



MEMORANDUM

TO: UUA Board of Trustees

FROM: President Susan Frederick-Gray, Executive Vice President Carey McDonald,
Treasurer/CFO Andrew McGeorge

RE: Investing FY20 surplus

DATE: June 22, 2020

We are delighted to inform you that the UUA's Q4 forecast shows substantial improvement in our projected surplus, relative to preliminary estimates of changes due to COVID in the Q3 forecast. We have seen major savings in travel, especially given the transition to a virtual GA, as well as myriad other changes in income and expense. Bequest income, always unpredictable, has also come in strong, reversing a decline from prior fiscal years. We are currently projecting a roughly \$1 million projected surplus over budget for the year, recognizing there is always uncertainty until the year is completed and that this year's budget figures in particular have fluctuated dramatically.

The UUA often closes the year with a gain or loss of 1% or less of the operating budget (FY19 loss of \$443k, FY18 gain of \$335k); however, this is a substantial enough shift in forecast that we recommend reinvesting a portion in a few mission critical ways.

We request Board approval to restrict \$600,000 of this surplus to implement recommendations for the Commission on Institutional Change report over the next 2-3 years. This would include \$100,000 in immediate grants to the identity-based groups (\$25,000 each to DRUUMM, BLUU, EqUUal Access, and TRUUSt), following the COIC's recommendation to invest in their capacity. This would replace the FY21 budget placeholder we had previously recommended.

As a reminder, this does not represent the total UUA investment in the implementation of the COIC's recommendations, and only captures the use of new funds. The shift of existing staff capacity and budgeted expenditures will also be significant, and we will work to more precisely account for those shifts in the coming months

In addition, we plan hold \$250,000 to support General Assembly expenditures for the coming 3-5 years, which is the planned horizon for break-even GA budgets. We are mindful that in planning for GA2020 we expected strong attendance with enough to begin rebuilding the GA reserve. However, currently we are barely hoping to avoid a loss with equally strong registration figures (now over 4000) due to the lower cost of virtual registration

From an accounting perspective, this does not require Board approval since the GA reserve is a cash holding of the UUA rather than expenditure; however, we are asking for affirmation of this approach.

The remaining funds will become a credit to UUA net assets, as typically happens with the residual at the close of the fiscal year. This will help cushion the economic uncertainty of the coming fiscal years so that the UUA it is able to retain its core services, staff and mission work even if we sustain major declines in income due to congregational or individual giving, market performance, rental income, and other factors.