

**Unitarian Universalist Association
Annual Treasurer's Report
June 2003
GA Boston, MA**

Jerry Gabert, Treasurer and Vice President of Finance

**Unitarian Universalist Association
Annual Treasurer's Report
To the 2003 General Assembly in Boston**

The UUA **Current Operations Budget Summary** contains results for the fiscal years ending June 30, 2001 and 2002, along with this budget for the current fiscal 2003 year just ending, the budget for the upcoming FY2004 budget year and the outlying FY2005 budget that has been received by the Board of Trustees. You will also find an Operating Budget Supplement as an aid to understanding the budget categories and Operating Budget Graphs to satisfy your visual interest.

Fidelity Investments Tax-Exempt Services Company, as the provider of trust investment, record-keeping and administration services for our **Unitarian Universalist Organizations Retirement Plan** has permitted the continued expansion of the number of congregations electing to participate in the plan to more than 575 organizations and 2199 participants. We have increased the number of investment options participants may select for their retirement funds to ten, including the Fidelity family of Freedom Funds, the Domini Social Equity fund and two Walden Asset Management socially responsible mutual funds. Fidelity has offered enhanced education and retirement investment planning services, more timely reporting with more choice and increased flexibility.

A salary reduction, personal investment feature is now included where the retirement plan participant's member congregation contribution has reached 10% or more. Participants may elect to borrow up to the lesser of \$50,000 or 50 percent of his/her accumulated assets for two purposes: a medical emergency or for the purchase of a primary residence. Regular monthly payments on the amount borrowed, plus interest, must be made to the participant's account.

Strategic Review of the **Asset Allocation Policy** of the UUA General Investment Fund (GIF) was begun by the Investment Committee in 2002. The Committee engaged the services of New England Pension Consultants (NEPC) to study and report on a wide range of asset classes that are appropriately considered for an endowment such as the General Investment Fund, with its attendant goals, objectives and constraints. The study included a number of asset classes that had not previously been represented in the asset allocation policy of the GIF. The asset allocation policy of the GIF has, for many years, targeted a 60% investment in equity securities and a 40% allocation to fixed income securities. In recent years, this overall policy has been achieved through the use of "balanced managers" each of whom managed a blend of both stocks and bonds. Rebalancing has been the responsibility of the individual manager, without knowledge of the allocation of the other managers.

The Investment Committee unanimously voted to maintain the overall asset allocation, but to revise the UUA policy to include additional fixed income and equity asset classes in the GIF. The Committee also voted unanimously to revise target asset class allocations to accommodate new classes, to set permissible ranges for each asset class and to create a revised rebalancing policy driven by the position of the asset class within the range established. The Committee recognized that the implementation of such changes warranted the review, search and selection of investment advisors that are specialist managers, with expertise in a particular asset class.

In undertaking its review, the committee set a goal to complete its implementation of the revisions within a period of 12-18 months. It was determined that the funding of new asset classes would either occur through a change in management of a component (equity or fixed income) presently managed by a balanced manager or by the elimination of one or more managers.

Due to the cyclical nature of securities markets, the investment management business itself is cyclical. The strain of under-performing had the effect of driving change and consolidation in the investment advisor and investment manager business. Such changes do not always benefit clients or their portfolios and resulted in changes in the operating structure of several of the investment advisers who had managed GIF assets.

In September 2002, the UUA Investment Committee voted to liquidate the global fixed income assets managed by Lazard Asset Management, due to significant under-performance relative to the appropriate benchmark, and to continue to provide diversification through its global equity investing. The proceeds were combined with other core fixed income funds managed by PIMCO and known as the SIT Total Return Trust II, under the aegis of Oppenheimer Capital.

In November 2002, the Committee voted to terminate the services of Beacon Asset Management for both the equity and fixed income portion of the portfolio, as well as the equity funds managed by Oppenheimer Capital. Both terminations resulted from protracted relative under-performance in connection with significant organizational, structural and portfolio management changes. The proceeds from the equities liquidated were invested in Domini Social Funds Index (core domestic equity) and the SSGA Russell 2000 SRI Index (small cap equity). A portion of the proceeds were used to increase the allocation to international equities through the existing investment in the Templeton Foreign Equities Series.

More recently, in February 2003 the Committee voted to terminate Regent Investment Advisors for both equity and fixed income management. The Committee had been studying high yield and global bond managers and selected two specialty managers to assist with a broader diversification through the reinvestment of fixed income assets. The fixed income proceeds were invested in Seix Investment Advisors Hi-Yield Investment Strategy and the GMO (Grantham, Mayo, Van Otterloo & Co.) Global Bonds Fund. Additional equity proceeds were placed in the Domini Social Funds Index.

The committee begins analysis of alternatives for the placement of core equity assets at its next meeting in May, 2003. In its analysis, the committee will consider the history, structure and strategy of the investment firms and also their investment philosophy and practice, professional staff, fee structure and their ability to assist the UUA with implementation of its socially responsible investment strategy.

The **Investors Bank & Trust Company** (IBT), custodian for the General Investment Fund (GIF), has enabled more timely quarterly endowment fund reconciliation and calculation of the GIF market value thus permitting earlier distribution of the checks to be mailed. We have established the 12th business day of the quarter as our goal for reporting and releasing checks. Presently, the priority GIF service goal is to improve the clarity and quality of the quarterly statements sent to member congregations and affiliates who choose to invest with the Association.

The Association offers member congregations the ability to invest funds along with the UUA's endowment portfolio. Investing with the UUA offers the advantage of investment and administrative stability without the need for periodic retraining and with the comfort of having the Association's Investment Committee oversight. Perhaps the time is right to consider investing your Congregation's endowment funds with the Association.

The **Unitarian Universalist Association Financial Statements** for the years ended June 30, 2002 and 2001 (as restated), on which Deloitte & Touche expressed an unqualified opinion, are included elsewhere in the independent section of these UUA 2002 Annual Reports. We recommend them for your understanding of our overall financial picture, and the more comprehensive knowledge that emerges from the reading of the footnotes, as well. The one page comparison of the Statements of Financial Position, on Page 2, is especially of value for the overview it provides of the financial strength of our Association. The total current assets less current liabilities, or working capital, at June 30, 2002 was \$12 million. There are Supplemental Schedules of assets, liabilities and net assets on pages 15 - 17 that you may find of interest.

Under the terms of the Holdeen and certain other trusts, the Association has an irrevocable right to receive and to use the income earned on the trust assets for designated purposes, but the principal itself will not be spendable. In compliance with the practice recommended in the American Institute of Certified Public Accountants Not for Profit Audit and Accounting Guide, the fair value of the trust assets have been recorded as permanently restricted net assets amounting to \$39 million, comprised of the Holdeen and other trusts. This reporting practice affects the reporting visibility of these trust assets, but should not be construed as increasing the amounts to be received in the future or changing the designated use of the income.

The financial reporting system software has permitted the development of more useful monthly and quarterly reporting for our current operations. In addition to consistent timely monthly reports, quarterly consolidating statements by business segment are prepared for reporting to the Finance Committee, our mortgage banker and the Administration that include: Current Section, Beacon Press, Congregational Properties & Loan Commission, and Trust and Agency and Endowment. Also, Committee chairs and each staff liaison receive quarterly financial reports that compare expenditure activity with budget and prior year levels.

Continuing progress is expected to include operating cash flow reporting and electronic access to the financial reporting system for information and analysis by the program and support service staff of the Association. The budgetary planning is also more reflective of our historical monthly and quarterly experience, through tracking the income as well as the program and service department budgets for comparative purposes, with the budget reflecting seasonal variation.

The **Committee on Socially Responsible Investing** has made substantial progress in the past year. The following page includes the description of the special program event and workshops that may be of interest to you. We're pleased to have Amy Domini and Tim Smith's participation on Saturday at 5pm. Come and join us!

I am honored to have the opportunity to make a personal contribution, as your Treasurer, to our progress along the path....

Jerry Gabert, Treasurer and Vice President of Finance

Don't miss

Global Justice, Corporate Accountability and Responsible Investors

Featuring Amy Domini, author of *Socially Responsible Investing: Making a Difference and Making Money*, and Tim Smith, Director of Socially Responsible Investing of Walden Asset Management on Saturday, June 28th, 5:00 - 6:15pm.

We've seen headlines of corporate scandals, inhumane sweatshops and global warming. As religious investors and people of conscience, we need to be responsible in our own investing and hold corporations accountable as well. Join author Amy Domini and Tim Smith to learn what you and your congregation can do.

Hynes Convention Center Exhibit Hall D

And try to attend these SRI workshops:

Investing With UU Values: Socially Responsible Investing Basics

Interested in social and economic justice, the environment, globalization and prudent investing? For individuals and congregations, this presentation covers the basics. Learn about the UUA program for matching community loan fund investments made by your congregation, values-based mutual funds, proxy voting and shareholder action. Includes a "how to" session, resources.

Speakers: John Keller, UUA Committee for Socially Responsible Investing (CSRI) and Jim Sherblom, UU Ministers Association (UUMA) Task Force on Socially Responsible Investing.

Friday, June 27th, 4:30 - 5:45pm
Hynes Convention Center Room 207

Taking Stock at the Global Level: Social Activism and Corporate Accountability

Join UUSC in their justice work to make corporate managers accountable for human rights issues both domestically and globally. Current areas of our focus include employment discrimination, the HIV/AIDS pandemic in Africa, child labor, and the issues facing migrant farm workers.

Speakers: Jim Gunning, CSRI and Denise Moorehead, Deputy Director of Programs, UU Service Committee

Saturday, June 28th, 1:30 - 2:45 pm
Hynes Convention Center Room 206

Community Investing with Twice the Impact

Explore affordable housing and community investing with UUA Socially Responsible Investing and Affordable Housing Corporation (UUAHC) members and staff. Learn about UUA matching investments of up to \$10,000! Information on Nehemiah Homes/Boston and the Bronx affordable housing investments, as well as domestic and international small business micro lending opportunities.

Speakers: Joan Cudhea, CSRI Chair, Susan Leslie, CSRI staff liaison and Director for the UUA Office for Congregational Advocacy and Witness, and Mark Knight, Executive Director of UUAHC

Saturday, June 28th, 3:15 - 4:30pm
Hynes Convention Center Room 206

Leveraging UU Values through Investment

Explore investment policy objectives, asset allocation, shareholder activism, community investing, and positive/negative screening. Discuss resources, obstacles, benchmarks and outlook with members of the UUA Investment Committee. An opportunity to exchange ideas and learn how you and your congregation may leverage the power of your investments.

Speaker: Lucia Santini-Field, CSRI liaison to the UUA Investment Committee

Sunday, June 29th, 5:15 - 6:30pm
Hynes Convention Center Room 206

Operating Budget Summary

FY 2001 and 2002 Results

FY2003 and 2004 Budget

FY2005 Received Budget

UUA Budget Summary
Current Operations

	FY01	FY02	FY03	FY04	FY05
	Results	Results	Budget	Budget	Received
			10/20/02	04/26/03	04/26/03

INCOME

Income for General Support

Fundraising - APF Churches & Fellowships	5,232,447	5,502,231	5,804,854	5,993,303	6,322,935
Fundraising - APF \$1 for Growth Fund				130,818	138,013
Fundraising - Friends of the UUA	1,108,673	1,020,680	1,075,000	1,000,000	1,044,500
Unrestricted Gifts and Bequests	598,570	525,000	450,000	450,000	450,000
Subtotal	6,939,690	7,047,911	7,329,854	7,574,121	7,955,448
Administration Fees	961,797	936,454	780,119	731,566	694,569
General Investment Fund Income	2,825,426	2,748,108	2,426,303	2,110,312	1,919,554
Other Current Fund Income	2,840,744	2,845,871	2,740,890	2,849,607	2,770,453
Total Income for General Support	13,567,657	13,578,344	13,277,166	13,265,606	13,340,024

Income for Designated Purposes

Handing on the Future Income	526,358	309,315	659,461	424,238	424,238
Campaign for Unitarian Universalism	25,364	262,925	604,925	690,897	690,897
UUCSR Veatch Grants	1,822,538	1,687,167	2,261,760	2,092,335	1,992,335
Education Grants and Scholarships	1,018,982	1,103,463	1,000,987	805,225	740,781
Ministerial Aid Funds	710,884	638,736	510,000	450,000	450,000
Holdeen and International Trusts	1,823,511	1,777,225	1,704,749	1,377,486	1,263,295
Other Purposes	605,901	632,549	464,538	353,118	272,051
Capital Gains for Fundraising	744,246	855,201	718,436	717,868	617,868
Total Income for Designated Purposes	7,277,784	7,266,581	7,924,856	6,911,167	6,451,465

General Assembly - net 118,015 55,813 0 0

Total Income **20,963,456** **20,900,738** **21,202,022** **20,176,773** **19,791,489**

EXPENDITURES

Board & Volunteer Leadership

Board of Trustees	187,323	164,323	170,000	169,201	169,201
Board Task Forces	129,964	104,353	119,044	79,142	79,142
Moderator	18,702	12,752	20,000	20,000	20,000
Nominating Committee	18,773	19,333	20,000	18,000	18,000
Fulfilling the Promise	39,704			0	0
Commission on Appraisal	39,274	27,849	30,000	25,000	25,000
Ministerial Fellowship Committee	224,822	220,870	212,000	179,000	179,000
APF Continental Committee	26,439	30,800	32,750	33,020	33,020
U U Funding Program	873,454	962,816	1,100,000	1,100,000	1,100,089
Total Board & Volunteer Leadership	1,558,455	1,543,096	1,703,794	1,623,363	1,623,452

Program

Advocacy and Witness

Public Witness and Information	140,864	171,017	198,293	200,972	201,077
Advocacy Programs	228,657	322,612	526,418	460,781	460,946
International Office	139,669	264,711	325,117	211,277	211,349
Holdeen Designation Trusts	590,000	585,000	547,882	476,038	436,985
Holdeen India Program	1,155,632	976,601	916,037	718,596	648,812
Total Advocacy and Witness	2,254,822	2,319,941	2,513,747	2,067,664	1,959,170

Congregational Services

Director's Office	294,891	196,562	358,048	242,054	242,132
Lay Leadership Development	178,024	67,789	265,000	142,128	142,179
New Congregation and Growth Resources	874,465	739,963	483,915	363,444	363,523
Congregational Justice making Resources		0	279,378	302,811	302,917
Young Adult and Campus Ministry Director	196,680	393,458	495,673	554,475	554,596
Office of Cong Fundraising Services	405,097	430,578	433,601	450,813	450,896
HOTF - Dept of Congregational Services	122,436	116,350	185,540	338,130	338,164
Total Congregational Services	2,071,593	1,944,700	2,501,156	2,393,856	2,394,407

UUA Budget Summary
Current Operations

	FY01	FY02	FY03	FY04	FY05
	Results	Results	Budget	Budget	Received
			10/20/02	04/26/03	04/26/03
(Program, continued)					
District Services					
District Services	1,172,807	1,239,089	1,420,869	1,409,032	1,409,105
District APF Grants	507,997	567,802	585,168	597,900	597,900
<i>Total District Services</i>	1,680,804	1,806,891	2,006,037	2,006,932	2,007,005
Identity Based Ministries					
Identity Based Ministries		0	459,315	471,767	472,006
Faith in Action	724,765	763,491	0	0	0
Programs Section	182,352	147,342	0	0	0
<i>Total Identity-Based Ministries</i>	907,117	910,833	459,315	471,767	472,006
Lifespan Faith Development					
Director of Lifespan Faith Development	169,404	183,022	155,778	158,835	158,922
Curriculum Development	430,705	356,296	358,089	278,342	278,477
Our Whole Lives	42,751	0	0	25,000	25,000
Consultant on Youth	216,331	237,730	281,893	239,413	239,476
Youth Council	41,248	49,019	45,860	44,973	44,973
Youth Programs	32,903	38,184	27,500	27,500	27,500
<i>Total Lifespan Faith Development</i>	933,342	864,251	869,120	774,063	774,348
Ministry & Professional Leadership					
Director of Ministry and Professional Credentia	228,838	210,037	212,736	219,108	219,224
Director of RE Credentialing	55,706	54,729	132,540	151,490	151,554
Director of Ministerial Credentialing	140,902	147,745	154,409	164,030	164,121
Director of Settlement	217,665	209,302	208,063	211,600	211,694
Office of Church Staff Finances	233,801	251,080	264,721	262,482	262,617
Director of Professional Development	147,796	132,186	130,311	138,688	138,765
Scholarships and Ministerial Ed Grants	335,891	347,045	407,224	286,546	274,199
Recruitment	5,322	5,900	10,000	0	0
Continuing Education	96,037	66,346	75,652	64,980	64,980
Aid Funds	720,815	653,876	532,794	467,792	467,792
Panel on Theological Education	756,559	828,067	732,686	591,614	539,517
<i>Total Ministry & Prof. Development</i>	2,939,332	2,906,313	2,861,137	2,558,330	2,494,463
Publishing					
Communications					
Director of Communications	137,831	174,853	105,375	107,048	107,115
Periodicals	980,181	914,656	859,086	775,918	776,127
Publications Administration	382,205	403,914	412,588	417,978	418,208
UUA Bookstore	772,385	778,537	789,106	839,109	839,227
<i>Total Communications</i>	2,272,602	2,271,960	2,166,155	2,140,052	2,140,678
Beacon Press supplement				100,000	200,000
Beacon Press					
Total Operating Income	3,826,844	5,100,357	4,359,000	4,053,000	4,595,000
Total Operating Expenses	4,190,177	5,149,596	4,545,000	4,242,000	4,666,000
Beacon Press (display only, not in totals)	(363,333)	(49,239)	(186,000)	(189,000)	(71,000)
<i>Total Publishing</i>	2,272,602	2,271,960	2,166,155	2,240,052	2,340,678
Total Program	13,059,612	13,024,889	13,376,667	12,512,665	12,442,077

UUA Budget Summary
Current Operations

	FY01	FY02	FY03	FY04	FY05
	Results	Results	Budget	Budget	Received
			10/20/02	04/26/03	04/26/03

Administration

Office of the President	286,128	324,329	323,352	323,795	323,933
Office of the Executive Vice President	368,889	336,343	339,166	325,958	326,094
Contingency Expense	407,634	241,176	316,088	312,480	317,087
Human Resources	720,632	497,744	367,173	270,771	263,830
<i>Total Administration</i>	1,783,283	1,399,592	1,345,780	1,233,004	1,230,945

Infrastructure

Financial Development

Vice President of Development	149,702	132,479	148,237	136,825	136,910
APF Campaign	158,018	173,867	183,159	192,999	193,086
Friends Campaign	386,937	381,940	363,607	350,161	350,230
Charitable Gift and Estate Planning	221,406	209,319	213,314	222,678	222,784
Campaign for Unitarian Universalism	744,246	855,201	751,436	717,698	717,983
<i>Total Financial Development</i>	1,660,309	1,752,806	1,659,752	1,620,362	1,620,993

Information Technology Services

Data and Technical Services	665,368	656,366	877,499	882,006	882,389
Office of Electronic Communications	153,025	177,152	225,183	252,852	252,966
<i>Total Information Technology Services</i>	818,393	833,518	1,102,682	1,134,857	1,135,355

Internal Services

Finance

Treasurer and Vice President of Finance	241,181	272,072	263,152	274,023	274,144
Financial Services	409,636	430,452	453,045	457,470	457,738
Miscellaneous Funds and Scholarships	70,042	122,669	0	0	0
<i>Total Finance</i>	720,859	825,193	716,198	731,493	731,881

Facilities & Operations Services

Facilities - General	581,985	532,470	790,936	791,097	791,361
25 Beacon Street	91,394	85,130	96,714	94,500	94,500
41 Mt Vernon Street	379,627	184,362	172,969	190,691	190,691
Eliot and Pickett House	249,305	227,052	236,531	244,740	244,841
Depreciation Expense	420,791	435,928	0	0	0
<i>Total Facilities & Operations Services</i>	1,723,102	1,464,942	1,297,150	1,321,028	1,321,393

Total Internal Services **2,443,961** **2,290,135** **2,013,347** **2,052,521** **2,053,274**

Total Infrastructure **4,922,663** **4,876,459** **4,775,782** **4,807,741** **4,809,622**

Total Expenditures **21,324,013** **20,844,026** **21,202,022** **20,176,773** **20,106,095**

Expenditures (over) under Income (360,557) 56,712 0 0 (314,606)

Gain on sale of 8 Mount Vernon Place 3,417,634

Total Income over Expenditures 3,057,077

Operating Budget Supplement

BUDGET SUPPLEMENT

The following supplemental information is provided as an aid to help you understand the major categories of the Association's budget.

INCOME

INCOME FOR UUA GENERAL SUPPORT

Fundraising – APF Churches & Fellowships

Annual Program Fund

The Annual Program Fund (APF) provides for about 45% of the UUA's budgeted income for general support. The APF Program concentrates its efforts on raising revenue from our member congregations: the Suggested Fair Share contribution for fiscal year 2003 is \$46 per member, \$48 per member for fiscal year 2004 and \$50 per member in FY2005. The UUA bylaws restrict budgetary increases in APF contributions to no more than 7% over the previous year's actual income. APF income is projected to increase by 5.5% in FY2003 and by 5.5% in FY2004. In FY2004, \$1 of the \$2 increase will be specifically designated to fund congregational growth.

Fundraising - Friends of the UUA

The Friends of the UUA campaign is directed to individual Unitarian Universalists. Through direct mail, phone, and personal visits by staff and volunteers, the Friends of the UUA campaign raises about 8% of the Association's annual income for general support. The projected giving from current and new Friends donations is expected to be \$1,075,000 in FY2003, \$1,000,000 in FY2004 and \$1,044,500 in FY2005.

Unrestricted Gifts and Bequests

The Office of Planned Giving encourages individuals to include the UUA in their financial estate plans and to create charitable trusts. The Director of Individual Gifts concentrates on potential major giving opportunities. The budgeted income level was reduced by \$75,000 in FY2003 and will remain at this level through FY2005.

Administration Fees

The Association charges its general investment funds, the UUA Retirement plan, and other funds an annual administrative fee equal to the approximate cost of handling the funds.

General Investment Fund Income

Represents income on investments made with funds donated or bequeathed to the Association by individuals and organizations. The fund is valued quarterly based on a thirteen quarter rolling average market value. The projection for the remainder of FY2003 and for FY2004 is based on the assumption the market will remain at the January 1, 2003 level. The General Investment Fund includes a \$20 million endowment donated to the Association by the Unitarian Universalist Congregation at Shelter Rock (UUCSR) of Manhasset, New York. The spending rate or draw in

FY2003 and FY2004 is 5%. The income is expected to be down about 12% in FY2003, and down 13% in FY2004.

Other Current Fund Income

The Other Current Fund Income is included on a gross basis, before the cost of services provided. It consists of UUA bookstore sales, lodging house rental income, periodicals subscriptions and advertising income, office facilities rental income from affiliates, income received from outside trusts, investment income from minority banks, fundraising consultation fees related to congregational annual fund and capital campaigns and other miscellaneous income. In FY2003 the income decreased 4% due to the elimination of Beacon Press occupancy charges, a budgeted reduction in LRCS distributions and with a reduction of outside trusts income. In FY2004 income is expected to increase by 8% with fees for building programs, bookstore sales, LRCS distributions and periodicals advertising.

INCOME FOR UUA DESIGNATED PURPOSES

Handing on the Future Income

Income from the completed Handing on the Future capital campaign is reflected as the planned expenditures are provided. This includes the annual earnings on ministry-related endowments (identifying and recruiting promising candidates, scholarship aid to students and continuing education grants) plus the commitments made against four 'spend down' funds for recruitment of ministerial candidates, youth and young adult ministry, public relations, and nurturing congregational growth. The overall income from the capital campaign will decrease as these funds are fully utilized.

Campaign for Unitarian Universalism

Income from the Capital Campaign for Unitarian Universalism includes the Metropolitan strategy and the marketing campaign, religious education curriculum visioning, and the implementation of the Young Adult Campus Ministry long range plan "Searching for the Future". The long range planning, Metropolitan strategy and the Lay Leadership Development programs will continue in FY2004.

UUCSR Veatch Grants

Grants from the Veatch Program of the Unitarian Universalist Congregation of Shelter Rock allow the UUA program staff groups, including Congregational and District Services extension programs, Lifespan Faith Development and Lay Leadership development to support the growth of mission-based, faith-filled Unitarian Universalist congregations. Also included are the Unitarian Universalist Funding Program grants. The FY2003 reflects the annual grant of \$1,100,000 with \$200,000 reflected in the Congregational Properties and Loan Commission section for the Historic Urban Church Grant program. In FY2004, New Congregation and Growth Resources extension program grants will be \$350,000, with \$100,000 for RE leadership development, \$275,000 Lay Leadership program development and support (including \$25,000 for video conferencing and other technologies), \$150,000 for the Ethics in Congregational Life Program and \$25,000 for Web redesign. The Unitarian Universalist Funding Program panels continue at \$1.1 million available for grant making.

Educational Grants and Scholarships

Reflects income primarily from endowed scholarship funds, the largest of which is an endowment of \$9 million made by the Unitarian Universalist Congregation at Shelter Rock for theological education. Also included are two-thirds of the St Lawrence Educational trust income, as well as income from the Living Tradition fund.

Ministerial Aid Funds

Represents the anticipated reporting and visibility of Ministerial Aid endowment funds and assistance from the Living Tradition fund.

Holdeen and International Trusts

Includes the income from the Holdeen Trust funds for Holdeen India Program grants, for the designation trust recipients and other international program charitable service activity.

Other Purposes

Capital Gains for Fundraising income represents accumulated gains on endowment funds that are used for funding the expenses of the Capital Campaign for Unitarian Universalism. These funds will be returned to the endowment as the proceeds of the campaign are received. Other income is from a variety of sources including the Liberal Religious Charitable Society (LRCS), with program support and other subsidy income of \$150,000 in FY2003, \$100,000 in FY 2004 and continuing transition program support of \$50,000 in FY2005. Journey Toward Wholeness Sunday income with expectations reduced to \$16,000 in FY2004 is expected to provide support for anti-racism / anti-oppression training and Whitney Young awards. Funds from the John Cross trust are included to be used for education staffing support related to gay and lesbian issues. Also, income is provided by the Council on Church Staff Finances and the UUMA in support of staffing expenses incurred by the Office of Church Staff Finances. In FY2003, \$50,000 of the Berry social action/social justice funds supports advocacy and witness programs, including the evolving Washington internship program.

General Assembly

When the General Assembly earns an excess of income over expenses, this excess is added to the general income of the Association. When there is an excess of expense over income, the resulting loss is recorded as an expense and made up from the Association' unrestricted endowment funds. The financial objective of the General Assembly is to break even. For the FY 2003 General Assembly, the UUA Board of Trustees has authorized the Treasurer, in the event there is an excess of income over expenditures, to set aside \$25,000 in the Reserve for General Assembly unless, by so doing, it would create an overall UUA deficit and further to set aside the remainder of any such additional excess into a Reserve for General Assembly.

EXPENDITURES

Board & Volunteer Leadership

The Board of Trustees serves as the chief management body of the Association when the General Assembly is not in session. The budget provides for travel accommodations and meals for the Board of Trustees and all Board level committees and task forces, so that they can conduct the affairs of the Association as set forth in the bylaws. Expenses for the Moderator and Financial Advisor's travel and activities are also covered, as are the Nominating Committee and Commission on Appraisal, which are elected committees, and any other Board-appointed committees and task forces.

Regional subcommittees of the Ministerial Fellowship Committee are included in the budget at their anticipated costs: \$141,000 in FY2003 and \$100,000 in FY2004 and in FY2005.

The UU Funding Program receives grants from the Veatch Program of the Unitarian Universalist Congregation of Shelter Rock and administers three lay leadership led grant making panels.

Programs

Advocacy and Witness

This staff group includes the UU Washington Center; Public Witness and Information, the International Office and Interfaith work with the Holdeen India Program and Holdeen Designation Trusts.

The UUA Holdeen India Program distributes trust income designated for use in India for maternity, child welfare, education and migration expenses, and other charitable services. The fund enables some of the poorest and weakest groups in India to improve their lives and change their social and economic conditions in directions of their own choosing. Particular attention is paid to the needs of low-income women. The FY2003 Holdeen India Program grants budget is \$700,000, and the grants for FY2004 are expected to be \$503,554 as a result of the decline in the market value of the Holdeen investment portfolio.

Congregational Services

This staff group provides services to support the growth, health, vitality and diversity of Unitarian Universalist congregations around the continent, including: New Congregation and Growth Resources, Congregational Justice Making Resources, Young Adult Campus Ministry, Congregational Fundraising Services and Services to Large Congregations. The mission of Congregational Services is to inspire and support Unitarian Universalist congregations and communities to more fully embody our Principles and to continue their transformation into vital, growing, anti-racist and anti-oppressive institutions offering witness and ministry to their communities. These offices provide training for ministers and laypeople committed to growth, support for ministries to young adults, fundraising services (annual canvass, capital campaign and more) and administration for the building loan and loan guarantee programs. With generous support from the Veatch Program of the Unitarian Universalist Congregation at Shelter Rock,

grants are made for support of extension ministry and new congregation ministry, as well as historic urban churches.

District Services

District Services provided or managed by field staff are available to congregations under the auspices of the district in which they are located. The mission of the Field Staff is to foster the spiritual and institutional health of Unitarian Universalism by serving as leaders, consultants, advocates and educators in our community of congregations.

Through the APF Grants program, districts benefit directly from the success of the Annual Program Fund. The Association redistributes a portion of the total APF contributions to all 20 districts in the form of Basic and Fair Share Congregations' Grants. Commencing last year, the Basic Grant is 11% of the District's percentage of Fair Share attained, up to 100%, times the total amount the district contributed to the Association in the prior year. In addition to the Basic Grant, a Fair Share Congregations' Grant of \$1,000 is given when 75% or more of a district's member congregations are full Fair Share. If at least 90% of the congregations in a district are full Fair Share, the district will receive \$5,000.

Identity-Based Ministries (IdBM)

This staff group provides leadership toward our becoming an anti-racist, anti-oppression, multicultural religious community. The plan going forward is to continue establishing the Journey Toward Wholeness collaboratively with Unitarian Universalists in congregations, districts, seminaries, and associate and affiliate groups, through assistance to congregations in developing social justice programs, oversight and support of the UUA's anti-racism initiative, representing the UUA on public policy matters, training individuals to do local, regional and national advocacy, by working to foster understanding and support for gay, lesbian, transgender and bisexual persons, and to provide education and resources for diversity issues.

In FY2003 the work that had been coordinated within Faith in Action (FIA) morphed to other staff groups that have taken on the initiatives and various aspects of our justice work appropriate to their missions, including this new Identity-Based Ministries staff group.

Lifespan Faith Development

The Lifespan Faith Development staff group offers curricula, resources, leadership training and a vision for lifespan religious education programs for member congregations.

Curriculum Development promotes life long learning with resource development; including major new initiatives in Sexuality Education (Our Whole Lives) and a comprehensive core curriculum that is currently being developed. Also provided are Family ministry packets, consultations, lay religious education training and support for lay religious educators with career development counsel, scholarships, grants and advice for professional religious educator/congregation relations.

The Youth Office provides services in: communication, publication/resources, consultation, training, and event planning, including YRUU Youth Council and Youth Programs.

Ministry and Professional Leadership

The Ministry and Professional Leadership staff group serves the needs of congregations, ministers, and the Association by providing counsel, leadership, and resources to develop and nurture our ordained and fellowshipped ministry. It develops and delivers programs ranging from credentialing and settlement, counsel in career development, scholarships and grants, ministerial/congregational relations, church staff finances and retirement financial planning and counseling. This staff group administers the income from substantial endowment funds for designated purposes, the Living Tradition Fund, monies contributed at the Service of the Living Tradition and from services honoring ministry such as Installations and Ordinations. The Ministerial Fellowship Committee, a standing committee of the UUA Board of Trustees, now has six regional subcommittees on candidacy (RSCCs) to provide earlier guidance to aspiring ministers. The costs of this program have been supported by Recruitment funds on a decreasing basis. Beginning in FY03, this staff group also provides support for religious educators.

Publishing

The Communications staff group publishes information that enriches the lives of individual UUs, supports the work of their congregations, promotes UUA programs and articulates UU values. *UU World* magazine reaches approximately 120,000 households; Skinner House, the UUA imprint, publishes books especially for Unitarian Universalists; the Publications office edits, designs, and produces many other UUA publications. The UUA Bookstore distributes books of interest to religious liberals. The publishing activity of Beacon Press is an integral part of this work to bring a voice for Unitarian Universalism.

Administration

This area includes expenses for the UUA President and the Executive Vice President, including legal expenses and Human Resources. Retirement plan contributions are 11% of compensation. A provision for contingencies is made in accordance with the Bylaws, which provide for budgeting three percent of the Association' unrestricted income to be available to meet the cost of unforeseen expenditures.

Financial Development

This staff group plans and implements fund-raising strategies for the long-term growth and financial health of Unitarian Universalism. Different programs target the needs of congregations, districts, ministers and outreach programs. Funding for the capital campaign development expenses through the use of accumulated gains on temporarily restricted endowment funds has been authorized by the Finance Committee and the Board of Trustees, with a plan for the return of these funds from the funds to be raised during the Campaign for Unitarian Universalism. The Board authorized the transfer of \$2 million from the sale of the 8 Mt Vernon Place building into the endowment to be used toward paying the accumulated gains that would otherwise be drawn to fund the campaign expenses.

Information Technology Services

The Data and Technical Services staff group manages the computer-related hardware and software support needs in the Boston area and electronic mail connections among field staff and volunteer Board and committee members. In FY03, the Office of Electronic Communications became a component of this staff group.

Internal Services

Finance

This staff group, which includes the Treasurer and Vice President of Finance and Financial Services, provides administration of the financial audit and banking relationships, plus building loan and loan guarantee applications from congregations and related expenses. Financial Services is responsible for: maintaining the Association's financial accounting systems and records; issuing timely payments to staff, volunteers and vendors; issuing periodic financial statements on the activity of the Current Operations Section, the Congregational Properties & Loan Commission and building loan program; accounting administration and reporting for the UUA's General Investment Fund, plus Beacon Press, with consolidating quarterly financial statements and the Association's annual financial statements; and administering the financial aspects of the UU Organization's Retirement Plan.

Facilities and Operations Services

This staff group provides support services and maintains the Association's physical facilities at staff office locations. This staff group also maintains the Eliot & Pickett lodging house and meeting facility for the economical housing of the UUA staff, the board and volunteer committees meeting and doing business in Boston. Expenses have been adjusted to reflect the occupancy of Beacon Press and the program staff groups that occupy 41 Mt Vernon Street. The Board authorized the \$1.2 million balance of the 41 Mt Vernon Street first mortgage, taken at the time of the purchase and renovation of the building, be paid off with proceeds from the sale of 8 Mt Vernon Place.

In the absence of income from non-UU lodging house room rentals, the Eliot & Pickett house operating expenses have been adjusted. Plans for the provision of a handicap accessible ramped entrance into the lodging house, approved by the Massachusetts Bureau of State Office Buildings, with the support of the Beacon Hill Architectural Commission and the Civic Association, are awaiting the final agreement and acknowledgement of our modified proposal.

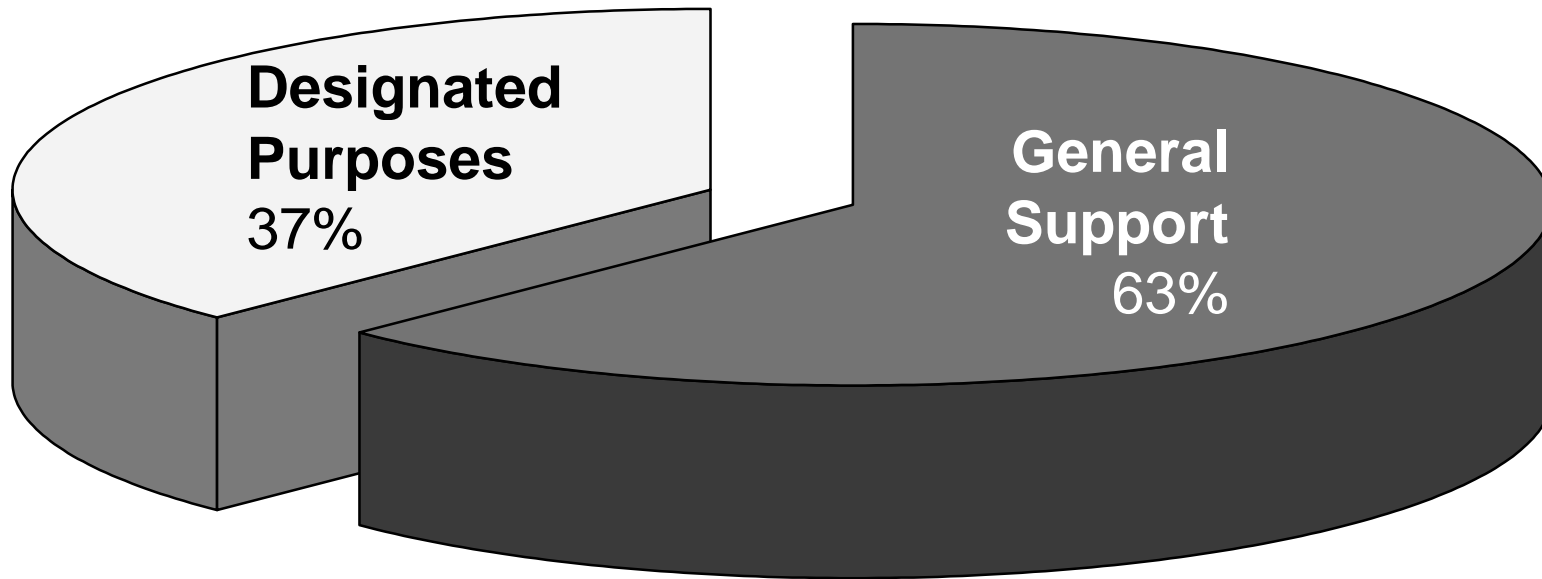
Depreciation Expense

Property and equipment are recorded at cost. Depreciation is computed on a straight-line method over the estimated useful lives of the assets. Maintenance renewals and repairs under \$500 are expensed as incurred and renovations, renewals and betterments are capitalized. The depreciation expenses have been reclassified into the Information Technology Services, 41 Mount Vernon Street and Operations staff groups.

Operating Budget Graphs

Budget FY 2003

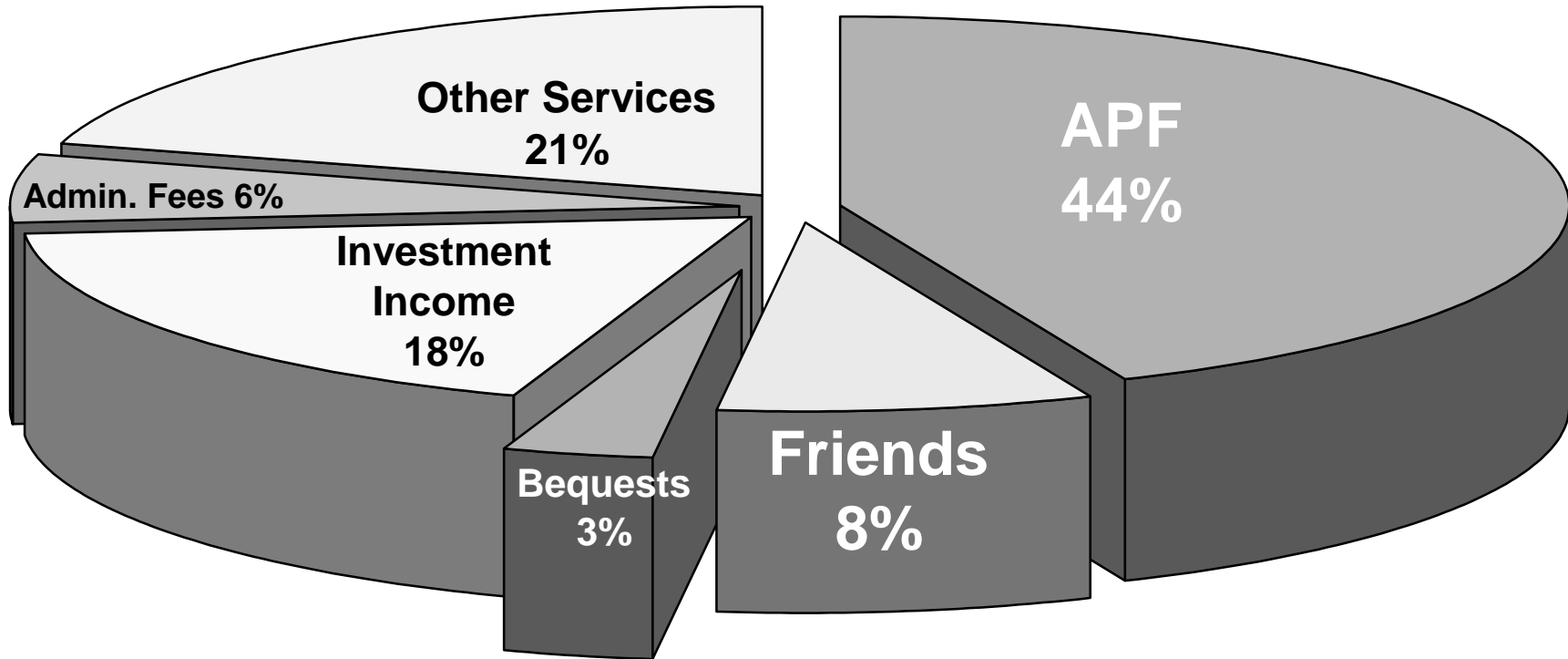
FY03 Total Income: \$21,202,022



Income for Designated Purposes \$ 7,924,856

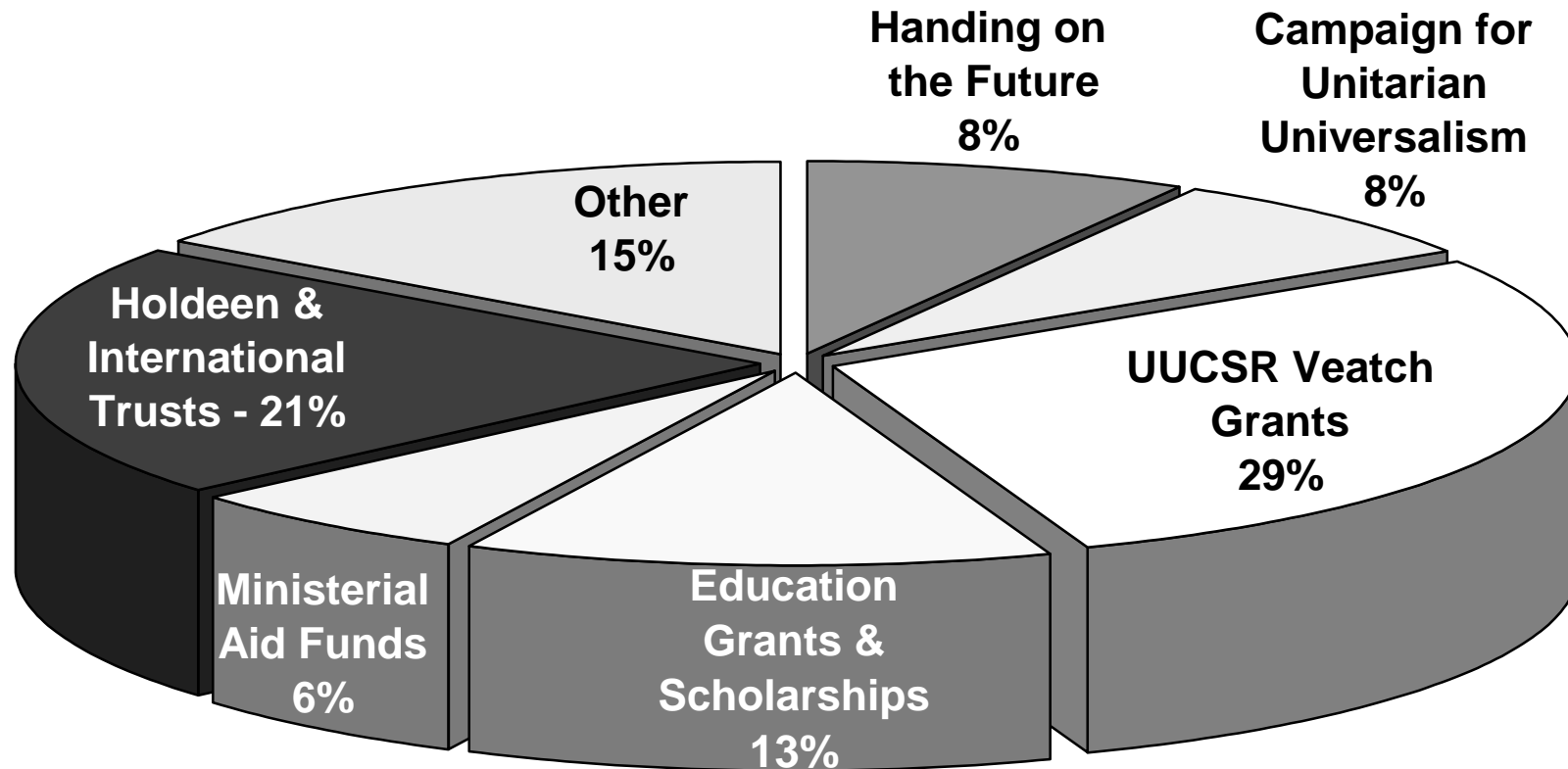
Income for General Support \$13,277,166

FY03 Income for General Support: \$13,277,166



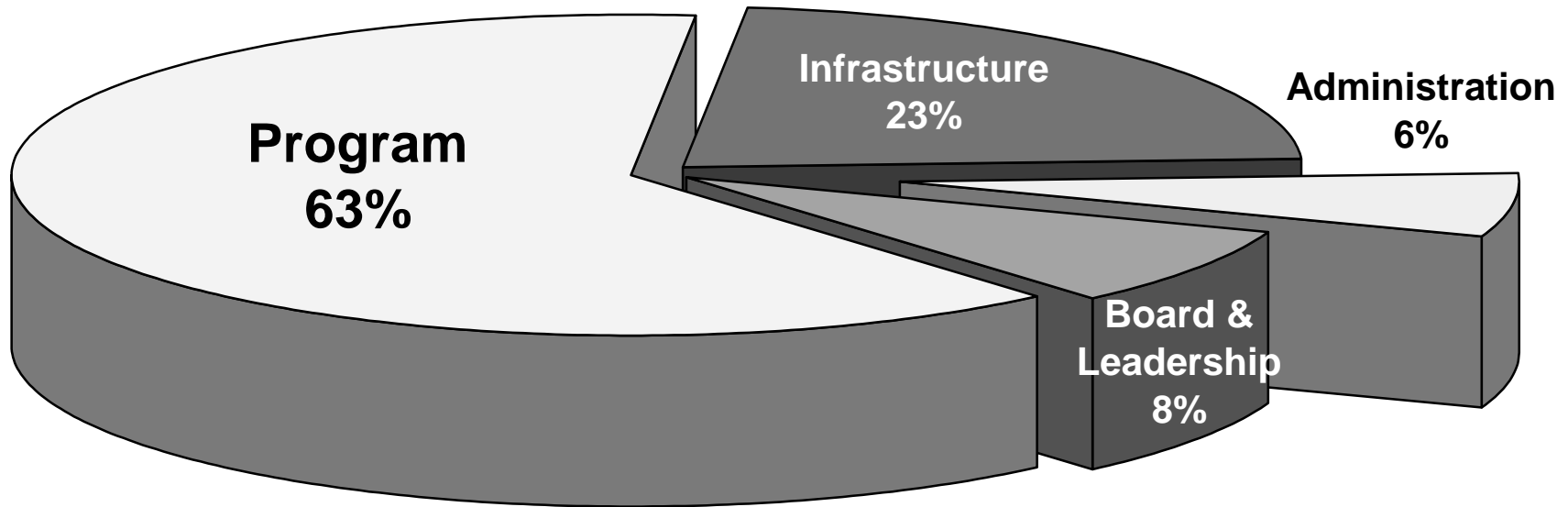
Other Services	\$2,740,890	APF	\$5,804,854
Admin. Fees	\$ 780,119	Friends	\$1,075,000
Investment Income	\$2,426,303	Bequest	\$ 450,000

FY03 Income for Designated Purposes: \$7,924,856



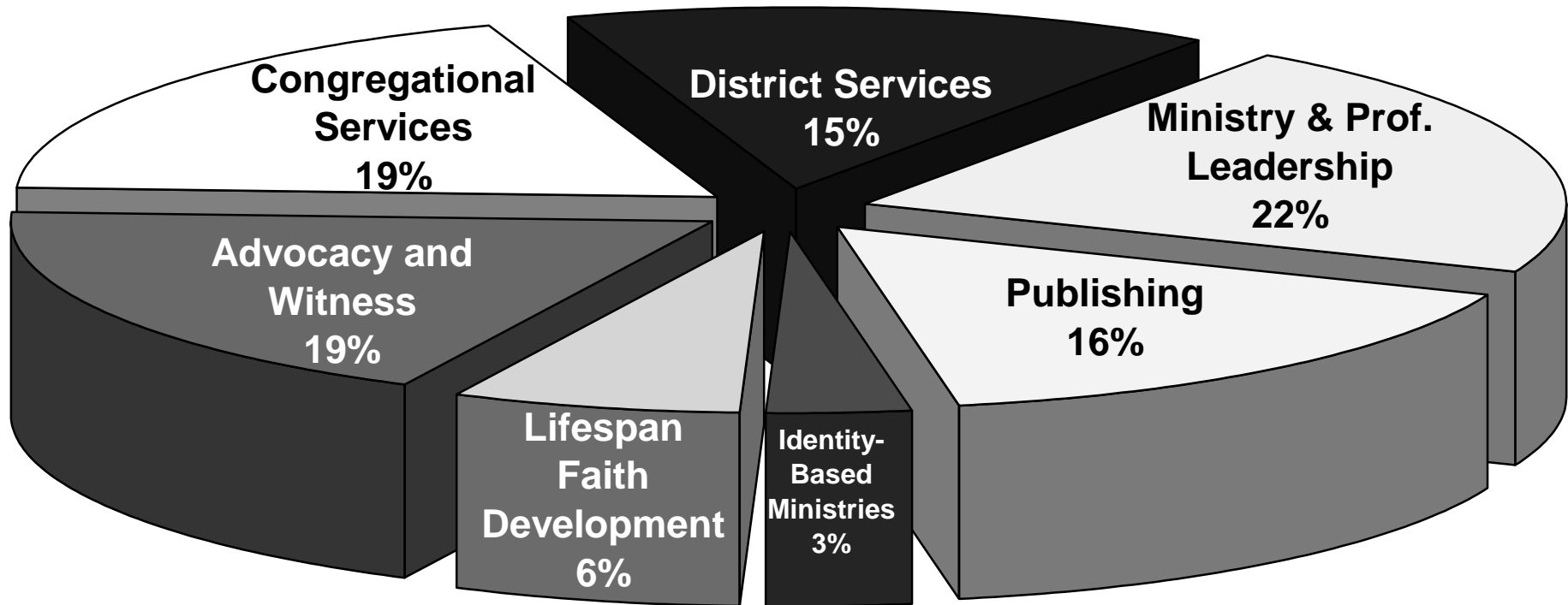
Other	\$1,182,974	Handing on the Future	\$ 659,461
Holdeen and International Trusts	\$1,704,749	Campaign for UU	\$ 604,925
Ministerial Aid Funds	\$ 510,000	UUCSR Veatch Grants	\$2,261,760
Education Grants and Scholarships	\$1,000,987		

FY03 Total Expenditures: \$21,202,022



Program	\$ 13,376,667	Board & Volunteer Leadership	\$ 1,703,794
Infrastructure	\$ 4,775,782	Administration	\$ 1,345,780

FY03 Program Expenditures: \$13,376,667

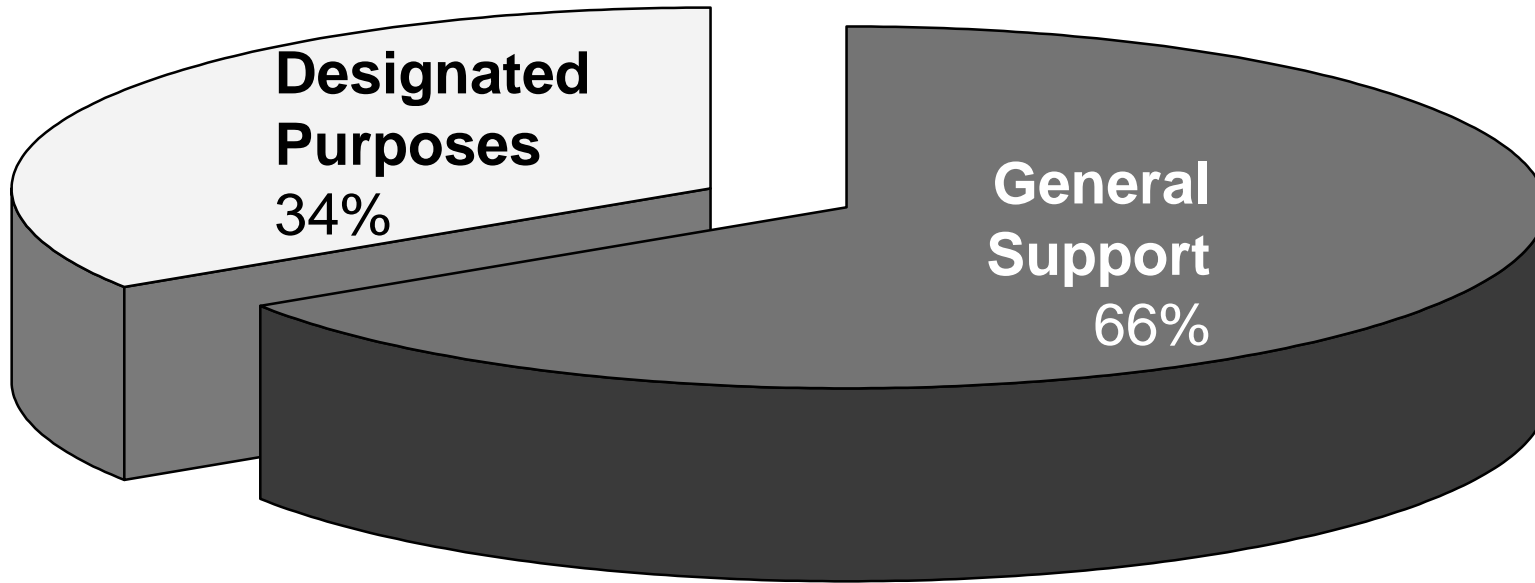


Advocacy and Witness	\$2,513,747	District Services	\$2,006,037
Congregational Services	\$2,501,156	Ministry & Prof. Leadership	\$2,861,137
Lifespan Faith Development	\$ 869,120	Identity-Based Ministries	\$ 459,315
		Publishing	\$2,166,155

Operating Budget Graphs

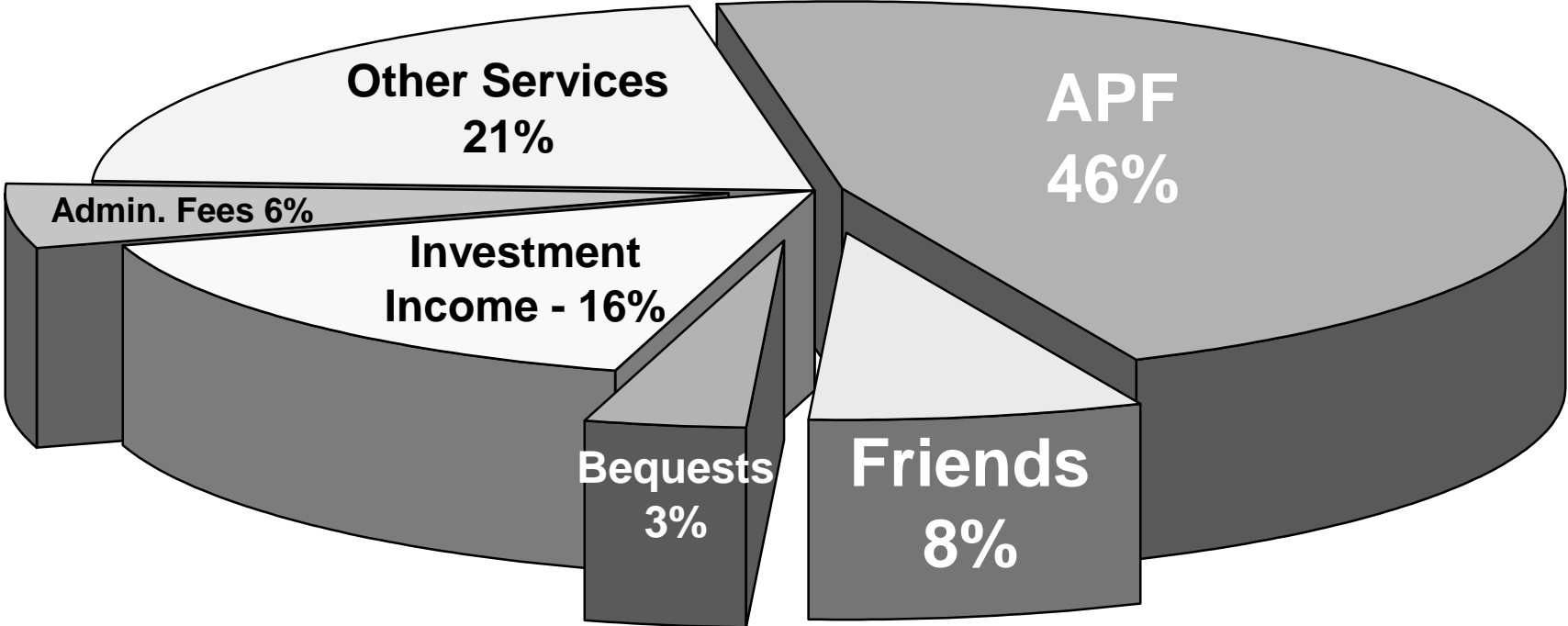
Budget FY 2004

FY04 Total Income: \$21,176,773



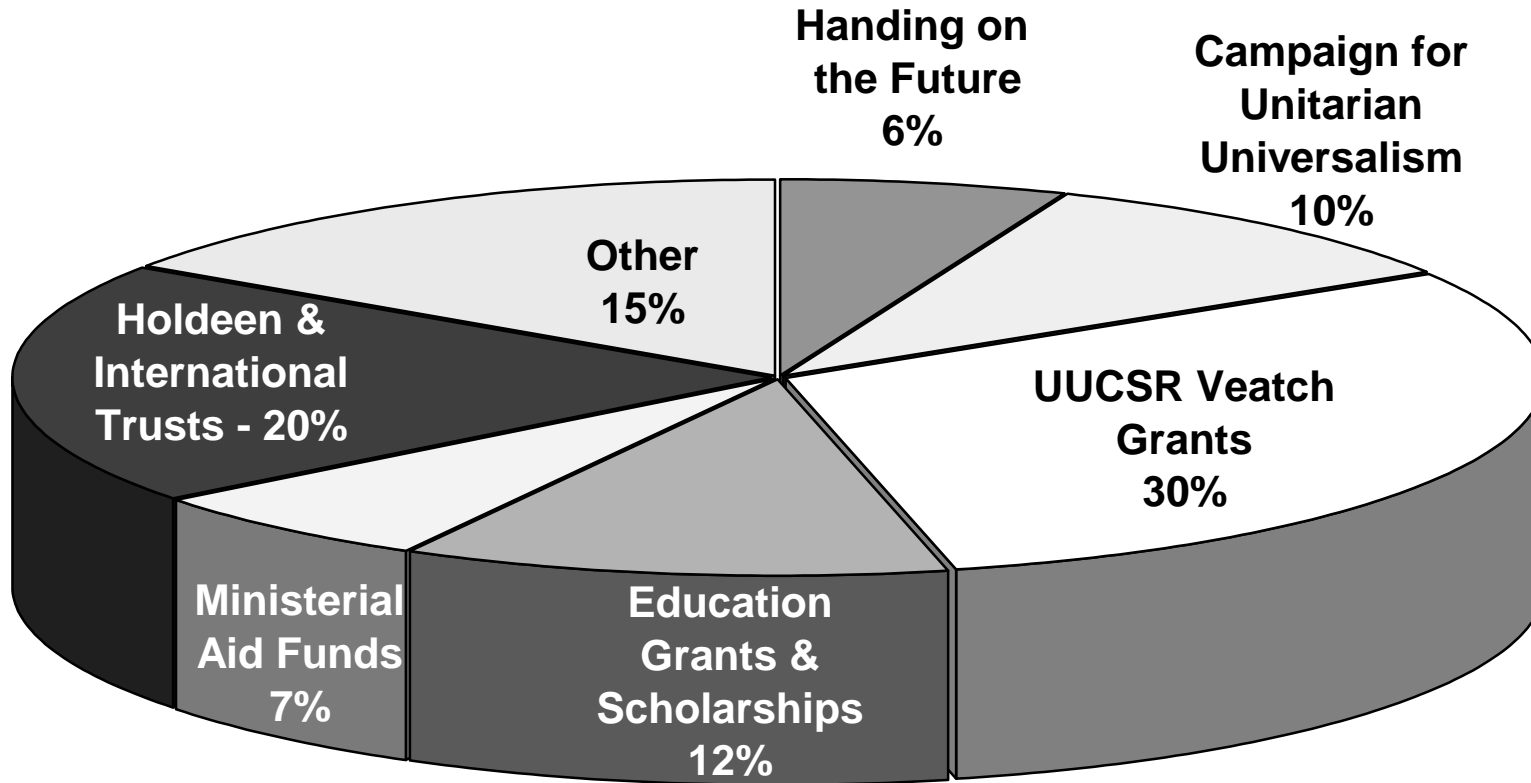
Income for Designated Purposes	\$ 6,911,167
Income for General Support	\$13,265,606

FY04 Income for General Support: \$13,265,606



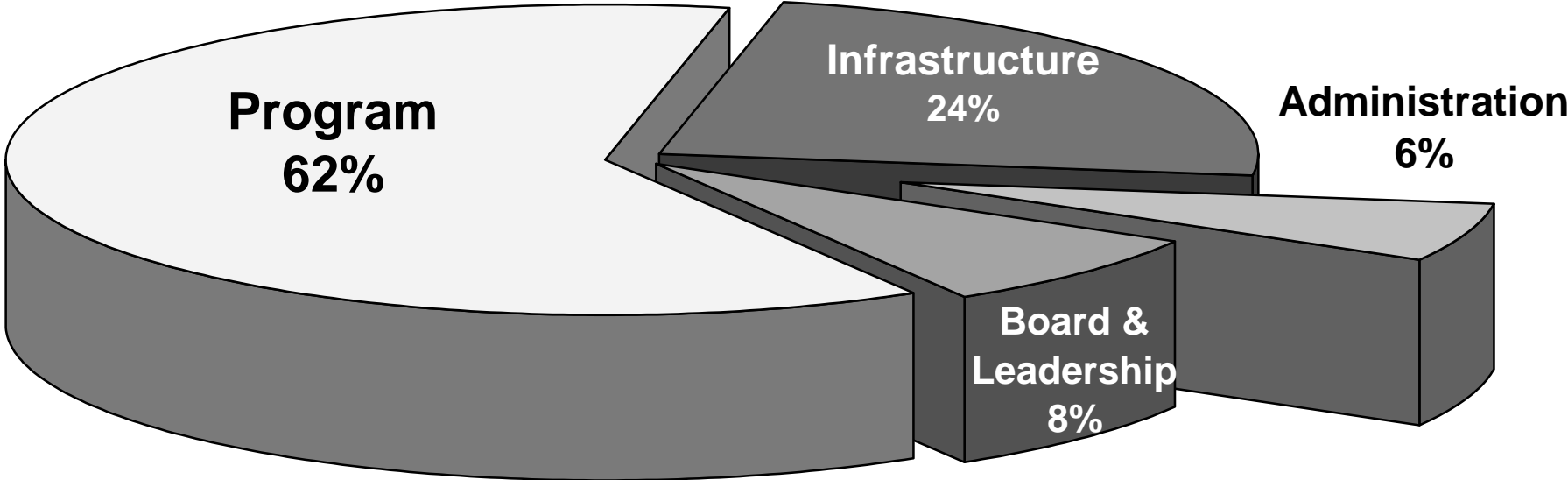
Other Services	\$2,849,607	APF	\$6,124,121
Admin. Fees	\$ 731,566	Friends	\$1,000,000
Investment Income	\$2,110,312	Bequest	\$ 450,000

FY04 Income for Designated Purposes: \$6,911,167



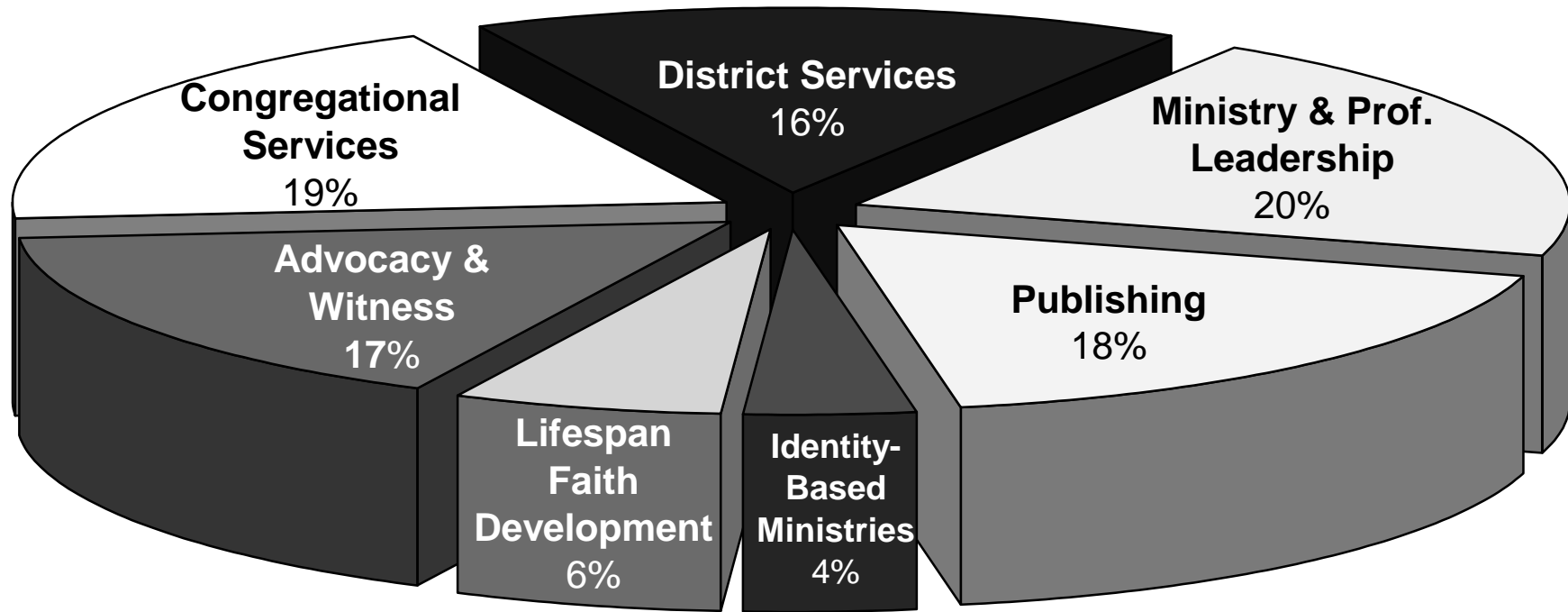
Other	\$1,070,986	Handing on the Future	\$ 424,238
Holdeen and International Trusts	\$1,377,486	Campaign for UU	\$ 690,897
Ministerial Aid Funds	\$ 450,000	UUCSR Veatch Grants	\$2,092,335
Education Grants and Scholarships	\$ 805,225		

FY04 Total Expenditures: \$20,176,773



Program	\$ 12,512,665	Board & Volunteer Leadership	\$ 1,623,363
Infrastructure	\$ 4,807,741	Administration	\$ 1,233,004

FY04 Program Expenses: \$12,512,665



Advocacy and Witness	\$ 2,067,664	District Services	\$ 2,006,932
Congregational Services	\$ 2,393,856	Ministry & Prof. Leadership	\$ 2,558,330
Lifespan Faith Development	\$ 774,063	Identity-Based Ministries	\$ 471,767
		Publishing	\$ 2,240,052