

**Unitarian Universalist Association  
Annual Report of the Treasurer  
To the 2016 General Assembly in Columbus, Ohio**

**Submitted by  
Tim Brennan, Treasurer & Chief Financial Officer**

**Financial Condition of the Association**

The UUA has now been in our new headquarters building on Farnsworth Street for two years. The sale of our Beacon Hill properties and the purchase of 24 Farnsworth Street have substantially strengthened the balance sheet of the Association by recognizing the value of physical assets and lowering our operating costs.

- The audited financial statements of the UUA, which follow this report, were accepted by the UUA board of trustees at their November meeting after thorough vetting by the Audit Committee. The Association's auditors, Mayer, Hoffman McCann – Tofias New England Division, issued a "clean opinion." That is, they certified that the statements, which were prepared by the UUA staff, fairly present the financial condition of the Association in all material respects.
- Likewise, the financial statements of the UUA Health Plan, which is organized as a separate trust (officially the UUA Employee Benefits Trust), were audited by McGladrey & Pullen, LLP who issued a clean opinion. They follow this report.
- The income statement of the UUA for fiscal year 2015 shows a modest surplus for the year of \$1.1 million. This is a welcome change from the previous two years, which had losses of a similar scale.
- The third quarter forecast presented to the board of trustees at their April meeting shows an expected break even for fiscal year 2016.

**Operating Budgets**

The budget for the fiscal year starting on July 1, 2016 was presented to the Board of Trustees at their April meeting. The summary operating budget for fiscal year 2017 can be found at the end of this report.

**UU Common Endowment Fund**

The UU Common Endowment Fund holds the Association's endowment (including both restricted and unrestricted funds), trusts invested on behalf of others (principally congregations), and funds invested by congregations and other UU organizations. The UUCEF is structured as a unitized common fund, which means it operates like a mutual fund with investing organizations (including the UUA) purchasing units and sharing proportionally in the income, gains, losses, and

expenses of the fund.

- As of December 31, 2015 the UUCEF held assets valued at \$174 million. Just under \$85 million is the Association's endowment, both restricted and unrestricted, \$14 million is held in trust for the benefit of congregations, and the balance represents investments from congregations and other related organizations of \$75 million. Individuals may not invest in the UUCEF.

**UUCEF Annualized Return**  
**Periods ending 12/31/16**

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
<b>Gross return</b>	-2.4%	4.4%	5.1%
<b>Weighted average benchmark</b>	-1.4%	4.9%	4.7%
<b>Percentile rank compared to like-sized endowments (as of 12/31/13)</b> <i>1 = highest 1% 100 = lowest 1%</i>	84	75	73
<b>Net return</b>	-3.3%	3.4%	4.0%

- The investment environment in 2015, and particularly the last six months of the year, was extremely challenging for endowments and other institutional investors.
- For the 12 months ending December 31, 2015, the Fund lost 2.3% compared to a weighted average benchmark of -1.4%. Net of all fees and expenses the fund lost 3.3%, ranking in the bottom quartile of similarly sized endowments.
- As of January 1, 2016, the assets of the UUCEF were moved into a separate legal entity called UUCEF, LLC. The new entity was formed as a Massachusetts limited liability company controlled by the UUA Board of Trustees. The LLC was designated as a charity under section 501(c)3 of the IRS Code. From the perspective of investing congregations, there will be no difference from the current arrangement. However, the new structure will insulate the congregations' assets from the UUA's liabilities, thus providing a more secure investment structure.

**Socially Responsible Investing**

The Investment Committee and the Socially Responsible Investing Committee (SRIC) have worked together to strengthen the UUCEF's socially responsible investing (SRI) practices. The

three principle strategies are: investment and manager selection, shareholder advocacy, and community investments.

- Investment and manager selection: The UUCEF portfolio holdings include both individual securities and pooled funds (mutual funds and private co-mingled funds). Individual security holdings (also called separate accounts) are primarily US equities, or individual stocks. The UUA instructs its managers to avoid companies that are poor performers on environmental, social, and governance issues. When selecting managers for pooled funds, the Investment Committee incorporates values criteria into the selection process. Approximately 70% of the UUCEF's assets are with managers who use SRI and/or ESG strategies.
- Shareholder advocacy: The UUA is an active shareholder, witnessing for social justice through its ownership position in companies. Over the last year, encouraged by the 2014 Business Resolution, our engagement efforts have focused on climate change, and particularly on companies in the fossil fuel industry. In addition, we have continued our work on disclosure of political and lobbying spending and human rights. During the 2015-16 season, the UUA filed or co-filed resolutions at nine companies.
- Community investments: The UUA allocates 1% of the Common Endowment to community investments. These include community loan funds, affordable housing, micro-finance, and credit unions. Approximately 40% of these investments are matching investments whereby a congregation makes a community investment of up to \$10,000 and the UUA matches it. See:  
<http://www.uua.org/finance/investment/sri/communitydevelopment/60928.shtml>

### **Holdeen Trusts**

As of December 31, 2015, the Holdeen Trusts were valued at \$31 million, down \$3 million from the previous year. Like the UUA's endowment, the Holdeen Trusts have faced a very difficult investing environment during 2015. Under the terms of the Holdeen and certain other trusts, the Association has a right to receive and to use the income earned on the trust assets for designated purposes, but the principal itself will never be available to the Association nor does the UUA control how these funds are invested. The Holdeen Trusts are used primarily to support the Association's international work including the Holdeen India Program.

### **Retirement Plan**

The UU Organizations Retirement Plan has approximately 3,600 participating individuals with investments of \$288 million as of December 31, 2015 compared to 3,400 participants with \$285 million one year previous. This includes active participants, retirees and survivors, and

individuals who are no longer employed by a UU organization, but have kept their funds in the Plan. The average plan participant has an account balance of \$80,000.

The Plan is overseen by a Retirement Plan Committee appointed by the Board of Trustees. The committee is advised by Fiduciary Investment Advisors, a leading investment consulting firm.

	C	D	E	F	G	H
2	<b>Unitarian Universalist Association</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY17</b>	<b>FY18</b>
3	<b>Budget Overview</b>	<b>Results</b>	<b>2Q16 Fcst</b>	<b>Budget</b>	<b>Inc/(Dec)</b>	<b>Budget</b>
4	<b>Current Operations</b>				<b>E to F</b>	
5						
6	\$ in Thousands					
7	<b>Income:</b>					
8	<b>Income for General Support</b>					
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	<b>Income for Designated Purposes</b>					
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	<b>Total Income</b>	<b>24,481</b>	<b>25,948</b>	<b>25,341</b>	<b>-2.3%</b>	<b>25,229</b>
28						
29	<b>Expenses:</b>					
30	<b>Board &amp; Volunteer Leadership</b>	<b>550</b>	<b>527</b>	<b>502</b>	<b>-4.6%</b>	<b>510</b>
31						
32	<b>Programs:</b>					
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	<b>Total Programs</b>	<b>15,617</b>	<b>16,693</b>	<b>15,949</b>	<b>-4.5%</b>	<b>15,933</b>
43						
44	<b>Administration</b>	<b>1,211</b>	<b>1,515</b>	<b>1,521</b>	<b>0.4%</b>	<b>1,549</b>
45	<b>Contingency/Salary Increase</b>	<b>0</b>	<b>345</b>	<b>604</b>	<b>75.1%</b>	<b>606</b>
46						
47	<b>Infrastructure</b>					
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	<b>Total Infrastructure</b>	<b>7,095</b>	<b>7,119</b>	<b>7,165</b>	<b>0.6%</b>	<b>7,214</b>
52						
53	<b>Total Expenses</b>	<b>24,473</b>	<b>26,198</b>	<b>25,741</b>	<b>-1.7%</b>	<b>25,812</b>
54						
55	<b>Depreciation Spending</b>	<b>0</b>	<b>250</b>	<b>400</b>		<b>400</b>
56						
57	<b>Current Section Excess/(Deficit)</b>	<b>8</b>	<b>0</b>	<b>0</b>		<b>(183)</b>