

	C	D	E	F	G	H
2	Unitarian Universalist Association	FY19	FY20	FY21	Percent	FY22
3	Budget Overview	Results	2Q20 Fcst	Budget	Inc/(Def)	Budget
4	Current Operations					
5						
6	\$ in Thousands					
7	Income:					
8	Income for General Support					
9	Annual Program Fund	6,232	6,463	6,489	0.4%	6,164
10	Annual Program Fund - Regional	1,617	1,624	1,649	1.6%	1,649
11	Unrestricted Gifts	1,020	1,140	1,050	-7.9%	1,050
12	Leadership Annual Giving	329	400	425	6.3%	425
13	Bequest Income	297	300	350	16.7%	350
14	Administrative Fees	2,161	2,406	2,427	0.9%	2,427
15	Investment Income	2,644	2,699	2,419	-10.4%	2,419
16	Publications Income	1,076	1,230	1,195	-2.8%	1,195
17	Net Lease Income	982	1,137	1,169	2.8%	1,169
18	Other Current Fund Income	725	526	547	4.0%	547
19	Total Income for General Support	17,083	17,924	17,720	-1.1%	17,395
20						
21	Income for Designated Purposes					
22	Campaign Income	879	1,690	1,011	-40.2%	1,011
23	UUCSR Veatch Grants	2,362	2,506	2,383	-4.9%	2,383
24	Grants and Scholarships	886	864	853	-1.2%	853
25	Ministerial Aid Funds	520	444	443	-0.1%	443
26	Holdeen and International Trusts	1,514	1,688	1,701	0.8%	1,701
27	Income for Other Purposes	3,533	4,533	2,168	-52.2%	2,168
28	Total Inc for Designated Purposes	9,695	11,724	8,559	-27.0%	8,559
29	Total Income	26,778	29,648	26,279	-11.4%	25,955
30						
31	Expenses:					
32	Board & Volunteer Leadership	748	642	437	-31.9%	437
33						
34	Programs:					
35	Organizing Strategy	633	867	807	-6.9%	702
36	International Programs	1,910	1,692	1,663	-1.7%	1,666
37	Congregational Life	4,839	5,361	5,408	0.9%	5,431
38	Ministries and Faith Development	5,316	5,427	5,498	1.3%	5,519
39	UU Funding Program	1,267	1,499	1,408	-6.1%	1,408
40	Crisis Relief & Misc. Programs	546	168	60	-64.3%	60
41	Communications	2,770	2,816	2,699	-4.2%	2,709
42						
43	Total Programs	17,279	17,830	17,543	-1.6%	17,494
44						
45	Administration	2,474	4,420	1,940	-56.1%	1,950
46	Contingency/Salary Increase	0	150	375	150.0%	375
47						
48	Infrastructure					
49	Stewardship and Development	2,042	2,218	2,213	-0.2%	2,234
50	Information Technology Services	1,593	1,619	1,566	-3.3%	1,518
51	Internal Services	3,085	3,787	3,677	-2.9%	3,688
52	Total Infrastructure	6,721	7,624	7,456	-2.2%	7,440
53						
54	Total Expenses	27,221	30,666	27,752	-9.5%	27,697
55						
56	Depreciation Spending	0	550	600		600
57	Church Staff Finances Reserve	0	126	126		0
58	Beacon Press Surplus Sharing	0	0	500		500
59						
60	Current Section Excess/(Deficit)	(443)	(342)	(247)		(643)
61						

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY19	FY20	FY21	Percent	FY22
2	Forecast Summary	Results	2Q20 Fcst	Budget	Inc/(Def)	Budget
3	Current Operations Expenses					
4						
5	<i>\$ in Thousands</i>					
6	Income:					
7	Income for UUA General Support					
8	Annual Program Fund	6,232	6,463	6,489	0.4%	6,164
9	Annual Program Fund – Regional	1,617	1,624	1,649	1.6%	1,649
10	Unrestricted Gifts	1,020	1,140	1,050	-7.9%	1,050
11	Leadership Annual Giving	329	400	425	6.3%	425
12	Bequest Income	297	300	350	16.7%	350
13	Administrative Fees	2,161	2,406	2,427	0.9%	2,427
14	Endowment Income	2,644	2,699	2,419	-10.4%	2,419
15	Publications Income	1,076	1,230	1,195	-2.8%	1,195
16	Net Lease Income	982	1,137	1,169	2.8%	1,169
17	Other Current Income	725	526	547	4.0%	547
18		17,083	17,924	17,720	-1.1%	17,395
19	Income for Designated Purposes					
20	Campaign Income	879	1,690	1,011	-40.2%	1,011
21	Veatch Grants	2,362	2,506	2,383	-4.9%	2,383
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23	Ministerial Aid Funds	520	444	443	-0.1%	443
24	Holdeen & International Trusts	1,514	1,688	1,701	0.8%	1,701
25	Income for Other Purposes	3,533	4,533	2,168	-52.2%	2,168
26		9,695	11,724	8,559	-27.0%	8,559
27	Total Income	26,778	29,648	26,279	-11.4%	25,954
28						
29	Board & Volunteer Leadership					
30	Board of Trustees	402	364	165	-54.7%	165
31	Board Committees	80	82	80	-1.8%	80
32	Board Task Forces	2	5	0	-100.0%	0
33	Moderator	56	32	32	0.0%	32
34	Nominating Committee	32	13	13	0.0%	13
35	Commission on Appraisal	26	18	18	0.0%	18
36	Ministerial Fellowship Committee	117	111	111	0.0%	111
37	Commission on Social Witness	33	19	19	0.0%	19
38	Total Board & Volunteer Leadership	748	642	437	-31.9%	437
39						
40	Programs:					
41	Organizing Strategy	633	867	807	-6.9%	702
42						
43	International Office	304	226	236	4.2%	237
44	Holdeen International Partners	154	142	142	0.0%	142
45	Holdeen India Program	1,189	1,079	1,036	-4.0%	1,037
46	UU-UNO	263	244	249	1.8%	250
47	Total International	1,910	1,692	1,663	-1.7%	1,666
48						
49	Congregational Life					
50	Congregational Life	1,310	1,472	1,622	10.2%	1,625
51	Southern Region	951	948	967	2.0%	972
52	New England Region	953	935	951	1.7%	957
53	CL-Combined Staff Costs	0	436	355	-18.6%	358
54	Central East Region	1,587	1,537	1,480	-3.7%	1,487
55	Office of Congregational Stewardship Services	38	33	33	0.0%	33
56	Total Congregational Life	4,839	5,361	5,408	0.9%	5,431
57						
58	Ministries and Faith Development					
59	Resource Development Director	86	125	140	12.3%	141
60	Resource Development Office	536	479	461	-3.7%	464
61	Youth and Young Adult Ministries	625	620	641	3.3%	643
62	Director of Ministries and Faith Development	711	639	639	-0.1%	642
63	Multicultural Programs	211	247	249	1.1%	250
64	Director of Ministerial Credentialing	159	133	136	2.4%	137
65	Director of Transitions	312	401	439	9.4%	441
66	Office of Church Staff Finances	675	817	835	2.3%	839
67	Office of UUA Health Plan	224	225	246	9.3%	248

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY19	FY20	FY21	Percent	FY22
2	Forecast Summary	Results	2Q20 Fcst	Budget	Inc/(Def)	Budget
3	Current Operations Expenses					
68	Director of Professional Development	201	220	234	6.5%	236
69	Worship Arts	64	59	61	2.2%	61
70	Scholarships and Ministerial Ed Grants	293	309	302	-2.3%	302
71	Continuing Education	86	138	104	-24.7%	104
72	Aid Funds	572	507	508	0.1%	508
73	Panel on Theological Education	562	508	505	-0.7%	505
74	Total Ministries and Faith Development	5,316	5,427	5,498	1.3%	5,519
75						
76	UU Funding Program	1,267	1,499	1,408	-6.1%	1,408
77	Crisis Relief & Misc. Programs	546	168	60	-64.3%	60
78						
79	Communications					
80	IPW Office	526	577	554	-4.1%	558
81	Periodicals Office	856	925	772	-16.5%	776
82	Publications Administration	659	501	518	3.5%	521
83	UUA Bookstore	728	813	855	5.1%	855
84	Total Communications	2,770	2,816	2,699	-4.2%	2,709
85						
86	Total Programs	17,279	17,830	17,543	-1.6%	17,494
87						
88	Administration					
89	Office of the President	514	520	532	2.4%	535
90	Office of the Executive Vice President	1,536	3,430	1,045	-69.5%	1,049
91	Contingency Expense	0	0	350	100.0%	350
92	Salary Increase	0	150	25	-83.3%	25
93	Human Resources	423	470	364	-22.5%	366
94	Total Administration	2,474	4,570	2,315	-49.3%	2,325
95						
96	Infrastructure:					
97	Stewardship and Development					
98	Vice President, Development	618	652	695	6.6%	699
99	APF Campaign	398	477	535	12.1%	549
100	Friends Campaign	303	343	340	-0.7%	341
101	Charitable Gift and Estate Planning	275	193	124	-35.6%	125
102	Comprehensive Campaign	449	553	518	-6.4%	520
103	Total Stewardship and Development	2,042	2,218	2,213	-0.2%	2,234
104						
105	Information Technology Services	1,593	1,619	1,566	-3.3%	1,518
106						
107	Internal Services:					
108	Finance					
109	Treasurer and Vice President of Finance	432	477	463	-3.0%	466
110	Financial Services	743	761	778	2.2%	783
111	Total Finance	1,175	1,239	1,241	0.2%	1,249
112						
113	Facilities					
114	24 Farnworth Street	1,910	2,549	2,435	-4.4%	2,439
115	Total Operations Services	1,910	2,549	2,435	-4.4%	2,439
116						
117	Total Internal Services	3,085	3,787	3,677	-2.9%	3,688
118						
119	Total Infrastructure	6,720	7,625	7,456	-2.2%	7,440
120	Total Expenses	27,221	30,666	27,752	-9.5%	27,697
121						
122	Depreciation Spending	0	550	600		600
123	Church Staff Finances Reserve	0	126	126		0
124	Beacon Press Surplus Sharing	0	0	500		500
125						
126	Current Section Excess/(Deficit)	(443)	(342)	(247)		(643)
127						

Budget Fiscal Year 2021 – Flux Analysis

The following is an analysis of the changes from the FY20 2nd quarter forecast to the FY21 budget. Changes of 3% or more are described.

**Overall income – down 11.4% gross, down 2.3% adjusted.
Annual Program Fund – up 0.6%**

Year-over-year income figures are a bit noisy, showing an overall decline of \$3.37 million. However, the final funding of the UUA's commitment to BLUU created a one-time income entry of \$2.4 million. There is an additional \$330k difference between the funds released for the UU the Vote campaign in FY20 vs the planned release in FY 21. Adjusting for these two items, overall income is forecast to drop by 2.3%. The projections for FY21 APF show a marginal increase over our expected FY20 results.

Unrestricted gifts – down 7.9%

The FY20 results include a one-time distribution of the UUA's share of the Wake Now Our Vision legacy challenge campaign. Adjusting for this, unrestricted gifts would have shown an increase of around 7%.

Leadership Annual Giving – up 6.2%

Now in its fourth 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.

Bequest income – up 16.7%

After two years where bequest income declined significantly from historical averages, we expect a slight increase in FY21. Entries in bequest income are often quite large and it can take a variance of just 1 or 2 bequests to cause this line item to deviate from budget.

Investment Income – down 10.4%

Projected unrestricted income from the endowment is modeled to decrease in FY21, largely due to the fact that the FY20 forecast includes a special draw from building sale proceeds of \$196,720 to fund the work of the Commission on Institutional Change. Adjusting for the special draw, the forecast for unrestricted investment income is down 3.3%. The base of the endowment is slightly reduced each year due to principal repayments on the loan used to finance the build-out of the UUA's offices at 24 Farnsworth Street. The endowment did show investment gains year-over-year, but not quite enough to offset this mortgage effect.

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.

Net lease income – up 2.8%

While slightly below the 3% threshold for this report, lease income represents an area where UUA has seen a noteworthy increase, up 19% over the last two years. We have begun accruing lease income related to our new tenants. Lease accounting rules require us to calculate an average lease rate for the term of the lease and apply this evenly over the term of the lease, so we will not be seeing any base rent income changes in the future. However, changes to common area maintenance (CAM) charges will cause lease income to trend slightly higher over time.

Other current fund income – up 4.0%

We anticipate better utilization of our parking garage in FY21, leading to an additional \$40k in parking income.

Campaign Income – down 40.2%

The timing around the UU the Vote campaign with fundraising weighted in 2020 will result in a \$330k decrease in campaign income in FY21. Meanwhile, the end of the Promise and Practice: Institutional Change campaign creates an additional \$404k variance versus the FY20 forecast.

UUCSR Veatch grants – down 4.9%

The UU Funding Program anticipates a \$90k decrease in funding through the Veatch program. In addition to this, the closeout of the Wake Now our Vision campaign will result in another \$32k reduction in Veatch funding.

Income for Other Purposes – down 52.2%

In FY20, we were required to make a large accounting entry to recognize the funding of the BLUU commitment from UUA funds of just over \$2.4 million. Adjusting for this, Income for Other Purposes would show a 2.9% increase over FY20 projections, mainly arising from OCSF income and a District Share income item related to one Congregational Life staff member being paid by the region with that region being billed for the employee cost.

Overall Expenses – down 9.5%

Board and Volunteer Leadership – down 31.9%

Overall expenses are subject to the same one-time entry related to the BLUU transfer. Adjusting for this, we would show an overall 1.7% decrease in expenses.

Board expenses are being reduced primarily due to the Commission on Institutional Change project ending in FY20. There are reductions in staff salary, travel and consultants as a result of the closeout of the COIC project. Board committees and task forces are flat versus FY20 projections. We added \$13,500 toward the Article 2 Study Commission and offset mainly by moving the Theological Education Panel from the Board budget to the Office of the President.

Organizing Strategy – down 6.9%

Much of this cost reduction stems from the UU the Vote campaign running smaller expenses in FY21 relative to the current year, with project ending at end of calendar year 2020. The reduction materializes in line items for grants and agency salaries.

UU Funding Program – down 6.1%

As discussed above, the UUFPP expects a smaller grant from the Veatch Program and as a result will need to reduce expenses, since this is a break-even cost center. Importantly, the UUFPP plans on keeping grants paid steady at \$1.072 million. Instead, the cost reductions come mostly from not replacing two temporary staff who had worked on the grantmaking process in FY20.

Communications – down 4.2%

The item most responsible for this decrease is the plan to shift UUWorld from 4 editions to year to 2 editions a year, while publishing a new UUA Seeker issue. The gross expense reduction from this change is \$213k, but we also lose about \$80k in advertising income, most of which comes from external sources and therefore impacts the overall operating budget. In addition, we have two open full-time positions in communications and will be combining them into just one-full-time position.

Contingency/Salary Increase

Contingency is set in the by-laws as 3% of unrestricted income and amounts to \$350k.

The salary increase for FY21 of \$25k represents a small amount of funding to be used for grade and job changes. There is no across-the-board cost of living increase planned for UUA staff in January 2021.

Depreciation Spending

One important use for the depreciation allowance is ongoing capital replacement, but there is not a direct linkage between depreciation charges and prudent capital investment. Instead, best practice among nonprofit institutions with substantial physical assets is 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 in FY19.

In the FY21 budget, total depreciation expense is forecast to be in excess of a prudent reserve for capital replacement based on the FCA. This budget assumes that \$600,000 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 FY21 the reserve will be tapped for several projects addressing inclusion, equity and change at a level equal to the transfer made in FY20. Because these funds were received in past years, the cash expended is not technically income in FY21, and is therefore shown on a separate line below the expense section. We also envision transitioning the OCSF reserves from bank CDs where the funds are currently held to the UUCEF. This change will result in increased endowment income that has been incorporated into the operating budget.

Beacon Surplus Sharing

UUA has recently been in discussion with Beacon Press about formalizing both the surplus sharing arrangement from Beacon to UUA and the UUA's role as guarantor of Beacon should the press encounter adverse financial conditions. As part of this agreement, UUA would be able to devote half of Beacon Press's surplus over \$50k in Year 1 toward the UUA's Year 2 budget, but not in an amount in excess of \$500k per year.

Notes on Fiscal Year 2022 "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 this year's cycle, we assumed flat expenses across the board, only making adjustments for the FY22 Stewardship and Development fundraising forecast and for UUA projects, like UU the Vote, that we know will end in FY21.

The analysis shows we are tracking towards a deficit of \$643k in FY21. The UUA Administration will make adjustments in its operating plan to address this shortfall when the budget for FY22 is prepared.