



## Unitarian Universalist Association of Congregations

Board of Trustees Meeting – October 21-22, 2000

Report of the Financial Advisor

<http://www.uua.org/TRUS/financial/>

In the early part of this century, feminism reached its first high water mark, most notably with the passage of women's suffrage. Within Universalism, women continued to play an active role as ordained clergy, although in the churches that were less desirable for men. Within both the Unitarian and Universalist movements, however, there was a need to recognize and contain the growing desire of women to assume professional leadership roles. The answer at that time was the creation of the position of "Parish Assistant." If you look at Unitarian and Universalist directories up through the thirties, you will see, after the list of ministers, the list of "Parish Assistants." This function was the precursor of the minister of religious education that we know today.

While some Parish Assistants were ordained clergy who were unable to find a regular parish ministry position or who were married to parish ministers, more were women who chose, after high school or college, to enter professional leadership positions as parish assistants.

For the Unitarians, there was even a school that they could attend to obtain the appropriate credential. It was called the Tuckerman School, founded in 1900 and housed in Boston. The Tuckerman School closed in 1933 for lack of funds, just as our two denominations began their long retreat from commitment to women in professional leadership roles.

These words come from the address of Dr. Frederick R. Griffin, senior minister of the First Unitarian Church of Philadelphia and one of our most prominent clergy of the first half of the 20<sup>th</sup> century, at the 1927 graduation at the Tuckerman School.

*"It is necessary to convince the average church member regarding religious education. It is absolutely necessary to have trained directors and teachers. This is particularly true of the cause of religious education in the liberal church, for the liberal gospel of to-day, while simple, has the complexity of all simple things and needs to be differentiated and distinguished from the liberal gospel of yesterday.....A vital church is always a working church. This work..., I believe, can be supplied by the profession of the parish assistant*

*"Some of our churches already have parish assistants and can testify to the value of their service.....However industrious and capable a minister may be, and however generously he may give of his time to his parish, he cannot do the teaching that is necessary in a really vital church today. This teaching is to me the main office of the parish assistant; for not only does she actually direct and lead the church school, but, more important, she organizes a normal class for such volunteers in the parish as are able and willing to teach. One official trained assistant suffices, since she will find it possible to select*

*teachers who will do efficient work. This also reduces the expense to a minimum, the church obtaining a corps of trained workers for the cost of one.”*

### UUA Financial Monitor

When I began my term in 1997, I created the UUA Financial Monitor to be a brief, simple presentation of the most important indicators, over time, of the financial health of the Association. It is included as an attachment at the end of this report. It will be updated and reissued annually.

In summary, we have continued to grow in numbers, in generosity, and in congregational resources.

#### *Growth in numbers:*

Membership increased to 155,449:

0.6% higher than 1999  
8.8% higher than 1990  
11.6% higher than 1985

Religious education enrollment increased to 61,482:

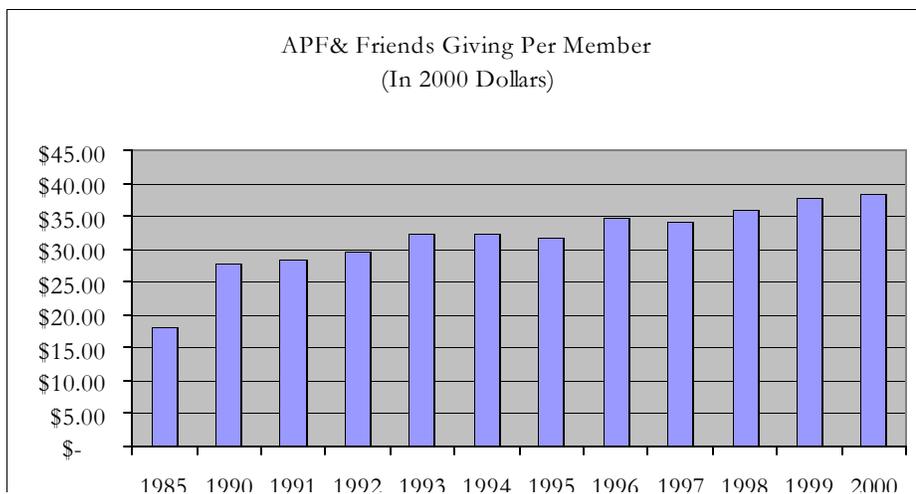
0.5% higher than 1999  
22.4% higher than 1990  
57.6% higher than 1985

Combined adult membership and RE enrollment increased to 216, 931:

0.6% higher than 1999  
12.3% higher than 1990  
21.7% higher than 1985

#### *Growth in generosity:*

Giving to the UUA though APF and Friends on a per capital basis reached \$38.38.



In real terms (2000 dollars), our per capita giving continues to increase:

1.1% higher than 1999  
37.5% higher than 1990  
111% higher than 1985

*Growth in congregational resources:*

Congregational expenditures reached \$152,723,000 in 2000. In real terms that's

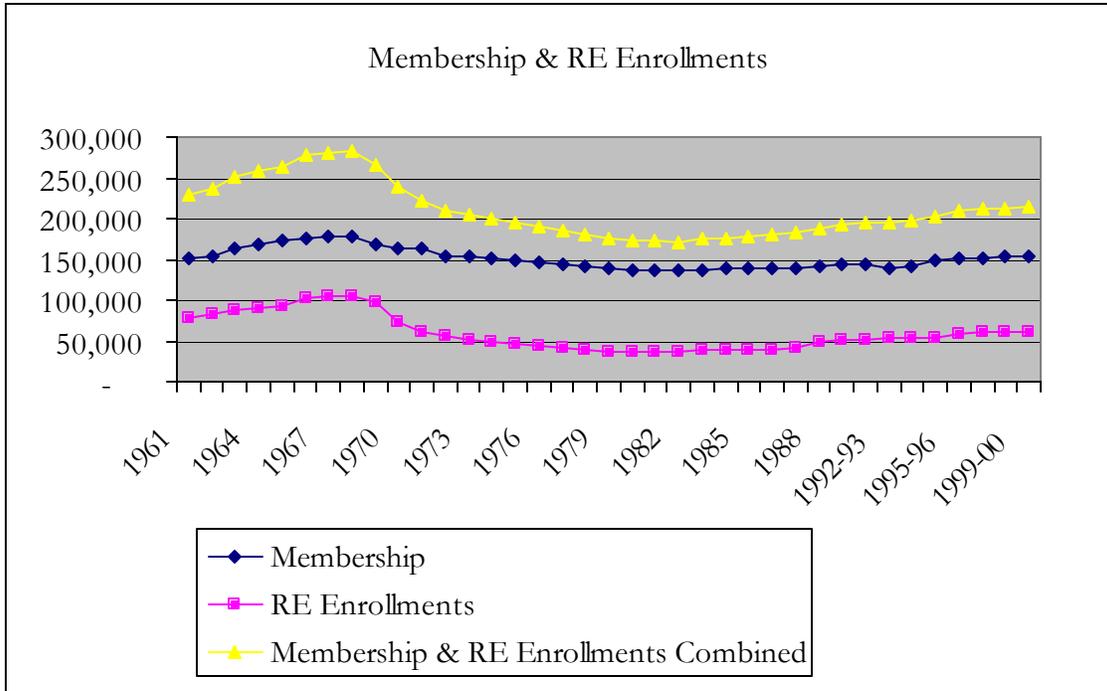
3.8% higher than 1999  
42.3% higher than 1990  
62.2% higher than 1985

--

The following graph shows our membership and RE enrollments since the merger in 1961. Remember that these figures are fraught with difficulties<sup>1</sup>, but are also the only ones we have.

---

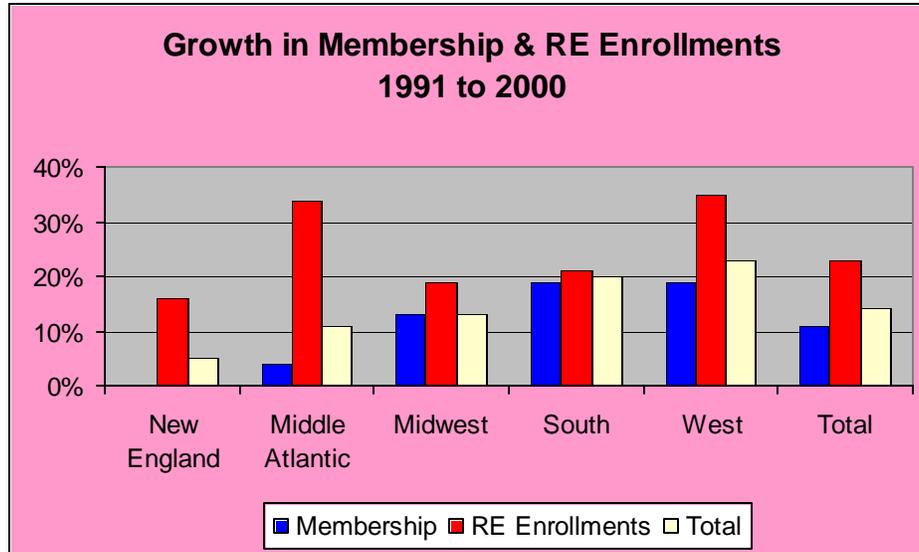
<sup>1</sup> Most notably, the figures in the 1960s were likely to be inflated (this was before the formula that determined fair share by the numbers of members) and recent figures are likely to be deflated for the same reason. The trends are still likely to be true; they are simply exaggerated.



Growth by Region

Thanks to the very good efforts of Tracey Robinson-Harris in the CD&E Department, I have acquired participation information by region.

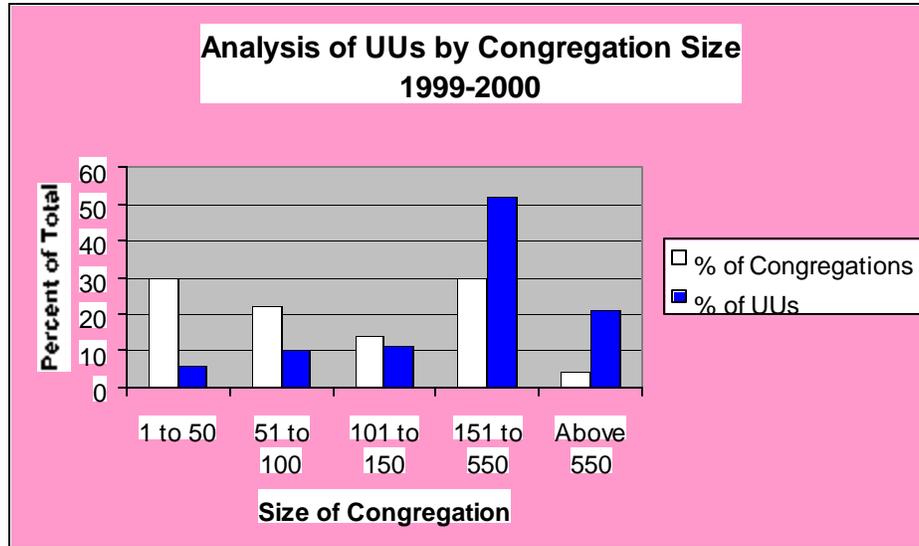
This next graph shows the growth in adult membership and religious education enrollments by region from 1991 to 2000. The 2000 data is based on information submitted by congregations to be included in the just-released UUA directory:



Some observations:

- The total UU population is growing in every region.
- Our adult population is growing in every region except New England, where growth is flat.
- Our religious education enrollment is growing in every region.
- Our growth in RE enrollment exceeds our growth in adult population in every region.

The second graph shows the proportion of our congregations and UU population by size of congregation in 2000:



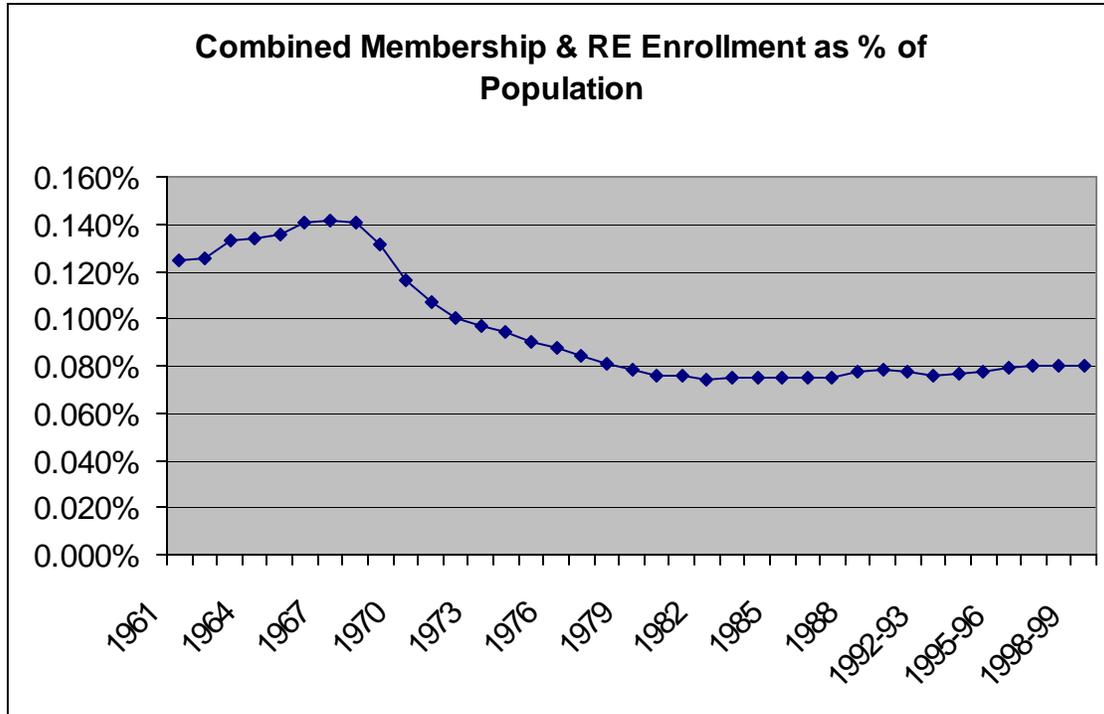
Some observations:

- 66% of our congregations reporting having under 150 members, and they represent 27% of our total UU population. Indeed, 30% of our congregations reported a total population of 50 or under.
- 30% of our congregations report having from 151 to 550 members, and they represent more than half of our total UU population.
- The 4% of our congregations who report having more than 550 members represent 21% of our total UU population.

The adult membership and RE enrollments are almost perfectly proportioned among the different size congregations, so the UU population percentages reported above do not differ if you exclude the RE enrollments.

### Market Share

Another interesting way to look at our membership is to compare it to the U.S. population, to see if we are growing as a share of the larger society (i.e. increasing our market share). For that purpose, I only have comparable data through 1998-99. But that data shows that, after slowly increasing our market share over the past two decades, for the past three years we are holding our own at .08%. Here is the updated graph for our market share since the consolidation in 1961:



FY2000 Financial Results

The FY2000 financial results were positive all around. The operating budget (our operating revenues and expenses exclusive of Beacon Press) was positive. **We have experienced a surplus now for five years in a row.**

Overall, the assets of the Association increased in all categories increased by 2%, slower than last year's 4% increase but still an increase. The biggest reason for the slower increase is the modest growth in the assets coming from our last capital campaign.

	Net Assets			
	<u>1999</u>	<u>2000</u>	\$	%
Current	58,740,311	60,142,067	1,401,756	2.3%
Beacon Press	1,618,397	1,963,911	345,514	17.6%
CPLC	7,267,922	7,303,334	35,412	0.5%
Endowment	<u>103,882,985</u>	<u>105,794,047</u>	<u>1,911,063</u>	<u>1.8%</u>
Total	171,509,615	175,203,358	3,693,745	2.1%

Beacon Press is the most significant news for FY2000. Words cannot describe the pleasure and relief I feel as I report that the financial results for Beacon Press were very positive for the year, as predicted. After running a deficit of \$346,000 in FY99 and \$118,000 in FY98, the Press this year ran an operating surplus of \$241,000 (and a total surplus of \$345,000 taking into account bequests). In FY2000, Beacon Press experienced the highest sales in its history. Overall sales were \$5.9 million, 37.5% above FY99. Returns dropped 19.4% from FY99, the lowest since FY94.

- Cloth net sales increased
- Paperback sales increased
- Backlist sales increased
- Distributor sales increased
- Only “house sales” were down.

On Beacon’s balance sheet, cash is \$233,000 higher than FY99 and inventory is \$172K lower.

Our financial challenges with Beacon are not over. Beacon, for instance, is budgeting a \$141,000 deficit in FY2001. We need to plan better, among other things, for the volatility inherent in the book business these days.

As you may recall, this board has commissioned a “Task Force on Strategic Options for the Beacon Press.” The final report has been submitted to the Finance Committee. The Task Force deserves our thanks for their careful review and for highlighting the significant opportunities that we face in the future.

Endowment Performance

Our endowment performance for FY00 was 7.2%, matching the S&P 500 (7.2%) and besting the Dow Jones Industrial Average (a negative 3.3%). Our performance was better than the average of balanced fund managers (6.6%). But the most important measure is how we perform relative to other endowments, and there we didn’t make the grade. Our 7.2% does not compare favorably with a preliminary estimate of 10.5% for other endowments. And, I must say, it compares very unfavorably with Harvard’s 32.2%, after we exceeded Harvard’s performance for the prior two years.

So our performance was adequate but not as good as the relative performance that we saw in the prior three years.

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
UUA Pool B	20.6%	22.2%	13.1%	7.2%
Other Endowments	20.4%	18.6%	10.4%	10.5%
Harvard	25.8%	20.5%	12.2%	32.3%

There are two reasons for our comparative underperformance.

First, as mentioned in my last report, the style of investing called “value” investing is currently not performing well and we have two managers who follow that style. So while our other three managers had performances of 11.8%, 13.3% and 12.9% for the year, our two value managers were at 3.3% and negative 2% respectively.

Let me repeat what I said about value managers in my last report:

“A ‘value manager’ invests in large companies with strong earnings over long periods of time but which do not promise extraordinary growth. Typical sectors for such investors are consumer staples, capital goods, and finance (as opposed to technology and communications). Such a management style should be represented in any responsible portfolio, since styles move in and out of favor. At the moment, however, value investing is a loser, and our value manager, who at the end of 1999 held \$22 million of our \$86.2 million endowment, actually had a negative return of 1% in 1999. In contrast, the returns of our other managers were 19%, 10%, 18%, and 27%.

“Perhaps the most famous value investor is a gentleman named Warren Buffett, who has made billions through his holding company Berkshire Hathaway. Even Mr. Buffett faced misfortune last year, also by experiencing a 1% decline in the market value of his funds (to a paltry \$37 billion)<sup>2</sup>.”

Second, the performance of most other endowments was strengthened by their use of alternative investments, primarily venture capital. The larger the share of alternative investments, the better the performance. We have almost no “alternative investments” at this point<sup>3</sup>, while the mean for the universe of endowments tracked by our advisors is 15%.

After two years of being able to brag that we “beat Harvard” in our investment performance, I regret to say that we failed to do so last year. Because Harvard is an aggressive investor in venture capital endeavors, it’s total return for last year was 32.2%, Harvard’s private equity portfolio (15% of the portfolio) increased 155.2%.

### Compensation

---

<sup>2</sup> See “Buffett Offers a Mea Culpa for a Bad Year,” *The Wall Street Journal*, March 13, 2000, pages C1 and C15. A quotation from the article: “Mr. Buffett warns that the stock market’s current level shows investors’ expectations of future returns have become ‘wildly optimistic.’”

<sup>3</sup> Our alternative investments are: JMBII (real estate) \$ 72, 893 and TCW (toys) \$159,955, for a total of \$232,848

The 2000 Report on Clergy and Church Staff Compensation has been completed and distributed to congregations. The report serves as a basic handbook and resource for evaluating compensation matters and developing sound and fair practices.

We continue to get very good data from our pension manager. The UU pension plan had 1801 participants and assets of \$113.1 million as of June 30, 2000. That compares to 1696 participants and \$100.7 million of assets as of September 30, 1999 (the first date when we have comparable information from Fidelity because that is the end of the first quarter where Fidelity had responsibility for management of the pension fund). Over those nine months, the number of participants increased by 105.

During that period, we offered participants eight funds for allocation of their pension assets. Two of those funds (the Walden funds) are socially responsible. By choice of the participants, those funds manage 39% of the assets. That share may go up now that we are offering the Domini Social Equity Fund as another socially responsible alternative. If you look at the use of Walden by participant rather than by asset size, the Walden Social Equity Fund is the most frequently chosen fund among all of our participants save those over age 65.

### Anti Racism Training

I'm pleased to report that the members of the three UUA "business" committees (Investment; Congregational Properties & Loan Commission; and Compensation, Benefits & Pension) will be participating in the anti-racism training to be held on the weekend of Nov. 10-12.

### Coverage of Business & Financial Matters on Our Communications

It is time for this board to adopt a clear policy on the coverage of the Association's business affairs by our media. Ever since becoming Financial Advisor, I've been concerned about the inconsistent treatment of business and financial information by our web page and by the *World*. The recent edition of the Directory is also a cause for concern. A board policy may be helpful in overcoming the entrenched resistance in this administration to demonstrating through our media that we have a democratic process of accountability to our constituencies. Let me tell you some stories that will help explain why I have reached this conclusion.

#### *The World*

The coverage of the 1998 General Assembly in the *World* did not mention any business or financial reports, did not mention the election that occurred, and did not report on the business resolutions passed. For a general interest magazine we shouldn't expect

extensive coverage, but we should expect to give our constituency the sense that our congregations gather to hear reports and take action on the Association's business.

The *World* coverage of the 1999 GA was more extensive than in 1998 and included mention of our business activities.

The reporting on the 2000 General Assembly was very disappointing. The *World* did not mention either the report of the Finance Committee chair nor of the Financial Advisor, so the *World* reader is left with the impression that the General Assembly had great inspirational speakers and workshops, passed resolutions urging other people to behave better, but did not conduct business.

### *The Web Page*

The web page put up after the 1998 GA was the first to include extensive coverage of that event, but again it did not include business matters. When I asked that my own report be placed on the site, it met with great resistance. Eventually, it was posted.

The web coverage for the 1999 GA also included the Financial Advisor's report because I made a determined, persistent effort.

It took a very long time for there to be a Financial Advisor website, and that it occurred only when the board became aware of the delay.

But my experience with our web page reporting for the 2000 GA is what motivates me to suggest that policy is in order.

The initial web page reporting, as you know, places extensive information on the page the day after activities occur. That's an astonishing achievement, and a tribute to the hard work and good planning of the Office of Electronic Communications, the Electronic Communications Committee, and the many volunteers that they recruit. And within days, almost all activities are reported extensively on the web site.

My disappointment was profound, therefore, when, on returning home from Nashville, I discovered what was missing from the site:

*Every report that was a part of the "State of the UUA" presentation on Friday night was extensively covered, with two exceptions where there was no coverage at all. The two exceptions were the Finance Committee report and my response to the question comparing the UUA's budget and the UCC's budget.*

My own Financial Advisor report, delivered on Sunday afternoon, was covered in one sentence, reporting only that I had mentioned two lay leaders who had died in the past year. That outcome was unexpected because an electronic version of my report had been provided to the Electronic Communication Office prior to June 5, as a result of an e-mail

sent to me by that office five days<sup>4</sup> before June 5, in which I was told that “ materials received before June 5 will receive our priority attention. This will allow us to format your material with loving care and have it ready to put up on the day of your presentation.” Such was not to be the case.

The position of Financial Advisor was created, first and foremost, to report to the congregations on the financial health of the Association. During the discussions by the board about the position and what it should do, a dominant theme was that there be an independent report to our constituency, one that is not from the administration and not from the board, but from an officer elected by the congregations to perform that role. That responsibility is the most important symbolic act of my office. Traditionally, that report has been delivered orally at the General Assembly and mailed, in written form, to the congregations.

Times have changed and the web has become a significant new means of communication. Yet each year is a struggle, requiring determination, persistence, and forcefulness from me, to have financial information, and especially the Financial Advisor report, posted and in a timely manner.

### *The Directory*

The 2000-2001 UUA Directory has just been distributed. I was very surprised to discover many features of this new Directory:

- The Statistical Summary, a part of the Directory since 1961 that provides a four year picture of the Association’s membership and finances, among other things, has been deleted. There is a one year snapshot, but it is hidden deep within the book. This material is available on the web, but digital archiving is not well enough developed yet to assure its proper maintenance over time. Our constituents searching for trends may find that information unavailable. In addition, the web-based Statistical Summary was not actually available on the web until I brought it to the attention of the responsible parties.
- Standard reference material, such as the UUA’s by-laws, has been deleted.
- Those wishing to find memorials to recently deceased clergy, a list of surviving spouses and partners, or a list of those we have honored with distinguished service awards must guess where else they might be found.
- An organizational chart has been retained, but it is inaccurate.

---

<sup>4</sup> Because I was given only five days from the receipt of the e-mail and the deadline of June 5, the Financial Advisor report was produced quickly at great sacrifice to my personal and professional life.

- The Financial Advisor has been removed from the list of officers of the Association. The position previously was listed right after the President and Moderator, since they are the other two officers elected by the General Assembly. (In the prior year's Directory, the Financial Advisor was deleted from the list of members of the Board of Trustees).

---

**This behavior demonstrates insufficient sensitivity to our accountability to our constituencies.**

I bring these matters to your attention, and I wish I didn't have to, because I have lost confidence that these concerns will be taken seriously unless I give them the widest possible publicity.

### Summary

On the positive side of the ledger,

- We continue to grow in numbers
- We continue to grow in generosity
- We have achieved positive financial results for the fifth year in a row
- Beacon Press experienced very positive financial results for the first time in two years

On the negative side of the ledger,

- Our endowment performance did not match other endowments
- Our reporting to our constituency about governance and business matters needs a board policy.

As I say so often, and with delight, the positive side clearly outweighs the negative side. It is a wonderful time for our movement.

Larry Ladd
------------

Home: 26 Sargent St., Needham MA 02492  
(781-444-3299)

Office: Grant Thornton, 98 N. Washington St., Boston MA 02114  
(617-848-4801); fax 617-723-3640)

E-mail: [lladd@uaa.org](mailto:lladd@uaa.org)

Website: <http://www.uaa.org/TRUS/financial/>

Forward to CLERGY AND CHURCH STAFF COMPENSATION 2000: A  
REPORT ON THE STATUS OF COMPENSATION FOR UNITARIAN  
UNIVERSALIST MINISTERS AND CONGREGATIONAL EMPLOYEES

September 2000

*Providing adequate compensation to church staff is a justice issue for  
Unitarian Universalists.*

In general, we pay our staff less than they merit based on training and experience, and less than they need to live in our communities comparably to other members of those communities. Our seminary-trained ministers often start work deep in debt, and their prospects for a comfortable retirement are dim. We justify this sad situation by saying that the market allows it or that our congregations can't afford to do better.

That is why adequate compensation is a justice issue: we must make progress because it is right to do so.

*Our church staff sacrifice in our service. We should not exploit them in return.*

The UUA General Assembly, which represents congregations, has established fair compensation at a denominational goal. The UUA has issued guidelines for fair compensation, and established a system of district compensation consultants to advise congregations as they work toward meeting or exceeding those guidelines. And we are measuring our steady progress through systematic surveys of our practices.

The attached report provides you with the current guidelines and documents our forward progress. Please use it as one way to act out our principles of justice and love.

Larry Ladd  
Financial Advisor to the UUA



## UUA Financial Monitor



The UUA Financial Monitor provides the most important indicators needed to monitor the financial health of the Association over time. It is intended to be concise (no more than one page). Financial information is reported in 2000 dollars and, except for #7, the 000s are omitted. The Financial Monitor is the responsibility of Larry Ladd, UUA Financial Advisor.

<b>Indicator</b>	<b><u>1985</u></b>	<b><u>1990</u></b>	<b><u>1995</u></b>	<b><u>1996</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>85 to 00</u></b>
<i>Denomination</i>									
1. Membership	139,227	145,250	147,940	150,513	151,213	152,447	154,459	155,449	12%
2. Religious Educ. Enrollment	39,009	48,161	54,796	58,716	60,384	60,895	61,165	61,482	58%
3. No. of Congregations	1,012	1,019	1,036	1,039	1,034	1,033	1,043	1,051	4%
4. Congregational Expenses	\$ 94,173	107,315	\$ 124,356	\$ 130,426	\$ 132,476	\$ 137,929	\$ 147,075	\$ 152,723	62%
5. UUA Expenses as % of Congregational Expenses	8.5%	8.6%	14.3%	15.1%	15.1%	18.9%	17.6%	17.9%	111%
6. APF as % of Congregational Expenses	2.5%	3.0%	3.1%	3.1%	3.2%	3.2%	3.2%	3.1%	26%
7. APF&Friends Giving Per Member	\$18.22	\$27.92	\$31.81	\$34.80	\$34.16	\$36.09	\$37.95	\$38.38	111%
<i>Financial Support</i>									
8. APF Annual Revenue	\$ 2,344	\$ 3,169	\$ 3,875	\$ 4,106	\$ 4,222	\$ 4,380	\$ 4,691	\$ 4,791	104%
9. Friends of the UUA	193	886	831	1,132	943	1,122	1,170	1,175	509%
10. Gifts & Legacies	5,412	909	3,283	4,286	5,246	2,654	2,163	2,824	-48%
11. Total Fundraising	\$ 7,949	\$ 4,965	\$ 7,989	\$ 9,523	\$ 10,411	\$ 8,156	\$ 8,024	\$ 8,790	11%
<i>Resources</i>									
14. Unrestricted Fund / Net Assets	\$ 6,117	\$ 4,113	\$ 8,074	\$ 7,823	\$ 6,529	\$ 6,395	\$ 9,495	\$ 28,894	372%
15. Endowment (Market Value)	\$ 61,192	\$ 61,192	\$ 61,192	\$ 82,570	\$ 25,286	\$ 109,808	\$ 119,125	\$ 113,894	86%
16. Endowment (Total Return)	10.7%	-5.9%	9.3%	9.0%	18.4%	20.5%	11.4%	8.1%	-25%
<i>Operations</i>									
17. Operating Revenue & Support	\$ 7,698	\$ 9,369	\$ 16,996	\$ 19,693	\$ 20,039	\$ 26,091	\$ 26,127	\$ 27,412	256%
18. Operating Expenditures	\$ 8,024	\$ 9,265	\$ 17,726	\$ 19,656	\$ 19,982	\$ 26,044	\$ 25,890	\$ 27,412	242%
19. Operating Surplus (Deficit)	\$ (326)	\$ 103	\$ (730)	\$ 37	\$ 56	\$ 47	\$ 236	\$ -	-100%

(10/23/00)