

	C	D	E	F	G	H
2	Unitarian Universalist Association	FY15	FY16	FY17	FY17	FY18
3	Budget Overview	Results	2Q16 Fcst	Budget	Inc/(Dec)	Budget
4	Current Operations				E to F	
5						
6	\$ in Thousands					
7	Income:					
8	Income for General Support					
9	Annual Program Fund	6,532	6,554	6,750	3.0%	7,000
10	Annual Program Fund - Regional	0	490	490	0.0%	490
11	Unrestricted Gifts	1,333	1,236	1,451	17.4%	1,400
12	Bequest Income	450	500	500	0.0%	500
13	Administrative Fees	2,037	2,334	2,327	-0.3%	2,309
14	Investment Income	3,288	3,148	2,971	-5.6%	2,830
15	Net Lease Income	319	1,009	975	-3.4%	989
16	Other Current Fund Income	1,908	2,045	1,952	-4.6%	1,957
17	Total Income for General Support	15,868	17,316	17,416	0.6%	17,475
18						
19	Income for Designated Purposes					
20	Campaign Income	1,774	1,612	1,577	-2.2%	1,480
21	UUCSR Veatch Grants	2,320	2,354	2,316	-1.6%	2,391
22	Grants and Scholarships	1,086	1,026	991	-3.3%	913
23	Ministerial Aid Funds	543	484	474	-1.9%	459
24	Holdeen and International Trusts	1,940	1,981	1,390	-29.8%	1,327
25	Income for Other Purposes	951	1,176	1,177	0.1%	1,183
26	Total Inc for Designated Purposes	8,614	8,632	7,925	-8.2%	7,754
27	Total Income	24,481	25,948	25,341	-2.3%	25,229
28						
29	Expenses:					
30	Board & Volunteer Leadership	550	527	502	-4.6%	510
31						
32	Programs:					
33	Program and Strategy Office	803	812	582	-28.4%	589
34	Multicultural Growth and Witness	1,217	1,209	1,144	-5.3%	1,179
35	International Programs	1,770	1,911	1,432	-25.1%	1,389
36	Congregational Life	2,969	3,622	3,553	-1.9%	3,574
37	Ministries and Faith Development	4,824	4,927	5,031	2.1%	4,971
38	UU Funding Program	1,320	1,329	1,341	0.9%	1,341
39	Crisis Relief & Misc. Programs	60	113	61	-46.3%	59
40	Communications	2,654	2,771	2,804	1.2%	2,829
41						
42	Total Programs	15,617	16,693	15,949	-4.5%	15,933
43						
44	Administration	1,211	1,515	1,521	0.4%	1,549
45	Contingency/Salary Increase	0	345	604	75.1%	606
46						
47	Infrastructure					
48	Stewardship and Development	1,920	2,095	2,072	-1.1%	2,089
49	Information Technology Services	1,443	1,502	1,553	3.4%	1,567
50	Internal Services	3,732	3,522	3,540	0.5%	3,558
51	Total Infrastructure	7,095	7,119	7,165	0.6%	7,214
52						
53	Total Expenses	24,473	26,198	25,741	-1.7%	25,812
54						
55	Depreciation Spending	0	250	400		400
56						
57	Current Section Excess/(Deficit)	8	0	0		(183)

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY15	FY16	FY17	FY17	FY18
2	Forecast Summary	Results	2Q16 Fcst	Budget	Inc/(Dec)	Budget
3	Current Operations Expenses				F to G	
4						
5	\$ in Thousands					
6	Income:					
7	Income for UUA General Support					
8	Annual Program Fund	6,532	6,554	6,750	3.0%	7,000
9	Annual Program Fund - Regional	0	490	490	0.0%	490
10	Unrestricted Gifts	1,333	1,236	1,451	17.4%	1,400
11	Bequest Income	450	500	500	0.0%	500
12	Administrative Fees	2,037	2,334	2,327	-0.3%	2,309
13	Endowment Income	3,370	3,148	2,971	-5.6%	2,830
14	Net Lease Income	319	1,009	975	-3.3%	989
15	Investment Income	(82)	0	0	0.0%	0
16	Other Current Income	1,908	2,045	1,952	-4.6%	1,957
17		15,867	17,316	17,416	0.6%	17,476
18	Income for Designated Purposes					
19	Campaign Income	1,774	1,612	1,577	-2.2%	1,480
20	Veatch Grants	2,320	2,354	2,316	-1.6%	2,391
21	Grants and Scholarships	1,086	1,026	991	-3.3%	913
22	Ministerial Aid Funds	543	484	474	-1.9%	459
23	Holdeen & International Trusts	1,940	1,981	1,390	-29.8%	1,327
24	Income for Other Purposes	951	1,176	1,177	0.1%	1,183
25		8,614	8,632	7,925	-8.2%	7,754
26	Total Income	24,481	25,948	25,341	-2.3%	25,229
27						
28	Board & Volunteer Leadership					
29	Board of Trustees	221	188	193	2.7%	198
30	Board Committees	101	110	94	-14.5%	94
31	Board Task Forces	7	4	5	12.5%	5
32	Moderator	28	24	24	0.0%	25
33	Nominating Committee	27	19	19	0.0%	21
34	Commission on Appraisal	20	31	31	1.8%	31
35	Ministerial Fellowship Committee	119	121	103	-14.9%	103
36	Commission on Social Witness	29	31	34	11.5%	34
37	Total Board & Volunteer Leadership	550	527	502	-4.6%	510
38						
39	Programs:					
40	Program Strategy Office (former Growth Strategies)	803	812	582	-28.4%	589
41						
42	Multicultural Growth and Witness	1,217	1,209	1,144	-5.3%	1,179
43						
44	International Office	230	213	203	-4.7%	195
45	Holdeen International Partners	143	165	154	-6.6%	145
46	Holdeen India Program	1,101	1,213	785	-35.3%	757
47	UU-UNO	296	319	289	-9.4%	292
48	Total International	1,770	1,911	1,432	-25.1%	1,389
49						
50	Congregational Life					
51	Congregational Life	2,756	2,359	2,309	-2.1%	2,321
52	Southern Region	0	1,185	1,166	-1.6%	1,175
53	Office of Congregational Stewardship Services	213	78	78	0.6%	78
54	Total Congregational Life	2,969	3,622	3,553	-1.9%	3,574
55						
56	Ministries and Faith Development					
57	Resource Development Director	139	153	155	0.9%	156
58	Resource Development Office	507	477	474	-0.7%	478
59	Youth and Young Adult Ministries	528	596	609	2.2%	614
60	Director of Ministries and Faith Development	364	405	410	1.3%	413
61	Director of RE Credentialing	70	102	132	29.3%	147
62	Director of Ministerial Credentialing	200	193	196	1.7%	198
63	Director of Transitions	334	316	320	1.0%	321
64	Office of Church Staff Finances	592	652	720	10.4%	722

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY15	FY16	FY17	FY17	FY18
2	Forecast Summary	Results	2Q16 Fcst	Budget	Inc/(Dec)	Budget
3	Current Operations Expenses				F to G	
65	Office of UUA Health Plan	240	231	242	4.5%	244
66	Director of Professional Development	193	191	212	11.1%	213
67	Scholarships and Ministerial Ed Grants	350	349	336	-3.5%	336
68	Continuing Education	65	85	82	-3.0%	82
69	Aid Funds	606	552	540	-2.1%	443
70	Panel on Theological Education	634	625	603	-3.5%	603
71	Total Ministries and Faith Development	4,824	4,927	5,031	2.1%	4,971
72						
73	UU Funding Program	1,320	1,329	1,341	0.9%	1,341
74	Crisis Relief & Misc. Programs	60	113	61	-46.3%	59
75						
76	Communications					
77	IPW Office	349	378	389	2.9%	394
78	Periodicals Office	952	977	957	-2.0%	966
79	Publications Administration	526	572	577	0.8%	585
80	UUA Bookstore	827	844	882	4.5%	884
81	Total Communications	2,654	2,771	2,804	1.2%	2,829
82						
83	Total Programs	15,617	16,693	15,949	-4.5%	15,933
84						
85	Administration					
86	Office of the President	500	573	557	-2.8%	572
87	Office of the Executive Vice President	331	396	392	-0.9%	402
88	Contingency Expense	0	91	376	312.2%	378
89	Salary Increase	0	254	228	-10.2%	228
90	Human Resources	379	545	572	4.9%	575
91	Total Administration	1,211	1,860	2,125	14.3%	2,155
92						
93	Infrastructure:					
94	Stewardship and Development					
95	Vice President, Development	59	52	53	2.0%	53
96	APF Campaign	270	351	424	20.8%	428
97	Friends Campaign	291	316	300	-5.2%	300
98	Charitable Gift and Estate Planning	154	176	189	7.4%	191
99	Comprehensive Campaign	1,146	1,201	1,107	-7.8%	1,117
100	Total Stewardship and Development	1,920	2,095	2,072	-1.1%	2,089
101						
102	Information Technology Services	1,443	1,502	1,553	3.4%	1,567
103						
104	Internal Services:					
105	Finance					
106	Treasurer and Vice President of Finance	381	376	378	0.7%	381
107	Financial Services	615	655	668	2.1%	674
108	Total Finance	996	1,030	1,046	1.6%	1,055
109						
110	Facilities					
111	41 Mt Vernon Street	29	0	0	0.0%	0
112	24 Farnworth Street	2,706	2,492	2,493	0.1%	2,503
113	Total Operations Services	2,735	2,492	2,493	0.1%	2,503
114						
115	Total Internal Services	3,731	3,522	3,540	0.5%	3,558
116						
117	Total Infrastructure	8,305	8,979	9,290	3.5%	9,369
118	Total Expenses	24,473	26,198	25,741	-1.7%	25,812
119						
120	Depreciation Spending	0	250	400		400
121						
122	Current Section Excess/(Deficit)	8	0	0		(183)

NOTES TO BUDGETS FOR FISCAL 2017 AND 2018

Budget Fiscal Year 2017 – Flux Analysis

The following is an analysis of the changes from the FY16 2nd quarter forecast to the FY17 budget.

Overall income – down 2.3%

Annual Program Fund – up 3.0%

We are projecting modest growth driven primarily by more aggressive management of the APF program, including more staff resources, greater involvement by the board of trustees, and a renewed volunteer committee effort. A small decline in national membership creates some headwinds for overall revenue growth.

Annual Program Fund Regional Dues – no change

In FY16, the Southern Region's finances were incorporated into the UUA's budget. Regional dues that formerly went to the Southern Region – a separate legal entity – are now coming to the UUA as a percentage of GIFT income to support staff and programs in the Region. We are projecting no change from FY16.

Unrestricted gifts – up 17.4%

The increase is primarily due to the new mid-level donor program, which focuses on donors in the \$1000 to \$10,000 range with a more personalized approach. A senior development officer is leading this effort. In addition, a new direct mail consulting firm with more capacity has been engaged.

Bequest Income – no change

The 10-year average for unrestricted bequests is over \$700,000 per year, so we believe that budgeting \$500,000 is prudent. Because we are notified of bequests many months in advance of the payments, we would have sufficient time to adjust for any budget variance. Bequest income in excess of the budget would be counted as current income under generally accepted accounting principles, but the cash would go into reserves or the unrestricted endowment. Unrestricted bequest income will be directed to innovation in fulfilling the Association's mission.

Administrative Fees – down 0.3%

Administrative fees include fees charged for asset management services for endowment funds, legacy gifts, mortgage loans, Holdeen Trusts, the retirement plan, and general insurance policies. Also included is the 17.5% overhead charged on programs funded with restricted gifts. This is still below our actual cost for management, finance, information technology, human resources, facilities, and other administrative support.

Investment Income – down 5.6%

This line reflects the payout from the unrestricted portion of the endowment according to the Board's spending policy. The UUA's spending policy is based on the current year's spending increased by inflation, weighted 70%, and 5.0% of the average asset value for the four quarters ending December 31, weighted 30%. The formula is as follows:

	(Previous year endowment spending X (1+inflation rate)) X 70%
plus	(4 quarter average asset value at 12/31 X 5.0%) X 30%
equals	Endowment spending for FY starting 7/1

The market performance of the endowment fund was weak in 2015. Permitted spending from existing assets decreased due to declining market performance and a downward adjustment in the payout rate on assets from 5.5% to 5.0%. This will be further reduced to 4.5% in FY18.

Net Lease Income – down 3.4%

The small decrease in net income from leasing the upper three floors of 24 Farnsworth Street is due primarily to increases in general liability, property, and flood insurance.

Campaign Income – down 2.2%

The FY 16 budget benefitted from the inclusion of income from the sale of the mineral rights in FY 15 for \$960,000. Approximately 400,000 of that was spent in FY15 and the remainder was applied to FY16. The forecast for FY17 is based on a detailed analysis of individual donor prospects with whom the UUA has direct relationships. Large gifts are targeted to specific projects, such as Standing on the Side of Love, Commit 2 Respond, the UU College for Social Justice, and Entrepreneurial Ministry. Note that Campaign Income included in the operating budget includes funds that will be expended during the fiscal year, not the total amounts pledged or collected.

Grants and Scholarships – down 3.3%

Revenue for grants and scholarships is primarily payout from endowment funds restricted to scholarships and theological education. In addition, the Administration has dedicated approximately \$100,000 of the allowable spending from the LRCS fund to theological education. This practice will end in FY17 at the end of Peter Morales’ term. The decrease is due to the change in spending policy and market declines.

Ministerial Aid Funds – down 1.9%

The decrease is due to the change in spending policy and market declines.

Holdeen and International Trusts – down 29.8%

This precipitous decline is driven by a 20% reduction in the payout rate from 5% to 4% set by the trustee bank, Wells Fargo. In addition, declining market returns negatively affected the payout from this trust. The reduction is triggering a reduction in program expenditures in International Programs including the Holdeen India Program.

Income for Other Purposes – up 0.1%

No significant change in income from miscellaneous restricted endowment funds, program fees, and insurance administration fees.

Overall Expenses – down 1.7%

Board and Volunteer Leadership – down 4.6%

The decline is due primarily to the elimination of most spending for the Presidential Search Committee, as their work is largely completed.

Program and Strategy Office – down 28.4%

The Chief Strategy Officer position, previously held by Rev. Terasa Cooley, is not being filled.

Multicultural growth and witness – down 5.3%

One open program assistant position will not be filled and one position is going from full to part time.

International – down 25.1%

Grants cut due to reduced payout from the Holdeen Trusts.

Congregational Life – down 1.9%

Several senior positions are being vacated due to retirements. Less senior replacements carry lower compensation.

Ministries and faith development – up 2.1%

Increase in the Office of Church Staff Finance due to the addition of an administrative position, which is paid through administrative fees, is largely offset by reductions in scholarships and ministerial relief grants driven by reduced endowment payout.

UU Funding Program – up 0.9%

All of the UUFP's expenses, including grants and administration, are entirely covered by a grant from the Veatch Fund.

Crisis Relief & Miscellaneous– down \$52,000

The Schulman scholarship is no longer being booked as a UUA expense, but as an agency payment recorded through the balance sheet. This practice is better aligned with generally accepted accounting principals. There is no bottom line effect to the UUA.

Communications – up 1.2%

Increase in the cost of goods sold for non-book items is largely offset by lower postage and printing due to the lower number of magazines distributed.

Administration – up 0.4%

Small increase is due to the effect of 1/1/16 raises carrying over into the new fiscal year.

Contingency/Salary Increase

Contingency is set in the by-laws as 3% of unrestricted income. The contingency is drawn on throughout the year to compensate for expense overages and income shortfalls as needed. It is then reset at the beginning of each fiscal year according to the formula. The salary increase for FY17 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 1/1/2017 = \$130,000
- Pool for grade and job changes = \$25,000
- Salary in lieu of FICA for ministers hired post 3/1/2007 = \$25,000

Stewardship and Development – down by 1.1%

Reduction is due to lower expenses for consultants and marketing.

Information Technology Services – up 3.4%

Change is primarily due to the purchase of service contracts on IT servers and other equipment after the expiration of original warranties. In addition, the licensing fees for certain software packages have increased.

Internal Services – up 0.5%

Small increase is due to the effect of 1/1/16 raises carrying over into the new fiscal year.

Depreciation Spending

In the FY 17 budget, total depreciation expense is forecast to be \$ 1.3 million compared to a projected capital need of \$752K yielding a cash surplus of \$538K. Projected capital expenses for the year are based on a multi-year Facilities Condition Assessment. This budget assumes that \$400,000 of the surplus amount is spent on the operating budget leaving a substantial cushion.

Budget Fiscal Year 2018

Projected deficit – - \$183,000

The out-year budget for fiscal year 2018 is a tool to help us anticipate trends and help us to take corrective action. This analysis shows that given current staffing and programmatic priorities, we can anticipate that certain steps will need to be taken to bring this budget into balance. We will need to take steps to reduce expenses over the coming year unless revenue prospects improve. Note that the expense forecast does not include new initiatives or an allowance for raises.