



## MEMORANDUM

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**TO:** UUA Board of Trustees and Finance Committee

**FROM:** Tim Brennan

**RE:** UUA Budget for fiscal year 2013

**CC:** Peter Morales, Kay Montgomery, Harlan Limpert, Terry Sweetser

**DATE:** April 2, 2012

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### Summary

Unlike the last three years, we are anticipating that the improving economy and a new focus on core fundraising will lead to a modest increase in revenue for Fiscal Year 13. Most of the growth is anticipated to come from the Annual Program Fund to which our professional fundraising team will be devoting additional resources. At the same time, we expect bequests to decline to historical averages, endowment income to increase at just under inflation, and major gifts to be flat compared to last year.

Therefore, in order to devote resources to programs that are in support of the President's priorities and aligned with the Global Ends, resources had to be reallocated within the budget. The Fiscal Year 2013 budget is shaped by the following key priorities:

- A 3% cost of living raise for staff starting January 1, 2013. (The previous raise was January 1, 2012.)
- Implementation of recommendations from the Strategic Review of Ministry.
- Hiring of a fundraiser to focus on foundation grants for Beacon and UUA.
- UUA-UUSC Joint Venture for service learning opportunities through the College of Social Justice.
- Implementation of recommendations from the Comprehensive Communications Review.
- Resources for Congregations and Beyond.
- Retain core programs and essential services.

The following analysis explains significant changes from the mid-year FY12 forecast to the FY13 budget.

### Variance Analysis: 2<sup>nd</sup> Quarter FY12 Forecast to FY13 Budget

#### Overall income – up 2.7%

##### Annual Program Fund – up 10.3%

The Annual Program Fund is projected grow significantly due primarily to an increased focus on APF from the professional staff in Stewardship and Development and UUA leadership. We are anticipating increased Fair Share participation by our largest congregations but no increase in the per person fee.

**Friends of the UUA – up 7.8%**

Friends of the UUA is expected to grow modestly due to improving economic conditions and a focused phone campaign.

**Unrestricted Gifts**

This line represents anticipated revenue from Association Sunday for next fiscal year. Unlike in previous years, the proceeds will be unrestricted, supporting the core programs of the UUA. Thus, it is no longer accounted for in the Income for Designated Purposes section of the budget.

**Bequest Income – down 16.9%**

Bequests during FY 2012 have declined significantly from last fiscal year. For next fiscal year, we forecast a return to the 10-year average bequest amount. To this we have added the bequests received this fiscal year that will be carried over to next.

**Endowment Income – up 2.5%**

This is the spending from the unrestricted portion of the endowment. The increase reflects the UUA's spending policy under which allowable spending for the upcoming year is based on the current year's spending increased by inflation weighted 70% and the change in asset value for the four quarters ending December 31 weighted 30%. So while the endowment fund was down slightly in 2011, spending increased due to an inflation adjustment of 3% for calendar year 2011.

**Campaign Income – down 13.4%**

The decrease is largely accounted for by the shift of Association Sunday to the Unrestricted Gifts line. Without this change, Campaign Income would be essentially flat. Major gifts for restricted purposes are projected to be \$1.6 million, or about the same as last year. Note that income from campaigns included in the operating budget includes funds that will be expended during the fiscal year, not the total amounts pledged or collected.

**Veatch Grants – up 5.8%**

The increase is due to the inclusion of \$100,000 for support of the UU UNO. Last year this grant was counted in the Holdeen Trusts income section.

**Holdeen and International Trusts – down by 21.5%**

This significant decrease is accounted for by two factors. First, during fiscal year 2012, the transition costs of the Holdeen India Program (new director and setting up an office in India) were funded through unspent reserves. The budget for fiscal year 2013 reflects a return to spending only the distribution from the Trusts. In addition, the Veatch grant for UU UNO was reflected in the Holdeen section in FY 2012 but is more properly accounted for in the Veatch section in FY 2013.

**Income for Other Purposes – up by 13.2%**

Includes \$168,000 from Beacon to fund the new foundation fundraising position during the first year. The UUA operating section will reimburse Beacon over the following two fiscal years for the portion allocable to UUA programs.

**Overall Expenses – up 2.7%**

**Board and Volunteer Leadership – down by 4.2%**

Decrease due to the completion of the work of the GA 2012 Accountability Team and the elimination of that line item, which was \$30,000.

**International – down by 5.4%**

Decrease is due to the elimination of transition expenses for the Holdeen India Program.

**Congregational Life – down by 2.3%**

Decrease is due to the elimination of Leap of Faith grants, which were funded with restricted gifts.

**Crisis Relief – down by 23.0%**

Crisis relief revenue and expenditures are responses to immediate needs and are not budgeted. In FY12 funds have primarily gone to Japan.

**Administration – up by 22.1%**

Aside from the following two factors, expenses are essentially flat. First, the budget includes the full contingency of \$390K (calculated as 3% of undesignated income as is our practice), which is being compared to the remaining contingency in FY 2012 of \$149K. Second, the budget for Human Resources includes an allowance for a 3% across the board raise to be implemented on January 1, 2013 (thus one half of the annual cost is captured in this year's budget). This allowance for raises of approximately \$160K will be allocated to the respective staff groups early in FY 2013.

**Stewardship and Development – up by 11.2%**

The budget for the comprehensive campaign department reflects the addition of a senior foundation fundraising professional. This person will seek foundation grants for both the UUA and Beacon Press. No revenue from these efforts is reflected in the budget. The expectation is that this investment will pay off in future years. The initial investment will be funded by the Beacon reserve with the UUA's share paid back over the following two years.

**Information Technology Services – up by 11.0%**

Additional resources will be devoted to online systems integrator, search engine optimization, email marketing management system, and developing a UU social network platform.

**Internal Services – up by 6.9%**

Increase reflects budgeting of debt principle payments. While this is not an expense under GAAP accounting, it is prudent to include this cash obligation in the budget. We have not done this previously.

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**Overview of Report Format**

The accompanying report has six columns as follows:

- FY11 Results: the actual income and expense from last fiscal year.
- FY12 Forecast: this is the forecast of the FY12 budget that was presented to the board at its January meeting.
- FY13 Budget: this is the budget that the Administration is submitting for consideration by the BOT.

- FY14 Budget: this is the “out-year” budget to be received by the BOT.
  - Percent Inc/(Dec): this shows the percent increase or decrease from the FY12 mid-year forecast to the submitted FY13 budget.
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