



# Financial Advisor's Report to the UUA Board of Trustees

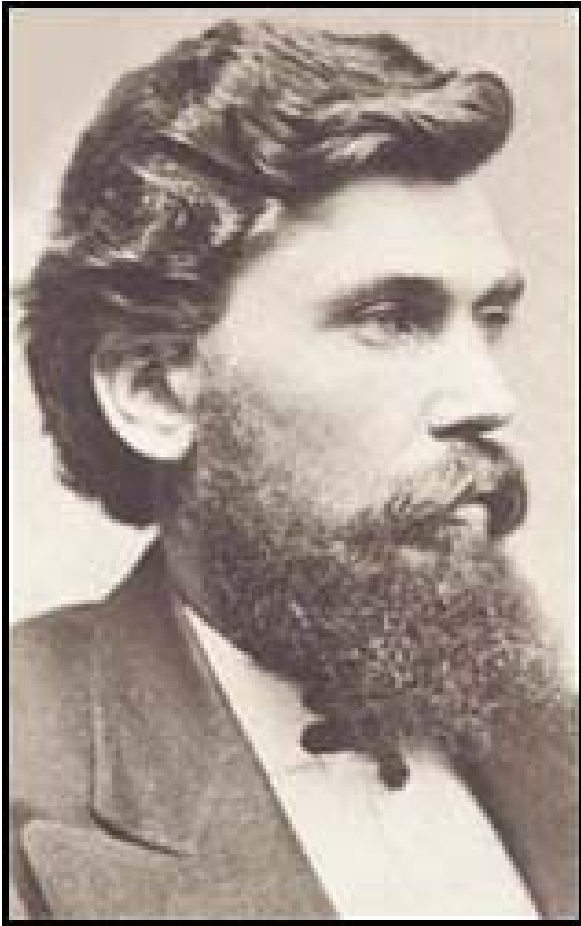


Larry Ladd





The opening  
history lesson



# Jenkin Lloyd Jones

## 1843-1918



The opening  
history lesson

# Jenkin Lloyd Jones

- **Missionary Secretary of the Western Unitarian Conference**
- **Editor of the liberal religious weekly *Unity***
- **Founder and pastor of the All Souls Unitarian Church of Chicago (founded 1882)**
  - **Where Florence Buck was ordained (after finishing Meadville on a half-scholarship negotiated by Jones)**
- **Religious radical in contrast to the Boston Unitarian establishment**

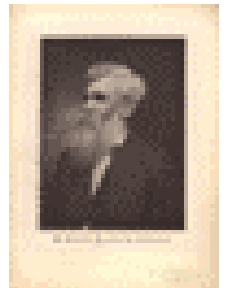


The opening  
history lesson

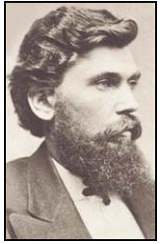
# Jenkin Lloyd Jones

## *Social justice advocate:*

- **Founder of the Abraham Lincoln Center**
- **Supporter of Hull House Settlement**
- **Opponent of child labor**
- **Supporter of early trade union movement**
- **Cofounder and leader of the American Anti-Imperialist League**



The opening  
history lesson

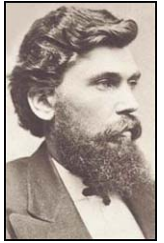


## Jenkin Lloyd Jones

In silence and in patience we have been called upon to witness what seems to us a pathetic and deplorable lapse from the high ideals of democracy; in silence and in patience we have received day by day the sad news of the sacrifice of the lives of American youths in far-off islands; in silence and in patience we have listened to the attendant news that told of the wholesale slaughter of the untrained children of the tropics.... We have been compelled to listen in patience and in silence to the cry of a helpless people who were lifting mute hands to the God of the heavens, begging for them and their children the lands and the homes that were ordained to them by a providence non-American.



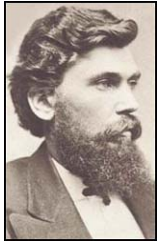
## Jenkin Lloyd Jones



Friends, you may at other times arrange a discussion of this problem on its economic and business side. Today we are here on this holy day, consecrated to religion, to say that there is no phase of this question worthy of debate other than the ethical and religious phase of it. For the ethics we believe in, the God we worship, and the bible we study, do not warrant the aggrandizement of one nation at the cost of another, and will not justify greed in its grasp of the land that belongs to another.



## Jenkin Lloyd Jones



We are here today to speak as best we may, each for himself, for that prince of peace, and protest in his name against that Christian pity that would extend its boundaries on the point of a bayonet, and emphasize its gospel with the explosion of powder. Once more, and last, we are here to plead for that last hope of humanity -- democracy -- that never yet has found a place in its lexicon for the words "colonies," "invasion" and "conquest." When those words come into our dictionary then the words "democracy" and "republicanism" must be blotted out.



# Topics

- **Environmental Perspective**
- **FY03 Budget & Beacon Press**
- **FY04 Budget**
- **Investment Committee**
- **Accountability and Independence**
- **Church Staff Compensation**
- **Some Changes at the UUA**
- **The Ledger**

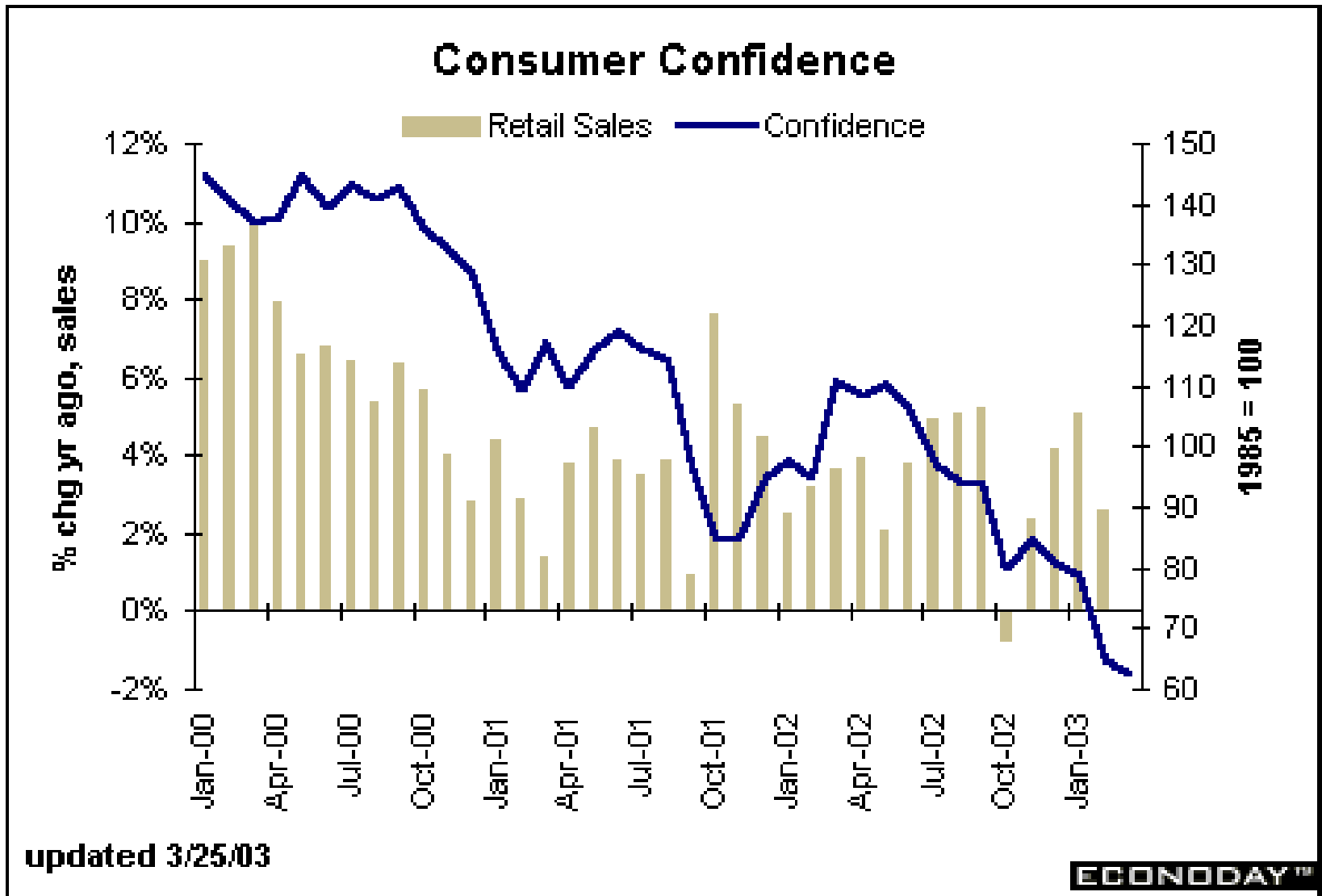


# Environmental Perspective



# **Economic Downturn**

- **Declining stock prices since August 2000**
- **Consumer confidence down since September 2000**
- **Unemployment claims increasing since December 1999**
- **Giving to non-profits began declining in 2001**





# Current Trends

- **Alumni giving to private colleges declined for the first time in fifteen years in FY02, by 3.8%**
- **Alumni giving to private secondary schools declined by 15.6%**
- **Percentage of Americans who made gifts to charity dropped to 77% in 2002 compared to 87% in 2001**



# Current Trends

- **Half of charities reported a decrease in giving in the first ten months of 2002**
- **Assets of U.S. foundations have declined for three years in a row (median drop from 2001 to 2002: 9%)**
- **80% of U.S. foundations are cutting costs: staff reductions, hiring freezes, etc.**



# Current Trends

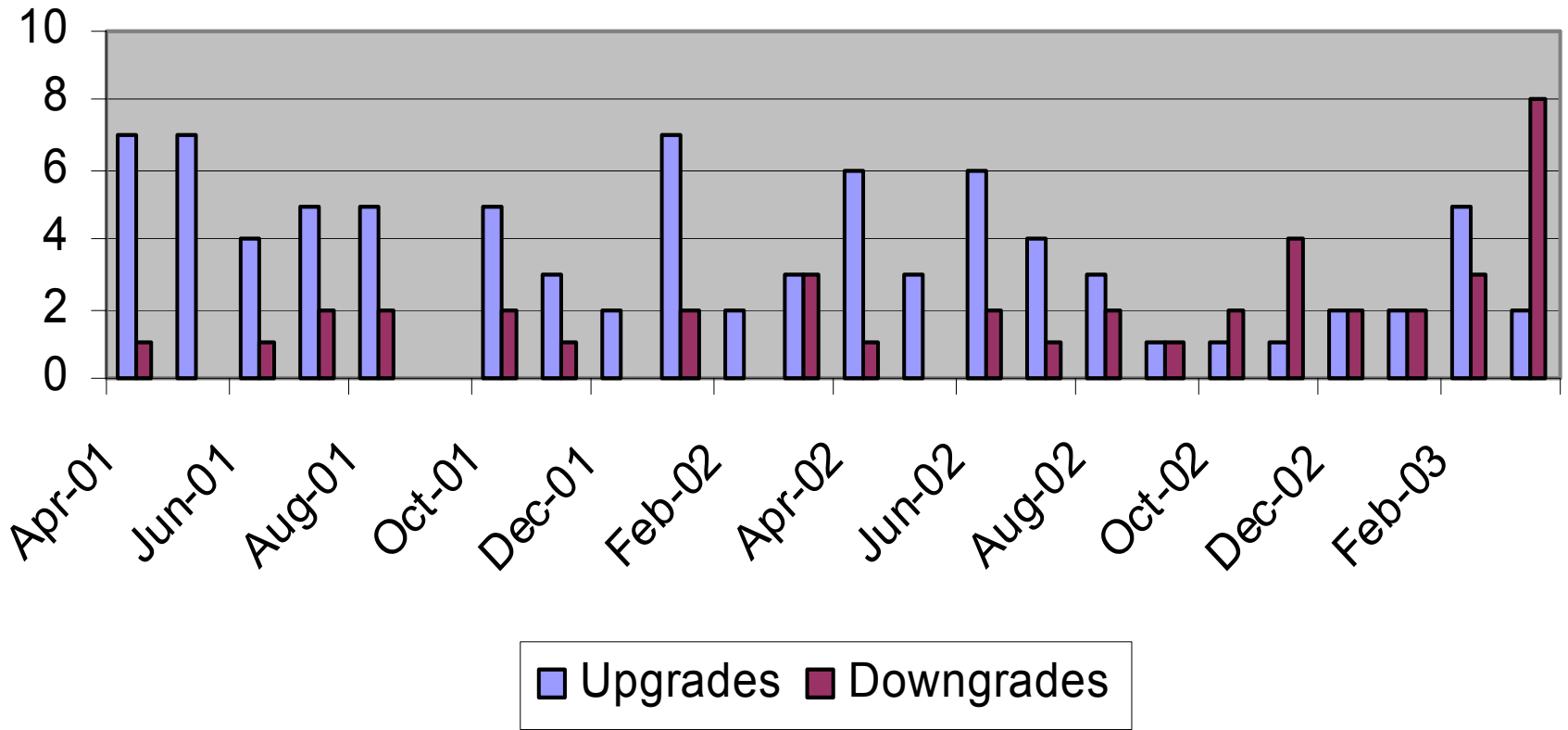
- **Stanford University has announced a salary freeze, 5-10% cuts in non-salary budgets, and selected layoffs for FY04, because of "a reduction in income due primarily to a weak stock market" and "increased costs due to a volatile health-care environment"**



Ratio of Downgrades to Upgrades in Increasing

## Bond Rating Changes in Higher Education

Number of Monthly Changes





# 03 Budget & Beacon Press



# **FY03 Budget & Beacon Press**

- **FY03 budget continues to be projected to be balanced by year end (APF giving remains very strong!)**
- **Beacon Press remains "on plan" with a projected deficit of \$181,000.**



# 04 Budget



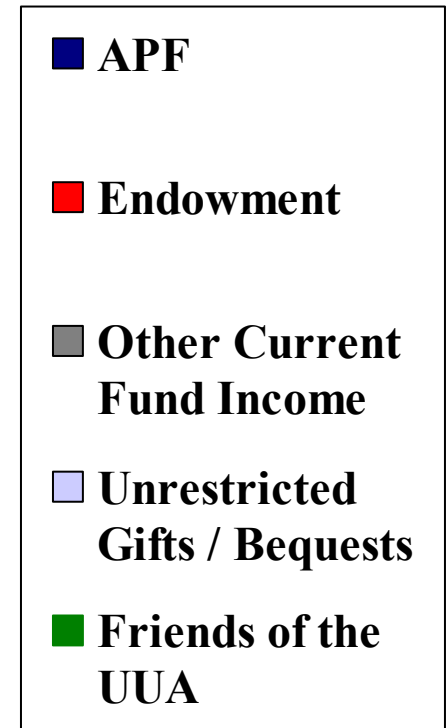
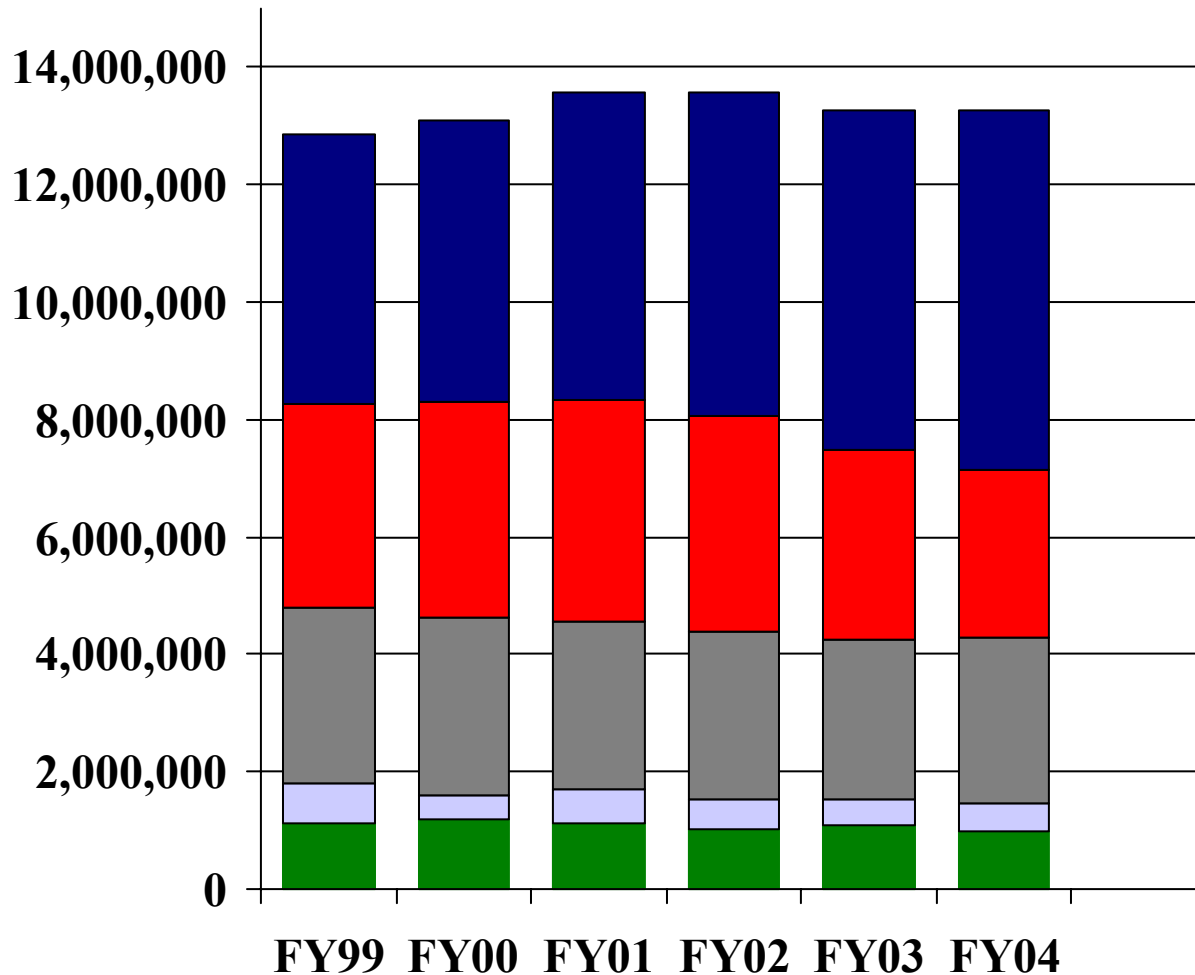
## FY04 Budget

- **Support from congregations remains strong** and is planned to continue to be strong, reflecting the spiritual vitality of our movement
- Expenses need to be reduced because **our endowment income is declining** (in real terms and as a percentage of our total revenue) because of market conditions



## Income for General Support

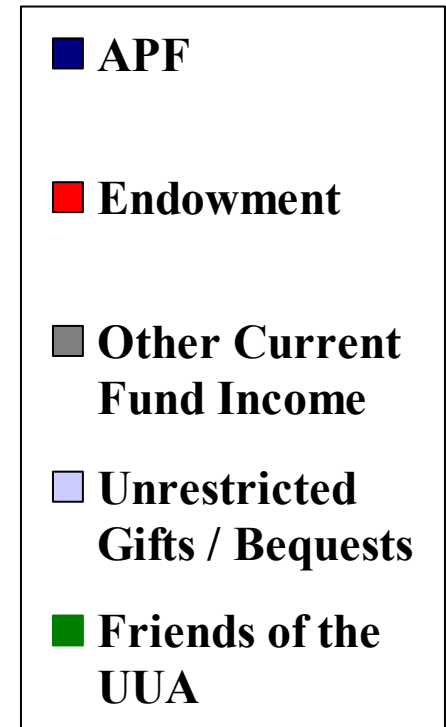
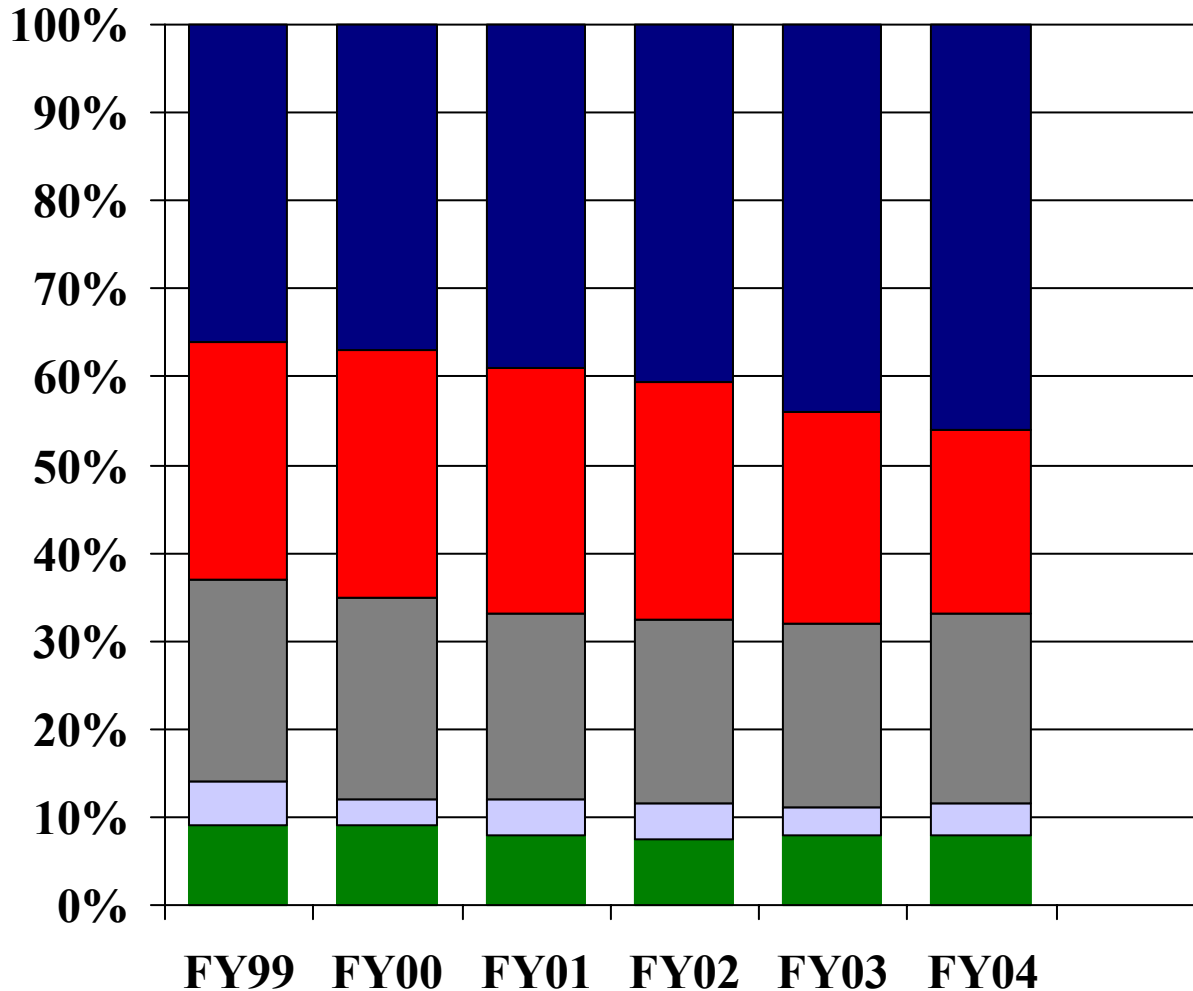
Dollars





## Income for General Support

Percent  
of Total





# **The Risk in the FY04 Budget**

**(in reverse order of seriousness)**

- We are drawing upon non-recurring capital campaign funds to support some operating expenses.**
- We are projecting that Friends giving will increase by 2.6%.**
- We are projecting that APF giving will increase 5.6%.**



# Endowment Management



# Investment Performance

- **For the eight months (ending 2-28-03)**
- **Total return of (6.8)%**
- **S&P 500's return was (13.1)%**

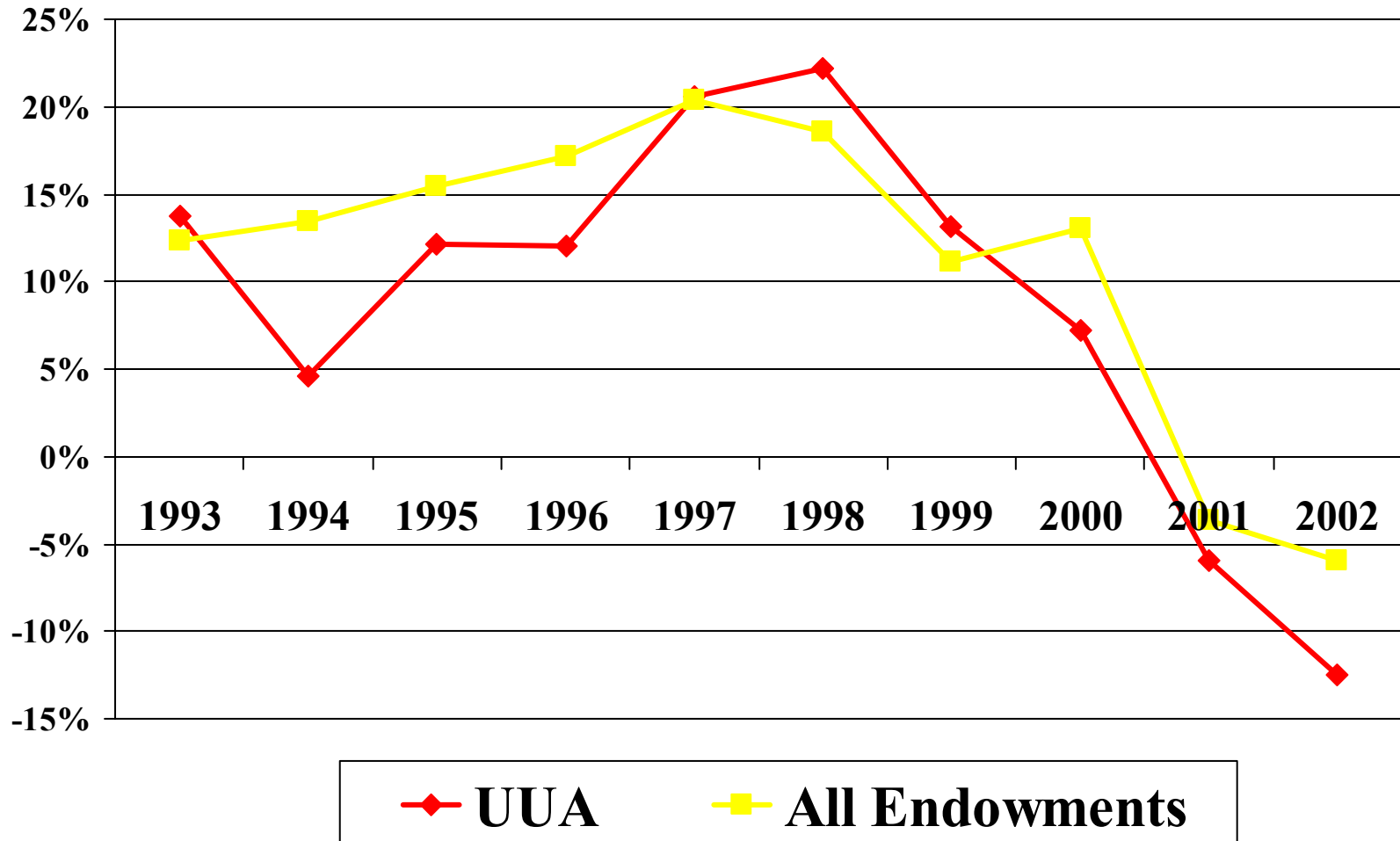


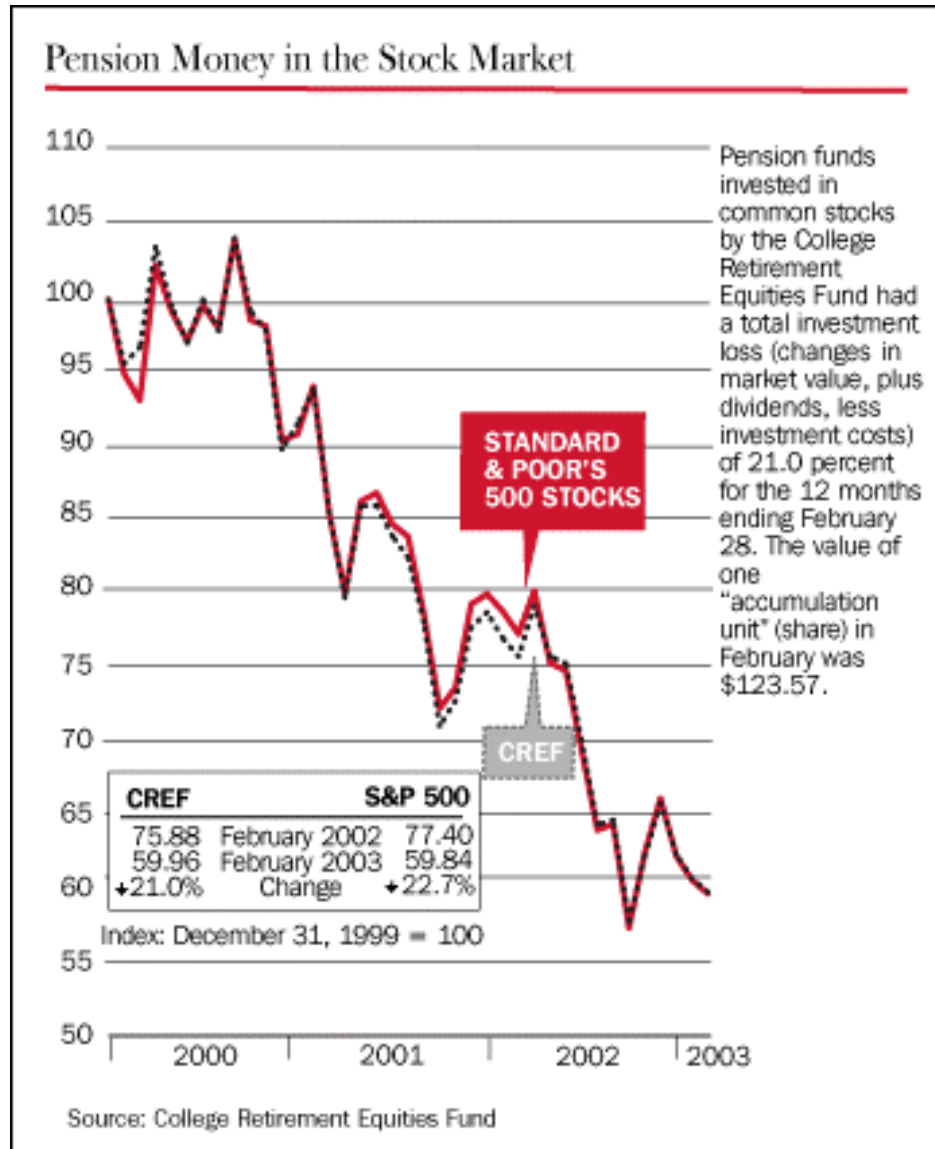
# Investment Performance

- **After performing better than other endowments for three years in a row, for the past three years our endowment has slightly underperformed other endowments.**



## UUA Endowment Investment Performance







# Changes by Investment Committee

- **Replaced investment consultant**
- **Shifting from "balanced" managers to "specialty" managers (which is the more typical endowment management structure)**
- **Establishing asset class targets and rebalancing mechanisms**
- **Terminating and replacing managers as quickly as possible while being prudent**



# Investment Committee

- **Four professional investment managers:**
  - **JoAnn Corkran (Credit Suisse Asset Management)**
  - **Karen Harris (UBS Warburg)**
  - **Lucia Santini-Field (U.S. Trust)**
  - **Craig Scholl (State Street Global Advisors)**
- **Financial Advisor (Larry Ladd)**
- **VP for Finance (Jerry Gabert)**
- **Trustee Liaison (Ed Wilde)**



# Accountability and Independence



# **Audit Committee:**

- **In January, the Finance Committee was considering recommending establishing of an Audit Committee as a new board committee.**
- **At this meeting you will be receiving that recommendation.**



# **Audit Committee:**

- **Focused task: financial reporting, internal controls, and compliance**
- **More independent**
- **Could have financial experts**
- **Another form of accountability to congregations**



# Church Staff Compensation



# Church Staff Compensation

- **Substantial progress in improving church staff compensation since GA set that goal**
- *compensation standards*
- *compensation consultant program to support congregations*
- *surveys to measure success*
- *change in culture around compensation*
- **You will be asked to approve new ranges at this meeting**



# Some Changes at the UUA



# **Some Changes in UUA**

(since I've been Financial Advisor)

- **Invigoration of Church Staff Compensation Program**
- **Socially Responsible Investing**
- **Plan Preceding Budget (tenuous)**
- **Focused Growth Strategies**



# Church Staff Compensation

- **Active Compensation Consultants in each district**
- **Revised recommended standards**
- **Website information**
- **5 workshops at GA**
- **Low payers are on the defensive**



# **Socially Responsible Investing**

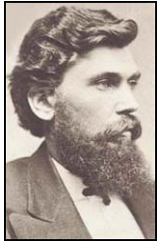
- **Shareholder activism – proxy fights**
- **Positive investing – community investment**
- **Institutionalized – SR Committee**
- **6 workshops on GA**
- **Website information**



# The Ledger



- **The FY03 budget is projected to be balanced**
- **APF giving remains strong**
- **Beacon Press is "on plan"**
- **Endowment management is changing**
- **Audit Committee will improve accountability**
- **Endowment revenue is shrinking**
- **FY04 budget assumes APF increase of 5.6%**



## Jenkin Lloyd Jones

We are here to stand for the future honor of our country and the further triumph of republicanism. Our service will be needed as long as there are those who would read democracy in terms of military power and who believe that the physical arm of man, which never has been strong enough to save any nation that the sun ever shone upon, is stronger, of more import than the spiritual power of man, which never yet has been defeated by any empire or power since time began.