

	C	D	E	F	G	H
2	Unitarian Universalist Association	FY14	FY15	FY16	FY16	FY17
3	Budget Overview	Actual	2Q15 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	6,657	6,723	6,734	0.2%	6,800
10	Annual Program Fund - Regional	0	0	700	N/A	700
11	Unrestricted Gifts	1,437	1,250	1,350	8.0%	1,400
12	Bequest Income	698	450	500	11.1%	400
13	Administrative Fees	2,007	2,101	2,335	11.1%	2,389
14	Investment Income	2,293	3,456	3,905	13.0%	3,951
15	Other Current Fund Income	2,595	1,929	1,938	0.4%	1,938
16	Total Income for General Support	15,688	15,909	17,462	9.8%	17,579
17						
18	Income for Designated Purposes					
19	Campaign Income	698	1,819	1,487	-18.2%	1,656
20	UUCSR Veatch Grants	2,207	2,242	2,304	2.7%	2,304
21	Grants and Scholarships	927	1,055	1,026	-2.7%	1,047
22	Ministerial Aid Funds	531	539	484	-10.3%	497
23	Holdeen and International Trusts	1,448	1,662	1,698	2.2%	1,698
24	Income for Other Purposes	835	978	1,114	14.0%	1,119
25	Total Inc for Designated Purposes	6,645	8,294	8,112	-2.2%	8,321
26	Total Income	22,333	24,203	25,574	5.7%	25,900
27						
28	Expenses:					
29	Board & Volunteer Leadership	568	489	494	1.0%	459
30						
31	Programs:					
32	Program and Strategy Office	899	821	805	-2.0%	805
33	Multicultural Growth and Witness	1,242	1,174	1,130	-3.7%	1,118
34	International	1,367	1,520	1,525	0.4%	1,526
35	Congregational Life	2,912	3,004	3,809	26.8%	3,812
36	Ministries and Faith Development	4,864	4,850	4,968	2.4%	4,960
37	UU Funding Program	1,207	1,242	1,254	0.9%	1,254
38	Crisis Relief & Misc. Programs	401	49	53	8.6%	53
39	Communications	2,733	2,653	2,748	3.6%	2,747
40						
41	Total Programs	15,624	15,313	16,292	6.4%	16,274
42						
43	Administration	1,626	1,578	1,462	-7.3%	1,464
44	Contingency/Salary Increase	22	0	687	N/A	816
45						
46	Infrastructure					
47	Stewardship and Development	2,343	2,090	2,097	0.4%	2,132
48	Information Technology Services	1,419	1,474	1,485	0.7%	1,494
49	Internal Services	1,874	4,008	3,306	-17.5%	3,261
50	Total Infrastructure	5,636	7,572	6,888	-9.0%	6,888
51						
52	Total Expenses	23,476	24,953	25,824	3.5%	25,900
53						
54	Transition Funding	0	750	0		0
55	Depreciation Spending	0	0	250		0
56						
57	Current Section Excess/(Deficit)	(1,143)	0	0		0

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY14	FY15	FY16	FY16	FY17
2	Budget Summary	Actual	2Q15 Fcst	Budget	Inc/(Dec)	Budget
3	Current Operations Expenses				F to G	
4	\$ in Thousands					
5	Income:					
6	Income for UUA General Support					
7	Annual Program Fund	6,657	6,723	6,734	0.2%	6,800
8	Annual Program Fund - Regional	0	0	700	N/A	700
9	Unrestricted Gifts	1,437	1,250	1,350	8.0%	1,400
10	Bequest Income	698	450	500	11.1%	400
11	Administrative Fees	2,007	2,101	2,335	11.1%	2,389
12	Endowment Income	2,254	3,140	3,148	0.3%	3,194
13	Lease Income	0	394	757	92.1%	757
14	Investment Income	39	(78)	0	-100.0%	0
15	Other Current Income	2,595	1,929	1,938	0.4%	1,938
16		15,688	15,909	17,462	9.8%	17,579
17	Income for Designated Purposes					
18	Campaign Income	698	1,819	1,487	-18.2%	1,656
19	Veatch Grants	2,207	2,242	2,304	2.7%	2,304
20	Grants and Scholarships	927	1,055	1,026	-2.7%	1,047
21	Ministerial Aid Funds	531	539	484	-10.3%	497
22	Holdeen & International Trusts	1,448	1,662	1,698	2.2%	1,698
23	Income for Other Purposes	835	978	1,114	14.0%	1,119
24		6,645	8,294	8,112	-2.2%	8,321
25	Total Income	22,333	24,203	25,574	5.7%	25,900
26						
27	Board & Volunteer Leadership					
28	Board of Trustees	249	146	166	13.7%	157
29	Board Committees	102	100	109	8.7%	104
30	Board Task Forces	8	4	4	0.0%	6
31	Moderator	26	26	26	0.0%	21
32	Nominating Committee	21	19	19	0.0%	19
33	Commission on Appraisal	26	19	19	0.0%	19
34	Ministerial Fellowship Committee	111	145	121	-16.6%	103
35	Commission on Social Witness	24	30	30	0.0%	30
36	Total Board & Volunteer Leadership	568	489	494	1.0%	459
37						
38	Programs:					
39	Program Strategy Office (former Growth Strategies)	899	821	805	-2.0%	805
40						
41	Multicultural Growth and Witness	1,242	1,174	1,130	-3.7%	1,118
42						
43	International Office	233	220	205	-7.1%	205
44	Holdeen International Partners	139	153	161	5.2%	161
45	Holdeen India Program	686	850	845	-0.6%	845
46	UU-UNO	310	297	315	6.0%	316
47	Total International	1,367	1,520	1,525	0.4%	1,526
48						
49	Congregational Life					
50	Congregational Life	2,633	2,794	2,495	-10.7%	2,496
51	Southern Region	0	0	1,237	N/A	1,238
52	Office of Congregational Stewardship Services	278	211	78	-63.0%	78
53	Total Congregational Life	2,912	3,004	3,809	26.8%	3,812
54						
55	Ministries and Faith Development					
56	Resource Development Director	131	145	153	5.9%	154
57	Resource Development Office	624	507	471	-7.1%	472
58	Youth and Young Adult Ministries	442	543	588	8.4%	589
59	Director of Ministries and Faith Development	569	393	400	1.8%	401
60	Director of RE Credentialing	96	72	100	37.7%	100
61	Director of Ministerial Credentialing	208	198	192	-3.1%	192
62	Director of Transitions	343	311	315	1.4%	315
63	Office of Church Staff Finances	572	585	657	12.2%	645
64	Office of UUA Health Plan	195	236	239	1.1%	239
65	Director of Professional Development	158	197	190	-4.0%	190
66	Scholarships and Ministerial Ed Grants	328	350	350	0.0%	350
67	Continuing Education	48	85	85	0.0%	85
68	Aid Funds	597	576	577	0.3%	577

	D	E	F	G	H	I
1	Unitarian Universalist Association	FY14	FY15	FY16	FY16	FY17
2	Budget Summary	Actual	2Q15 Fcst	Budget	Inc/(Dec)	Budget
3	Current Operations Expenses				F to G	
69	Panel on Theological Education	552	651	651	0.0%	651
70	Total Ministries and Faith Development	4,864	4,850	4,968	2.4%	4,960
71						
72	UU Funding Program	1,207	1,242	1,254	0.9%	1,254
73	Crisis Relief & Misc. Programs	401	49	53	8.6%	53
74						
75	Communications					
76	IPW Office	500	374	382	2.2%	378
77	Periodicals Office	960	926	975	5.2%	977
78	Publications Administration	504	541	567	4.9%	568
79	UUA Bookstore	769	812	823	1.4%	824
80	Total Communications	2,733	2,653	2,748	3.6%	2,747
81						
82	Total Programs	15,624	15,313	16,292	6.4%	16,274
83						
84	Administration					
85	Office of the President	460	535	557	4.1%	557
86	Office of the Executive Vice President	651	419	409	-2.4%	410
87	Contingency Expense	22	0	433	N/A	391
88	Salary Increase	0	0	254	N/A	425
89	Human Resources	514	625	496	-20.5%	496
90	Total Administration	1,648	1,578	2,149	36.2%	2,280
91						
92	Infrastructure:					
93	Stewardship and Development					
94	Vice President, Development	288	59	51	-12.5%	51
95	APF Campaign	291	305	367	20.2%	367
96	Friends Campaign	414	325	353	8.5%	346
97	Charitable Gift and Estate Planning	140	171	175	2.4%	175
98	Comprehensive Campaign	1,210	1,230	1,151	-6.4%	1,192
99	Total Stewardship and Development	2,343	2,090	2,097	0.4%	2,132
100						
101	Information Technology Services					
102	Information Technology Services	1,419	1,474	1,485	0.7%	1,494
103	Total Information Technology Services	1,419	1,474	1,485	0.7%	1,494
104						
105	Internal Services:					
106	Finance					
107	Treasurer and Vice President of Finance	529	376	387	3.0%	387
108	Financial Services	601	608	635	4.5%	636
109	Total Finance	1,130	983	1,022	3.9%	1,023
110						
111	Facilities					
112	Facilities - General	78	0	0	0.0%	0
113	25 Beacon Street	(27)	0	0	0.0%	0
114	41 Mt Vernon Street	(7)	28	0	-100.0%	0
115	Eliot & Pickett House	416	31	0	-100.0%	0
116	24 Farnsworth Street	284	2,965	2,285	-23.0%	2,238
117	Total Operations Services	743	3,025	2,285	-24.5%	2,238
118						
119	Total Internal Services	1,874	4,008	3,306	-17.5%	3,261
120						
121	Total Infrastructure	7,284	9,151	9,037	-1.2%	9,167
122	Total Expenses	23,476	24,953	25,824	3.5%	25,900
123						
124	Transition Funding	0	750	0		0
125	Depreciation Spending	0	0	250		0
126						
127	Current Section Excess/(Deficit)	(1,143)	0	0		0

Budget Fiscal Year 2016 – Flux Analysis

The following is an analysis of the changes from the FY15 2nd quarter forecast to the FY16 budget.

Overall income – up 5.7%

Annual Program Fund – up 0.2%

We are projecting very modest growth driven primarily by better management of the GIFT program in the Southern Region. A small decline in national membership may inhibit overall revenue growth.

Annual Program Fund Regional Dues – \$700,000

In FY16, the Southern Region’s finances will be incorporated into the UUA’s budget. Regional dues that formerly went to the Southern Region – a separate legal entity – will now come to the UUA to support staff and programs in the Region. This new revenue will pay for the regional payroll and program expenses carried in the Congregational Life staff group.

Unrestricted gifts – up 8%

The increase is primarily due to the inclusion of the President’s Council solicitation in this category (as was the case in FY14 and previous years). In the current FY, the PC ask was for a restricted purpose, and so was booked as restricted income and included in the Income for Designated Purposes section.

Bequest Income – up 11.1%

The 10-year average for unrestricted bequests is over \$700,000 per year, so we believe that budgeting \$500,000 is prudent. Seven months into the current fiscal year, we have already exceeded the budget of \$450,000. 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.

Administrative Fees – up 11.1%

The increase is caused by the change in the overhead fee charged on restricted funds moving from 15% to 17.5%. This is still below our actual cost for management, finance, IT, HR and other administrative support.

Investment Income – up 13%

This line reflects the payout from the unrestricted portion of the endowment according to the Board’s spending policy. This year it also includes the net lease revenue from the upper three floors of 24 Farnsworth.

	FY14	FY15	FY16
Endowment spending	2,293	3,062	3,148
Net office lease income	0	394	757

The UUA's spending policy is based on the current year's spending increased by inflation, weighted 70%, and 5.5% of the average asset value for the four quarters ending December 31, weighted 30%. The formula is as follows:

plus	(Previous year endowment spending X (1+inflation rate)) X 70%
equals	<u>(4 quarter average asset value at 12/31 X 5.5%) X 30%</u> Endowment spending for FY starting 7/1

The market performance of the endowment fund was weak in 2014. Permitted spending from existing assets increased modestly due to the weighting of the inflation factor at 0.8% for calendar year 2014. Endowment spending increased significantly between FY14 and FY15 due to two significant additions to the endowment corpus: approximately \$9.7 million from the Liberal Religious Charitable Society and approximately \$7 million from the net proceeds of the sale of our Beacon Hill properties. Spending from new additions to the endowment is calculated at the effective payout rate, or about 5%.

Campaign Income – down 18.2%

The forecast for FY15 includes a release from temporary restriction of \$295,000 of restricted funds that were raised in previous years. This accounts for most of the difference between the current year and the budget year. The forecast for new money raised in FY16 is approximately the same as is forecast for FY15. FY16 will mark the launch of a new comprehensive campaign and the Collaborative Campaign with other UU institutions, which we believe will stimulate generosity from major donors. 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 2.7%

Revenue for grants and scholarships is primarily 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. The decrease is due to the increase in the overhead rate.

Ministerial Aid Funds – down 10.3%

The FY15 second quarter forecast contained an error. Certain revenues were double counted. There was no bottom line effect, however, because the restricted spending against these funds was overstated as well. The third quarter forecast shows projected income for FY15 to be \$412,000. The decline of 5% is due to the increase in the overhead rate.

Holdeen and International Trusts – up 2.2%

This represents the payout from the Holdeen Trusts, managed by Wells Fargo. Most of this income is used for international programs, such as the Holdeen India Program, the International Office, and grants to outside organizations with an international mission.

Income for Other Purposes – up 14.0%

The increase is caused by the inclusion of \$150,000 in conference income from the Southern Region, which is being incorporated into the UUA budget this year.

Overall Expenses – up 3.4%

Board and Volunteer Leadership – up 1.0%

No significant increase.

Program and Strategy Office – down 2.0%

The office of services to large congregations was eliminated during FY15.

Multicultural growth and witness – down 3.7%

Decrease is due to lower cost of office space in Washington, DC following move in April 2015.

International – up by 0.4%

Flat budget funded primarily through the Holdeen Trusts.

Congregational Life – up 26.8%

Large increase reflects the incorporation of the expenses of the Southern Region into the UUA budget. Previously expenses were divided between the regional budget (a separate legal entity) and the UUA budget. The net change is an increase of \$700,000. These increased expenses are offset by regional dues that will now be collected by the UUA (see Annual Program Fund, above). Partially offsetting this is the elimination of the position of Congregational Stewardship Director, saving \$130K.

Ministries and faith development – up 2.4%

Change is primarily due to raises effective January 2015.

UU Funding Program – up by 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- up by 8.6%

Increase of \$4,000 due to additional scholarships funded by restricted funds.

Communications – up by 3.6%

Change is driven by increased postage, printing for UU World magazine and raises effective January 2015.

Administration – down 7.3%

In FY15 the pool for cost of living raises was held in the HR salary line. In FY 16 we are breaking this out into its own line to avoid these variances. Without this item, expenses are flat year to year.

Contingency/Salary Increase

Contingency is set in the by-laws as 3% of unrestricted income. The salary increase for FY16 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 1/1/2016 = \$130,000
- Pool for grade and job changes = \$25,000
- Salary in lieu of FICA for ministers hired post 3/1/2007 = \$25,000
- Pool for merit increases = \$75,000

Stewardship and Development – down by 0.4%

Includes the UUA’s share of the Collaborative Campaign expenses offset by lower travel expenses.

Information Technology Services – up 0.7%

Change is primarily due to raises effective January 2015.

Internal Services – down 17.5%

Most of the change is driven by the elimination of lease payments as of January 2015 when we exercised the option to purchase our building.

Depreciation Spending

Depreciation is an accounting convention designed to reflect the “using up” of long-term assets. Generally accepted accounting principles require the inclusion of depreciation in an organization’s expenses. In the case of a building, it is common practice to depreciate the cost over a period of 40 years. (There are other conventions for different kinds of assets: e.g. no depreciation for land, 15 years for leasehold improvements, 4 years for computers, etc.) For example, a building purchased for \$1 million would trigger an annual charge of \$25,000 per year for 40 years. It is important to note that this expense is not a cash outlay. The cash was paid out when the building was purchased.

In the case of the UUA, we purchased a building and made improvements all totaling about \$35 million. This has given rise to projected annual depreciation in FY16 of \$1.3 million. In other words, without this non-cash expense, we would be showing a substantial surplus.

Total income	\$25,574,000
Total Expenses net of depreciation	\$24,745,000
Cash Surplus	\$829,000

One important use for this cash is ongoing capital replacement. But there is no necessary relationship between depreciation charges and prudent capital investment. It is best practice among nonprofit institutions with substantial physical assets to conduct a Facilities Condition Assessment (FCA) periodically to determine the right amount to set aside for the replacement of major building systems. The FCA looks at each major system – roof, HVAC, elevator, electrical panel, fire safety, etc. – and estimates when each will reach the end of its useful life and the cost of replacement at that time. This is

plotted over time, typically 10 years, which yields an annual capital budget for major systems replacement. The FCA is updated regularly.

The UUA is in a very good position to prepare an accurate FCA for two reasons. First, in the process of purchasing our new headquarters, we conducted extensive due diligence employing an experienced team of engineers. That process looked at every major building system and identified those that would need replacement in the next several years. Second, we have hired Barkan Management Company to manage the building for us. Barkan was the original developer that converted 24 Farnsworth from a warehouse to an office building 25 years ago. We have taken advantage of Barkan's deep knowledge of the building in the preparation of our FCA. Because of these reasons, we have a high degree of confidence in the forecasted capital needs in our FCA.

According to our FCA, the UUA will need \$3.4 million through 2023 for capital replacement, or an average of \$388,000 per year. The FCA shows annual capital needs for the next four years as follows:

FY 16	FY 17	FY 18	FY 19
\$390,300	\$353,900	\$236,500	\$482,500
4-year average	\$365,800		

In the FY 16 budget, total depreciation expense is forecast to be \$ 1,078,620 compared to a projected capital need of \$390,300 yielding a cash surplus of \$688,320. This budget assumes that \$250,000 of that amount is spent on the operating budget.