



MEMORANDUM

TO: Finance Committee
FROM: Tim Brennan
RE: UUA Budget Forecast 1st Quarter FY 12
CC: Board of Trustees, Peter Morales, Kay Montgomery, Harlan Limpert
DATE: October 17, 2011

Summary

This memorandum describes the key differences between the adopted budget for Fiscal Year 2012 and the first quarter forecast. The most important observation is that the UUA is on budget and tracking towards a breakeven year. The only significant variance arises from the projected expenses of the Arizona Immigration Ministry which are being offset against the contingency.

This year the process of developing the forecast has been changed as we implement a powerful software tool called Adaptive Planning (AP). We believe that going forward AP will improve and streamline our processes, reduce errors, and enable better analysis and reporting. However, the transition to this new system caused delays in getting these reports to the Board of Trustees. We expect no such delays for future forecasts.

Adaptive Planning is a sophisticated, web-based budgeting, forecasting, and reporting tool. It enables remote users to enter their budget and forecast data directly into a common database. Previously, we had used a spreadsheet system whereby templates for each staff group were distributed to each department, then completed and emailed to the finance department where the data was keyed into master spreadsheet. The process was cumbersome and open to error. AP eliminates all of these intermediate steps and allows budget managers in each staff group to enter data directly and the finance staff to focus on asking questions about variances and trends.

AP is also a reporting tool. We are just learning to fully utilize this aspect of the software, and as a result, the reports submitted to the board have a somewhat different look than in the past. We will continue to work on the organization and presentation of these reports in future forecasts.

The other major change to our budgeting process involved updating of our chart of accounts to add a project dimension to track expenses by activity. Previously, our budgeting and accounting system had been organized by department and account (e.g. salaries, travel, supplies), but it did not allow us to account for activities. So, for example, Standing on the Side of Love was tracked as an account within Multicultural Growth and Witness. But certain expenses, such as salaries and travel, were accounted for in those lines within the staff group budget. Therefore, if one wanted to get a total picture of the expenses of SSL, one had to extract data from several accounts. Now, with a project code dimension, all expenses and income associated with a given activity can be tracked apart from the account codes. This will make for easier reporting, more accurate tracking of the use of restricted funds, and more accurate budgeting. Negotiating the transition to this new system was a huge task for our financial services group and for key budget managers throughout the organization. Furthermore, the conversion of our chart of accounts was taking place at the same time as the implementation of Adaptive Planning. But now the new

chart is in place and we expect its benefits to positively affect our financial management this year and in the future.

Notes on Variances from Budget FY12 to 1st Quarter Forecast

Budget restatement

You will note that the numbers in the budget column are not the same as those in the budget adopted by the Board of Trustees in April. This is due to a change in the way we treat program related income, such as conference fees. Until now, it had been the practice of those preparing department budgets to show such income as an offset to expense within the department's expense budget (i.e. a negative expense). In this report, we are showing program-related income in the income section of the budget. This is consistent with generally accepted accounting principles and, in fact, is the way our year-end published financial statements are prepared. There is no net bottom line effect. The reconciliation between the expenses from the original budget and those from the budget shown on the forecast report is as follows:

BOT Adopted budget	\$23,684,313
Plus: Program-related income	1,265,710
Total budget per forecast	\$24,950,023

Overall Income – up 0.5%

Campaign Income – collectively up by 3.9%

Most of this change is due to additional contributions to offset the campaign consultant fee.

Income for other purposes –up by 1.6%

Primarily conference and training income from the Leap of Faith program, entirely offset by increased travel expense in Congregational Life.

Overall Expenses – up 0.5%

Projected expenses are on target and are virtually unchanged from the budget.

Congregational Life – up by 4.7%

\$110,000 committed to the Arizona Immigration Ministry and \$50,000 added to the Leap of Faith travel budget (see income note above).

Crisis Relief & Misc. Programs – up by 3.9%

Aid funds for Japan total \$64K.

Stewardship and Development – up 2.4%

Reflects the decision to hire a consultant to explore the feasibility a new comprehensive campaign.

Administration – down 6.1%

Additional projected legal expenses of \$50K are largely offset by \$35K in savings from health insurance and other benefits. The contingency has been reduced from \$366K to \$221K to accommodate the additional spending on the Arizona Immigration Ministry.