of Ministerial Credentialing	195	172	132	-23.2%	134
67	Director of Transitions	318	305	319	4.4%	321
68	Office of Church Staff Finances	671	725	819	12.9%	826
69	Office of UUA Health Plan	216	221	224	1.3%	227
70	Director of Professional Development	212	218	212	-2.4%	215
71	Worship Arts	50	68	57	-16.2%	58

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY18	FY19	FY20	Percent	FY21
2	Forecast Summary	Results	2Q19 Fcst	Budget	Inc/(Def)	Budget
3	Current Operations Expenses				F to G	
72	Scholarships and Ministerial Ed Grants	329	311	309	-0.9%	311
73	Continuing Education	124	79	138	75.8%	138
74	Aid Funds	577	512	507	-1.0%	502
75	Panel on Theological Education	511	519	508	-2.0%	499
76	Total Ministries and Faith Development	5,025	5,254	5,398	2.7%	5,408
77						
78	UU Funding Program	1,350	1,413	1,401	-0.9%	1,401
79	Crisis Relief & Misc. Programs	1,184	346	96	-72.3%	96
80						
81	Communications					
82	IPW Office	419	532	558	4.9%	564
83	Periodicals Office	915	910	955	4.9%	962
84	Publications Administration	574	574	521	-9.2%	526
85	UUA Bookstore	771	831	846	1.8%	852
86	Total Communications	2,679	2,848	2,880	1.1%	2,905
87						
88	Total Programs	17,752	17,508	17,256	-1.4%	17,337
89						
90	Administration					
91	Office of the President	502	511	518	1.2%	523
92	Office of the Executive Vice President	715	1,051	977	-7.0%	988
93	Contingency Expense	0	0	370	100.0%	367
94	Salary Increase	0	150	150	0.0%	300
95	Human Resources	478	446	387	-13.3%	394
96	Total Administration	1,694	2,158	2,402	11.3%	2,572
97						
98	Infrastructure:					
99	Stewardship and Development					
100	Vice President, Development	552	618	665	7.6%	693
101	APF Campaign	373	473	475	0.4%	480
102	Friends Campaign	317	350	342	-2.3%	357
103	Charitable Gift and Estate Planning	331	313	279	-10.8%	282
104	Comprehensive Campaign	613	515	548	6.5%	551
105	Total Stewardship and Development	2,185	2,269	2,310	1.8%	2,364
106						
107	Information Technology Services	1,521	1,619	1,591	-1.7%	1,626
108						
109	Internal Services:					
110	Finance					
111	Treasurer and Vice President of Finance	407	407	415	2.0%	385
112	Financial Services	769	736	761	3.4%	770
113	Total Finance	1,177	1,143	1,176	2.9%	1,155
114						
115	Facilities					
116	24 Farnworth Street	1,826	2,554	2,581	1.1%	2,458
117	Total Operations Services	1,826	2,554	2,581	1.1%	2,458
118						
119	Total Internal Services	3,002	3,697	3,757	1.6%	3,613
120						
121	Total Infrastructure	6,708	7,585	7,657	1.0%	7,603
122	Total Expenses	26,695	27,978	27,949	-0.1%	28,145
123						
124	Depreciation Spending	0	550	550		550
125	Church Staff Finances Reserve	0	200	126		126
126						
127	Current Section Excess/(Deficit)	335	(305)	0		(342)
128						

Budget Fiscal Year 2020 – Flux Analysis

The following is an analysis of the changes from the FY19 2nd quarter forecast to the FY20 budget. Changes of 2% or more are described.

Overall income – up 1.3%

Annual Program Fund – up 2.6%

Some growth in national APF revenue is anticipated in FY20. The new formula for the APF ask has now been implemented across the country, so congregations will be familiar with the new system in FY20. A special push to promote and highlight the importance of congregational giving through APF will be part of the strategy led by the UUA's new Director of Stewardship and Development, Rev. Lauren Smith. UUA President Susan Frederick-Gray intends to make the growth of APF central to her message and efforts in FY20.

Unrestricted gifts – up 24.4%

Most of the increase is accounted for by \$167,000 from the Wake Now Our Vision legacy challenge campaign. This is the UUA's share of the match to be distributed in FY20.

Leadership Annual Giving – up 50%

Now in its third year, the Leadership Annual Giving Program – consisting of unrestricted gifts of \$10,000 and above – is expected to continue its growth. Our major donors are responding well to this appeal for regular support. This program is a major priority for the director of Stewardship and Development and the President.

Bequest income – up 50%

Bequest income declined significantly from historical averages in FY19. We are projecting a slight recovery to \$300,000, which is still less than half the average bequest income over the previous 15 years.

Investment Income – down 6.0%

The decline in payout from the endowment is because principal repayments on the loan used to finance the build-out of the UUA's offices at 24 Farnsworth Street reduces the asset balance used in calculating the payout. Furthermore market returns were down in 2018 resulting in a small loss for the year.

The UUA's spending policy is based on the current year's spending increased by inflation, weighted 70%, and 4.5% of the average asset value for the four quarters ending December 31, weighted 30%. The formula is as follows:

plus	(Previous year endowment spending X (1+inflation rate)) X 70%
equals	<u>(4 quarter average asset value at 12/31 X 4.5%) X 30%</u> Endowment spending for FY starting 7/1

The effect of this formula is to dampen volatility in the endowment payout.

Investment income also includes a special draw from building sale proceeds of \$196,720 to fund the work of the Commission on Institutional Change. The budget for

this work, as approved by the Board in October 2017, totals \$488,640. Initially the Commission's work was expected to span two years, but now we expect the work to extend into FY20. However, the total amount budgeted for the project remains the same, only the timing has changed.

Publications income – up 3.7%

The publications office projects a slight increase in net book sales due to a revised discount structure that will increase margins.

Net lease income – up 12.6%

All three of the tenants of 24 Farnsworth will be vacating the building when their leases expire in the coming year. According to our leasing agent, lease rates in the Fort Point neighborhood are substantially above the rates being paid by our current tenants. We project an increase of \$100,000 in FY20, although future revenue increases will likely be substantially greater.

Other current fund income – up 15.3%

During FY19 the UUA took over the building management of 24 Farnsworth Street. Previously, the UUA had outsourced the management of the building and tenant spaces to Barkan Management. The FY20 budget reflects a full year of building management fees compared to a partial year in FY19.

Campaign Income – up 6.8%

Most of the campaign income for FY20 reflects pledge payments made during FY19 to be released against the FY20 budget. Only \$200,000 in new gifts is budgeted. During FY20, we will be planning for the next significant major gift campaign.

UUCSR Veatch grants – down 5.1%

Included in this income is the Wake Now Our Vision grant from UUCSR to fund the administrative expenses of the campaign. We will be spending and recognizing the balance of this grant in FY20, or about \$85,000, which is less than the FY19 amount when the campaign was active all year.

Holdeen and International Trusts – down 6.9%

FY19 included a grant from the Eileen Fisher Foundation, which will not be repeated in FY20. Other funders are being solicited, but nothing is committed at this time. FY19 expenses included registration income from the Reimagining Interfaith Conference, which will not be repeated in FY20.

Income for Other Purposes – down 13.9%

In FY19, income for the support of BLUU was booked to Restricted Income and Outside Restricted Funds in this section. In FY20, BLUU will no longer be in a fiscal agency relationship with the UUA. In addition, donations for disaster relief are also captured in this section. Since disaster relief is in reaction to specific incidents, no amount is budgeted.

Overall Expenses – down 0.1%

Board and Volunteer Leadership – down 12.9%

Expenses are being reduced by holding fewer in-person meetings.

Program and Strategy Office

A reorganization has eliminated this office. Staff and program expenses have been moved to Ministry and Faith Development and the new Organizing Strategy office. There is no reduction in staff positions.

International programs – down 11.6%

The work of the International Office is funded by the payout from the Holdeen Trusts. In addition, the Holdeen India Program receives grants from foundations and other funders. FY19 included a grant funded by the Eileen Fisher Foundation, which is not being renewed. Other funders are being solicited, but nothing is committed at this time. FY19 expenses included the Reimagining Interfaith Conference, which will not be repeated in FY20.

Crisis Relief & Miscellaneous– down 72.3%

The current fiscal year the UUA served as fiscal agent for BLUU. This means that all of their income and expenses are booked on the UUA accounts. This section of the budget includes BLUU's expenses. In FY20, BLUU will be a separate legal entity and the fiscal agency arrangement will be ended.

Administration– down 6.3%

Grant support to BLUU is carried in the COO budget. After BLUU receives the full \$5 million commitment from the UUA at the end of FY19, this interim grant support will end.

Contingency/Salary Increase

Contingency is set in the by-laws as 3% of unrestricted income. The salary increase for FY18 is carried in this section as a lump sum that will be distributed into the staff group budgets when increases are determined around mid-year.

Salary increase assumes:

- 2% pool for staff cost of living increases and attendant benefits effective January 2020
- 0.5% pool for grade and job changes

Depreciation Spending

One important use for the depreciation allowance is ongoing capital replacement. But there is no necessary relationship between depreciation charges and prudent capital investment. It is best practice among nonprofit institutions with substantial physical assets to conduct 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 annual capital

budget for major systems replacement. The FCA was updated with the guidance of consultants and engineers during this year.

In the FY 20 budget, total depreciation expense is forecast to in excess of a prudent reserve for capital replacement based on the FCA. This budget assumes that \$550,000 of that amount is spent on the operating budget.

Church Staff Finances Reserve

The Office of Church Staff Finances, which oversees the benefit programs for congregations and the UUA, has accumulated a significant cash reserve over the years. These funds are unrestricted but have been held aside for special projects. In FY20 the reserve will be tapped for several projects addressing inclusion, equity and change. Because these funds were received in past years, the cash expended is not technically income in FY20, and is therefore shown on a separate line below the expense section.

Notes on Fiscal Year 2021 “Out-year” Budget

The purpose of creating a budget for the year following the upcoming budget year is to see where current income and spending trends are pointing. For the most part, income and expenses are assumed to be steady. Significant exceptions are as follows:

- Endowment income will decline due to the principal repayment of the bank loan that funded the build-out of the UUA’s offices. The payments lower the asset balance used in calculating the payout.
- Small increases in program expenses primarily reflect the salary increases that became effective January 1, 2018.
- The increase in Contingency/Salary Increase includes the carry-forward of the raises budgeted for FY19.

The analysis shows we are tracking towards a deficit of \$342,000 in FY21 plus any raises. The UUA Administration will make adjustments in its operating plan to address this shortfall when the budget for FY21 is prepared.