



**UUSC**

# Financial Statements for the year ended June 30, 2010



**Unitarian Universalist Service Committee**

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# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Financial Statements*

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UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Statements of Financial Position*

	<i>June 30,</i>	
	<i>2010</i>	<i>2009</i>
<b>Assets</b>		
Cash and cash equivalents:		
Cash	\$ 2,168,806	\$ 410,527
Money market fund	464,843	464,140
<b>Total cash and cash equivalents</b>	<b>2,633,649</b>	<b>874,667</b>
Investments	11,345,315	10,252,041
Accounts and interest receivable	75,781	62,682
Pledges receivable, net	1,720,960	805,297
Prepaid expenses and other assets	141,716	97,147
Cash - escrow	78,407	196,423
Property and equipment, net	5,869,499	6,028,069
<b>Total assets</b>	<b>\$ 21,865,327</b>	<b>\$ 18,316,326</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 371,974	\$ 203,961
Accrued compensation	166,823	204,283
Pooled income deferred revenue	185,805	207,561
Unearned revenue	-	14,142
Bond payable	3,262,985	3,341,566
Donor advance - promissory notes	375,000	375,000
Planned giving obligations:		
Gift annuities	1,233,814	1,239,613
Trust agreements	74,912	82,289
Pooled income	5,377	7,292
<b>Total liabilities</b>	<b>5,676,690</b>	<b>5,675,707</b>
Net assets:		
Unrestricted	8,968,504	8,084,182
Temporarily restricted	3,634,346	1,371,007
Permanently restricted	3,585,787	3,185,430
<b>Total net assets</b>	<b>16,188,637</b>	<b>12,640,619</b>
<b>Total liabilities and net assets</b>	<b>\$ 21,865,327</b>	<b>\$ 18,316,326</b>

*See Independent Auditors' Report and the accompanying Notes to Financial Statements.*





# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Statements of Activities

			<i>Years Ended June 30,</i>	
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2010 Total</i>	<i>2009 Total</i>
<b>Operating support and revenue</b>				
Public support:				
Contribution	\$ 3,241,371	\$ 1,608,623	\$ 5,256,094	\$ 2,971,917
Matching grant	50,000	1,250,000	1,300,000	700,000
Foundations	99,300	46,333	145,633	119,526
Bequests appropriated	887,434	-	887,434	1,288,814
	<b>4,278,105</b>	<b>2,904,956</b>	<b>7,589,161</b>	<b>5,080,257</b>
Revenue:				
Sales of merchandise, net	40,481	-	40,481	37,558
Rental income and other	333,060	1,185	334,245	283,961
Investment income appropriated	680,144	-	680,144	650,000
	<b>1,053,685</b>	<b>1,185</b>	<b>1,054,870</b>	<b>971,519</b>
<b>Total operating support and revenue</b>	<b>5,331,790</b>	<b>2,906,141</b>	<b>8,644,031</b>	<b>6,051,776</b>
<b>Net assets released from restrictions</b>				
Satisfaction of program restrictions	113,694	(113,694)	-	-
Passage of time	750,956	(750,956)	-	-
Transfer upon demise of donors	46,850	(42,437)	(4,413)	-
	<b>911,500</b>	<b>(907,087)</b>	<b>(4,413)</b>	<b>-</b>
<b>Total operating support and revenue and net assets released from restrictions</b>	<b>6,243,290</b>	<b>1,999,054</b>	<b>8,644,031</b>	<b>6,051,776</b>
<b>Expenses</b>				
Program services	4,550,828	-	4,550,828	4,984,878
Fundraising	750,241	-	750,241	896,515
Management	338,814	-	338,814	371,761
<b>Total expenses</b>	<b>5,639,883</b>	<b>-</b>	<b>5,639,883</b>	<b>6,253,154</b>
<b>Income (loss) from operations</b>	<b>603,407</b>	<b>1,999,054</b>	<b>3,004,148</b>	<b>(201,378)</b>
<b>Non-operating activity</b>				
Bequests in excess of (less than) amount appropriated	340,571	-	340,571	(105,653)
Capital campaign support	31,317	99,496	130,813	22,152
Capital campaign expenses	(191,948)	-	(191,948)	(211,201)
Investment income in excess of (less than) amount appropriated and investment fees	288,565	141,238	429,803	(3,041,601)
Unrealized loss - investment other	-	-	-	(220,000)
Change in value of split-interest gifts	(187,590)	23,551	(165,369)	37,597
<b>Total net non-operating activity</b>	<b>280,915</b>	<b>264,285</b>	<b>543,870</b>	<b>(3,518,706)</b>
<b>Change in net assets</b>	<b>884,322</b>	<b>2,263,339</b>	<b>3,548,018</b>	<b>(3,720,084)</b>
Net assets, beginning of year	8,084,182	1,371,007	12,640,619	16,360,703
<b>Net assets, end of year</b>	<b>\$ 8,968,504</b>	<b>\$ 3,634,346</b>	<b>\$ 16,188,637</b>	<b>\$ 12,640,619</b>

See Independent Auditors' Report and the accompanying Notes to Financial Statements.



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Statement of Activities

Year Ended June 30, 2009

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Operating support and revenue</b>				
Public support:				
Contribution	\$ 2,933,039	\$ 36,878	\$ 2,000	\$ 2,971,917
Matching grant	-	700,000	-	700,000
Foundations	18,700	100,826	-	119,526
Bequests appropriated	1,288,814	-	-	1,288,814
	<b>4,240,553</b>	<b>837,704</b>	<b>2,000</b>	<b>5,080,257</b>
Revenue:				
Sales of merchandise, net	37,558	-	-	37,558
Rental income and other	283,961	-	-	283,961
Investment income appropriated	650,000	-	-	650,000
	<b>971,519</b>	<b>-</b>	<b>-</b>	<b>971,519</b>
<b>Total operating support and revenue</b>	<b>5,212,072</b>	<b>837,704</b>	<b>2,000</b>	<b>6,051,776</b>
<b>Net assets released from restrictions</b>				
Satisfaction of program restrictions	325,375	(325,375)	-	-
Passage of time	751,507	(751,507)	-	-
Transfer upon demise of donors	69,148	(39,000)	(30,148)	-
	<b>1,146,030</b>	<b>(1,115,882)</b>	<b>(30,148)</b>	<b>-</b>
<b>Total operating support and revenue and net assets released from restrictions</b>	<b>6,358,102</b>	<b>(278,178)</b>	<b>(28,148)</b>	<b>6,051,776</b>
<b>Expenses</b>				
Program services	4,984,878	-	-	4,984,878
Fundraising	896,515	-	-	896,515
Management	371,761	-	-	371,761
<b>Total expenses</b>	<b>6,253,154</b>	<b>-</b>	<b>-</b>	<b>6,253,154</b>
<b>Income (loss) from operations</b>	<b>104,948</b>	<b>(278,178)</b>	<b>(28,148)</b>	<b>(201,378)</b>
<b>Non-operating activity</b>				
Bequests in excess of (less than) amount appropriated	(430,653)	-	325,000	(105,653)
Capital campaign support	22,152	-	-	22,152
Capital campaign expenses	(115,882)	(95,319)	-	(211,201)
Investment income less than amount appropriated and investment fees	(3,041,601)	-	-	(3,041,601)
Unrealized loss - investment other	(220,000)	-	-	(220,000)
Change in value of split-interest gifts	(30,598)	57,443	10,752	37,597
<b>Total net non-operating activity</b>	<b>(3,816,582)</b>	<b>(37,876)</b>	<b>335,752</b>	<b>(3,518,706)</b>
<b>Change in net assets</b>	<b>(3,711,634)</b>	<b>(316,054)</b>	<b>307,604</b>	<b>(3,720,084)</b>
Net assets, beginning of year	11,795,816	1,687,061	2,877,826	16,360,703
<b>Net assets, end of year</b>	<b>\$ 8,084,182</b>	<b>\$ 1,371,007</b>	<b>\$ 3,185,430</b>	<b>\$ 12,640,619</b>

See Independent Auditors' Report and the accompanying Notes to Financial Statements.



**UNITARIAN UNIVERSALIST SERVICE COMMITTEE**  
*Statements of Functional Expenses*

		<i>Program Services</i>					<i>Supporting Services</i>		<i>Years Ended June 30,</i>	
									<i>2010</i>	<i>2009</i>
		<i>Environmental Justice</i>	<i>Economic Justice</i>	<i>Civil Liberties</i>	<i>Rights in Humanitarian Crisis</i>	<i>Total</i>	<i>Fundraising</i>	<i>Management</i>	<i>Total</i>	<i>Total</i>
Salaries and fringe	\$	1,111,790	\$ 725,080	\$ 580,064	\$ 139,094	\$ 2,556,028	\$ 467,145	\$ 169,735	\$ 3,192,908	\$ 3,612,406
Program grants		183,314	119,552	95,642	130,003	528,511	-	-	528,511	692,172
Designated/emergency relief grants		-	-	-	292,752	292,752	-	-	292,752	313,048
Professional fees		50,824	33,146	26,517	26,386	136,873	168,715	33,974	339,562	317,360
Printing and publication		55,126	35,952	28,761	5,763	125,602	49,823	373	175,798	194,630
Travel		50,868	33,175	26,540	28,812	139,395	30,607	3,277	173,279	256,907
Depreciation and amortization		88,498	57,716	46,173	-	192,387	36,398	31,198	259,983	247,673
Postage and delivery		30,590	19,950	15,960	312	66,812	24,743	987	92,542	119,681
Occupancy		44,537	29,046	23,237	-	96,820	23,467	26,647	146,934	141,949
Supplies		7,104	4,633	3,707	1,595	17,039	4,444	4,288	25,771	24,051
Cost of sales		-	-	-	-	-	46,346	-	46,346	34,833
Communication		14,674	9,570	7,656	3,835	35,735	9,074	8,563	53,372	56,714
Technology		5,930	3,867	3,094	-	12,891	1,546	2,233	16,670	10,594
Staff development		5,553	3,622	2,897	-	12,072	3,755	5,424	21,251	2,794
Rent		12,531	8,172	6,538	-	27,241	7,419	4,835	39,495	53,546
Memberships and subscription		21,494	14,018	11,214	825	47,551	11,403	5,064	64,018	64,102
Insurance		11,828	7,714	6,171	-	25,713	5,101	4,711	35,525	38,257
Investment fees		-	-	-	-	-	55,996	-	55,996	66,660
Interest - mortgage		51,496	33,584	26,868	-	111,948	27,139	30,531	169,618	173,538
Lock box and bank fees		1,173	765	612	19,962	22,512	59,485	670	82,667	58,269
Awards		920	600	480	-	2,000	-	-	2,000	139
Miscellaneous		44,652	29,121	23,297	3,876	100,946	11,926	6,304	119,176	86,525
		1,792,902	1,169,283	935,428	653,215	4,550,828	1,044,532	338,814	5,934,174	6,565,848
Less:										
Cost of sales		-	-	-	-	-	(46,346)	-	(46,346)	(34,833)
Capital campaign expenses		-	-	-	-	-	(191,949)	-	(191,949)	(211,201)
Investment fees		-	-	-	-	-	(55,996)	-	(55,996)	(66,660)
	\$	<u>1,792,902</u>	\$ <u>1,169,283</u>	\$ <u>935,428</u>	\$ <u>653,215</u>	\$ <u>4,550,828</u>	\$ <u>750,241</u>	\$ <u>338,814</u>	\$ <u>5,639,883</u>	\$ <u>6,253,154</u>

See Independent Auditors' Report and the accompanying Notes to Financial Statements.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Statement of Functional Expenses

Year Ended June 30, 2009

	Program Services					Supporting Services		2009 Total
	Environmental Justice	Economic Justice	Civil Liberties	Rights in Humanitarian Crisis	Total	Fundraising	Management	
Salaries and fringe	\$ 970,574	\$ 890,819	\$ 878,369	\$ -	\$ 2,739,762	\$ 672,872	\$ 199,772	\$ 3,612,406
Program grants	246,951	197,278	206,543	41,400	692,172	-	-	692,172
Designated/emergency relief grants	-	-	-	313,048	313,048	-	-	313,048
Professional fees	54,963	35,757	48,508	4,491	143,719	138,775	34,866	317,360
Printing and publication	53,340	46,737	46,617	-	146,694	47,936	-	194,630
Travel	69,471	60,931	60,702	29,077	220,181	31,705	5,021	256,907
Depreciation and amortization	66,846	58,012	58,420	-	183,278	34,674	29,721	247,673
Postage and delivery	31,520	27,107	27,192	-	85,819	32,435	1,427	119,681
Occupancy	33,533	29,102	29,306	-	91,941	21,889	28,119	141,949
Supplies	8,768	4,301	4,725	3	17,797	2,933	3,321	24,051
Cost of sales	-	-	-	-	-	34,833	-	34,833
Communication	12,290	11,884	10,637	155	34,966	10,354	11,394	56,714
Technology	2,086	1,811	1,824	-	5,721	1,801	3,072	10,594
Staff development	677	588	592	-	1,857	651	286	2,794
Rent	12,888	11,732	11,216	225	36,061	9,528	7,957	53,546
Memberships and subscription	19,154	16,623	16,887	93	52,757	11,290	55	64,102
Insurance	10,325	8,961	9,024	-	28,310	5,356	4,591	38,257
Investment fees	-	-	-	-	-	66,660	-	66,660
Interest - mortgage	46,837	40,648	40,934	-	128,419	24,295	20,824	173,538
Lock box and bank fees	2,322	2,015	2,029	-	6,366	49,925	1,978	58,269
Awards	51	45	43	-	139	-	-	139
Miscellaneous	33,611	10,688	11,567	5	55,871	11,297	19,357	86,525
	1,676,207	1,455,039	1,465,135	388,497	4,984,878	1,209,209	371,761	6,565,848
Less:								
Cost of sales	-	-	-	-	-	(34,833)	-	(34,833)
Capital campaign expenses	-	-	-	-	-	(211,201)	-	(211,201)
Investment fees	-	-	-	-	-	(66,660)	-	(66,660)
	<u>\$ 1,676,207</u>	<u>\$ 1,455,039</u>	<u>\$ 1,465,135</u>	<u>\$ 388,497</u>	<u>\$ 4,984,878</u>	<u>\$ 896,515</u>	<u>\$ 371,761</u>	<u>\$ 6,253,154</u>

See Independent Auditors' Report and the accompanying Notes to Financial Statements.





# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Statements of Cash Flows

	<i>Years Ended June 30,</i>	
	<i>2010</i>	<i>2009</i>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 3,548,018	\$ (3,720,084)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Gifts of investments	(133,957)	(108,148)
Depreciation and amortization	259,983	247,673
Realized and unrealized (gains) losses on investments	(972,743)	2,743,636
Net contributions to endowments	(400,357)	(307,604)
Change in bond premium	(78,583)	(74,660)
Changes in:		
Accounts and interest receivable	(13,099)	124,550
Pledges receivable, net	(915,663)	(5,971)
Prepaid expenses and other assets	(44,569)	16,288
Accounts payable and accrued expenses	168,013	(51,755)
Accrued compensation	(37,460)	1,004
Pooled income deferred revenue	(21,756)	(63,757)
Unearned revenue	(14,142)	2,262
Gift annuities obligations	(5,799)	(131,237)
Trust agreement obligations	(7,377)	(34,559)
Pooled income	(1,915)	255
Total adjustments	(2,219,424)	2,357,977
<b>Net cash provided by (used in) operating activities</b>	<b>1,328,594</b>	<b>(1,362,107)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(101,413)	(294,062)
Use of cash - escrow	118,016	379,294
Decrease in note receivable - program partner	-	91,442
Purchase of investments	(1,591,181)	(844,524)
Proceeds from the sale of investments	1,683,190	1,781,875
<b>Net cash provided by investing activities</b>	<b>108,612</b>	<b>1,114,025</b>
<b>Cash flows from financing activities:</b>		
Net contributions to endowments	400,357	307,604
Proceeds from donor advance - promissory notes	-	375,000
Repayment of bond payable	(78,581)	(74,662)
<b>Net cash provided by financing activities</b>	<b>321,776</b>	<b>607,942</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,758,982</b>	<b>359,860</b>
Cash and cash equivalents, beginning of year	874,667	514,807
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,633,649</b>	<b>\$ 874,667</b>
<b>Supplemental disclosure:</b>		
Cash paid for interest	\$ 169,618	\$ 173,538

See Independent Auditors' Report and the accompanying Notes to Financial Statements.





## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Financial Statements*

#### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies*

The Unitarian Universalist Service Committee (“UUSC”) is a voluntary not-for-profit organization headquartered in the United States. UUSC has programs throughout the world and is supported primarily through donor contributions, grants, foundations and bequests. The purpose of UUSC is to seek a more just and humane society.

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

#### *Basis of Accounting*

These statements have been prepared on the accrual basis. In their preparation, UUSC follows accounting principles and reporting requirements that are generally accepted for not-for-profit entities in the United States of America, including specialized requirements promulgated in publications of the Financial Accounting Standards Board and the American Institute of Certified Public Accountants.

#### *Classification of Net Assets*

Resources are classified for accounting and reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations. Included in unrestricted net assets are board-designated funds which are funds set aside by the Board of Trustees for strategic purposes and to provide investment income to support operations. These amounts may only be used with the approval of the Board of Trustees. Also included in unrestricted net assets is UUSC’s investment in plant, which represents the portion of expendable funds invested in UUSC’s property and equipment used in its operations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met by actions of UUSC and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally, the income earned on these investments is available for program operations unless restricted by the donor. Unexpended appreciation on permanently restricted net assets is included in temporarily restricted net assets.

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant management estimates included in the financial statements relate to the allowance for pledges, fair value of certain investments, useful lives of property and equipment, and the allocation of common expenses over program functions.

*See Independent Auditors’ Report.*



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Financial Statements*

#### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

##### *Income Tax Status*

UUSC is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state income taxes. Accordingly, no provision for income taxes is made in the financial statements.

##### *Uncertain Tax Positions*

UUSC accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. UUSC has identified its tax status as a tax exempt entity as a tax position; however, UUSC has determined that such tax position does not result in an uncertainty requiring recognition. UUSC is not currently under examination by any taxing jurisdiction. UUSC’s Federal and state income tax returns are generally open for examination for three years following the date filed.

##### *Cash and Cash Equivalents*

UUSC classifies all instruments with original maturities of three months or less that will be used in operations as cash equivalents. Cash and cash equivalents held by investment managers are considered part of investments.

##### *Investments*

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section. Land held for sale is recorded at estimated fair value as determined by management.

Interest, dividends and net gains or losses on investments are reported as increases or decreases in permanently restricted net assets if the terms of the original gift require that they be applied to the principal of a permanent endowment fund; as increases or decreases in temporarily restricted net assets if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses; and as increases or decreases in unrestricted net assets in all other cases.

##### *Cash - Escrow*

Cash - escrow represents amounts held in connection with UUSC’s debt arrangements. Such amounts are held in short term investments and are presented at fair value, as described later in this section.



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Financial Statements*

#### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

##### ***Property and Equipment***

Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. UUSC capitalizes property and equipment with a cost greater than \$2,000 and a useful life of more than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets which range from five to forty years.

##### ***Pledges Receivable***

Pledges receivable are recognized at fair value at the date the promise is verifiably committed. Conditional promises to give and intentions to give are reported at fair value at the date the actual gift is received or the conditional promise becomes unconditional.

Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. While the risk adjusted rate is theoretically specific to each balance, management has determined that an overall discount rate of 2.69% and 3.15% for the fiscal years ended June 30, 2010 and 2009, respectively, reasonably accounts for this inherent risk. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance based on prior years' experience and management's analysis of specific promises made.

##### ***Contributions***

Unconditional contributions, including those of property and promises to give, are recognized as revenue in the period received or promised. They are recorded at their fair values, when initially received or promised, as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributed services meeting the criteria for recognition are recorded as contributions and as expenses based on the value of the services provided. Donor-restricted contributions whose restrictions are met in the same fiscal year are reported as unrestricted contributions.

*Disaster Relief* – Large-scale natural disasters and the humanitarian crises that follow require a wide variety of aid, immediately and over the mid and long-term. UUSC's disaster response focuses on those groups of people who are at risk of being overlooked by mainstream disaster responses. UUSC seeks to maximize donations to assist such people. To that end, UUSC sends \$0.92 of every dollar donated to support relief and recovery efforts on the ground. The remaining \$0.08 covers essential administrative expenses such as wire transfer fees to send funds, calls between UUSC offices and UUSC partners on the ground, and temporary hires to support our rapid response.





## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Financial Statements*

#### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

##### *Conditional Promises to Give*

From time to time, UUSC has been advised that it has been included in the wills of recently-deceased donors. Such intended bequests are not recorded until the wills have been validated by the applicable probate court. UUSC will record such bequests as revenue when such conditions, and any others, if any, established in such wills, have been completely met and the proceeds are reasonably measurable.

##### *Functional Reporting*

UUSC allocates its expenses to its various programs and support services. Expenses that can be identified with a specific program and support service are recorded directly. Expenses common to several functions are allocated by using various rational and systematic methods.

##### *Advertising Expense*

UUSC expenses all advertising costs as they are incurred. They are included in printing and publication expenses.

##### *Fair Value Measurements*

UUSC reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require UUSC to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique, as discussed below.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

*See Independent Auditors' Report.*



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Financial Statements*

#### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

##### *Fair Value Measurements (Continued)*

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of UUSC's financial instruments, see Note 3 - Fair Values of Financial Instruments.

##### *Reclassifications*

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

##### *Subsequent Events*

UUSC has evaluated subsequent events through October 2, 2010, the date the Board of Trustees approved and authorized the financial statements to be issued.

#### *Note 2 - Investments*

Investments were composed of the following at June 30:

	<i>2010</i>	<i>2009</i>
Money market instruments	\$ 3,768,995	\$ 2,080,886
Government issued securities and mutual funds of government securities	1,153,592	1,533,037
Common stocks	3,616,465	3,963,512
Mutual funds	1,806,263	1,674,606
Land held for sale	<u>1,000,000</u>	<u>1,000,000</u>
<b>Total investments</b>	<b>\$ <u>11,345,315</u></b>	<b>\$ <u>10,252,041</u></b>

Certain of these investments specifically support UUSC's planned giving obligations as noted per the agreement and are, therefore, not available to support operations. These assets amounted to \$1,180,344 and \$1,364,022 at June 30, 2010 and 2009, respectively.

Land held for sale relates to a gift of land, received by UUSC during 2006, which is being held for resale. In 2009, the reduced value was based on land market values in the same county. Management negotiated with a buyer, and the land was sold for \$1,000,000 in September, 2010.

*See Independent Auditors' Report.*



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Financial Statements

### Note 2 - Investments (Continued)

Investment return was recorded as follows in the statements of activities:

	2010	2009
Investment income and gains appropriated	\$ 680,144	\$ 650,000
Investment income and gains, net of amounts appropriated	485,799	(2,974,941)
Investment fees	<u>(55,996)</u>	<u>(66,660)</u>
<b>Total investment return</b>	<b>\$ <u>1,109,947</u></b>	<b>\$ <u>(2,391,601)</u></b>

Investment return was composed of:

	2010	2009
Interest and dividend income	\$ 193,200	\$ 198,695
Realized and unrealized gains (losses) on investments	972,743	(2,523,636)
Investment fees	<u>(55,996)</u>	<u>(66,660)</u>
<b>Total investment return</b>	<b>\$ <u>1,109,947</u></b>	<b>\$ <u>(2,391,601)</u></b>

The amount of investment income appropriated to operations is the amount calculated by the 5.75% spending rate, with the remaining balance reported as non-operating.

### Note 3 - Fair Values of Financial Instruments

The following table presents financial assets at June 30, 2010 that UUSC measures at fair value on a recurring basis, by level, within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments	\$ 10,345,315	\$ -	\$ 1,000,000	\$ 11,345,315
Cash - escrow	<u>78,407</u>	<u>-</u>	<u>-</u>	<u>78,407</u>
	<b>\$ <u>10,423,722</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>1,000,000</u></b>	<b>\$ <u>11,423,722</u></b>

See Independent Auditors' Report.





# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Financial Statements

### Note 3 - Fair Values of Financial Instruments (Continued)

The following table presents financial assets at June 30, 2009 that UUSC measures at fair value on a recurring basis, by level, within the fair value hierarchy:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investments	\$ 9,252,041	\$ -	\$ 1,000,000	\$ 10,252,041
Cash - escrow	<u>196,423</u>	<u>-</u>	<u>-</u>	<u>196,423</u>
	<u><b>\$ 9,448,464</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,000,000</b></u>	<u><b>\$ 10,448,464</b></u>

The changes in instruments measured at fair value for which UUSC has used Level 3 inputs to determine fair value are as follows:

	<i>Level 3</i>
<b>Balance at July 1, 2008</b>	<b>\$ 1,220,000</b>
Unrealized loss	<u>(220,000)</u>
<b>Balance at June 30, 2009</b>	<b>1,000,000</b>
Unrealized loss	<u>-</u>
<b>Balance at June 30, 2010</b>	<b><u>\$ 1,000,000</u></b>

### Note 4 - Pledges Receivable

Pledges are reported at their net present value, net of a historically-determined allowance for uncollectible pledges. They were composed of the following at June 30:

	<i>2010</i>	<i>2009</i>
Due within one year	\$ 1,544,833	\$ 750,826
Due in one to five years	167,000	67,500
Bequests based upon validated wills	<u>21,000</u>	<u>500</u>
	1,732,833	818,826
Less: allowance for uncollectible pledges	<u>11,873</u>	<u>13,529</u>
<b>Total pledges receivable</b>	<b><u>\$ 1,720,960</u></b>	<b><u>\$ 805,297</u></b>

See Independent Auditors' Report.



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Financial Statements*

#### *Note 5 - Property and Equipment, Net*

Property and equipment were composed of the following at June 30:

	2010	2009
Land	\$ 970,001	\$ 970,001
Property and improvements	5,261,243	5,186,153
Office and computer equipment	553,178	654,434
	<hr/>	<hr/>
	6,784,422	6,810,588
Less: accumulated depreciation	914,923	782,519
	<hr/>	<hr/>
<b>Total property and equipment, net</b>	<b>\$ 5,869,499</b>	<b>\$ 6,028,069</b>

#### *Note 6 - Planned Giving Programs*

##### *Gift Annuities, Trust Agreements and Pooled Income Fund*

Resources are routinely transferred to UUSC associated with various “split-interest agreements”. Under this program, contributed assets are recorded at fair value. Actuarial liabilities for gift annuities, trust agreements and pooled income fund are initially recorded at the estimated fair value of the obligation when the agreement is entered into with the balance reflected as a restricted gift. For the pooled income fund, the difference is recorded as deferred revenue, to be recognized upon the demise of the donor or beneficiary. Fair value is determined as per the fair value policies elsewhere in these notes and represents a non-recurring fair value measurement. The liabilities represent amounts due to donors in future years in connection with these instruments. To compute initial value, present value calculations are used along with the appropriate mortality tables and risk-adjusted rates. Subsequent years are adjusted based on changes in life expectancy and normal amortization while discount rates remain frozen over the life of the arrangement.

#### *Note 7 - Bond Payable*

UUSC has a tax exempt bond outstanding which was used to finance the purchase of its primary operating facility. The bond is secured by the related building and bears interest at a fixed rate of 5.06%. The principal and interest on the loan is payable in 120 monthly payments. Annual payments of principal and interest are approximately \$250,000 per year. UUSC is required to maintain certain financial covenants.

*See Independent Auditors’ Report.*



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Financial Statements*

### *Note 7 - Bond Payable (Continued)*

The annual principal payments for the next five years and thereafter as of June 30, 2010 are as follows:

2011	\$	82,746
2012		87,092
2013		91,667
2014		96,482
2015		101,550
Thereafter		<u>2,803,448</u>
	\$	<u><u>3,262,985</u></u>

### *Note 8 - Donor Advance - Promissory Notes*

In 2009, two significant donors advanced funds to UUSC in return for non-interest bearing demand promissory notes. UUSC invested the proceeds from these notes in certificates of deposit, the interest of which can be used to support operations. It is the donor's intention to forgive the note upon their death. These amounts have not been accounted for as contributions and have not been present valued due to the demand feature of the notes.

### *Note 9 - Net Assets and Endowment Matters*

Net assets were composed of the following at June 30:

#### *Unrestricted:*

	<i>2010</i>	<i>2009</i>
Operating - undesignated	\$ 340,923	\$ 247,355
Board designated	5,942,660	4,953,901
Plant	<u>2,684,921</u>	<u>2,882,926</u>
<b>Total unrestricted net assets</b>	<b>\$ <u><u>8,968,504</u></u></b>	<b>\$ <u><u>8,084,182</u></u></b>

*See Independent Auditors' Report.*





# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Financial Statements

### Note 9 - Net Assets and Endowment Matters (Continued)

#### Temporarily Restricted:

	2010	2009
Eleanor Clark French Library	\$ 100,000	\$ 100,000
Programs	61,027	109,702
Designated relief	2,106,781	65,834
Capital campaign	99,497	-
Time	794,833	750,955
Accumulated appreciation on endowment	141,238	-
Charitable trusts	93,462	113,613
Pooled income	237,508	230,903
<b>Total temporarily restricted net assets</b>	<b>\$ 3,634,346</b>	<b>\$ 1,371,007</b>

#### Permanently Restricted:

	2010	2009
Charitable trusts	\$ 9,942	\$ 9,942
Capital campaign	250,000	250,000
Pooled income	100,793	106,535
Endowment fund	3,225,052	2,818,953
<b>Total permanently restricted net assets</b>	<b>\$ 3,585,787</b>	<b>\$ 3,185,430</b>

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 141,238	\$ 3,585,787	\$ 3,727,025
Board-designated endowment funds	5,942,660	-	-	5,942,660
<b>Total funds</b>	<b>\$ 5,942,660</b>	<b>\$ 141,238</b>	<b>\$ 3,585,787</b>	<b>\$ 9,669,685</b>

See Independent Auditors' Report.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Financial Statements*

*Note 9 - Net Assets and Endowment Matters (Continued)*

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2009:

	<i>Unrestricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 3,185,430	\$ 3,185,430
Board-designated endowment funds	<u>4,953,901</u>	<u>-</u>	<u>4,953,901</u>
<b>Total funds</b>	<b><u>\$ 4,953,901</u></b>	<b><u>\$ 3,185,430</u></b>	<b><u>\$ 8,139,331</u></b>

*See Independent Auditors' Report.*



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Financial Statements

### Note 9 - Net Assets and Endowment Matters (Continued)

The following represents required disclosure relating to the composition of endowment assets and those functioning as endowment assets at:

	<i>June 30, 2010</i>			
	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 4,953,901	\$ -	\$ 3,185,430	\$ 8,139,331
Gifts and additions	1,228,005	-	406,100	1,634,105
Investment returns:				
Interest and dividends	129,088	41,251	-	170,339
Realized and unrealized gains	863,320	275,880	-	1,139,200
Total investment returns	992,408	317,131	-	1,309,539
Expenditures:				
Bequests appropriated for operations	(887,434)	-	-	(887,434)
Spending rate appropriated for operations	(515,434)	(164,710)	-	(680,144)
Underdraw of spending rate	160,501	-	-	160,501
Custodial fees	(37,932)	(12,121)	-	(50,053)
Total expenditures	(1,280,299)	(176,831)	-	(1,457,130)
Change in endowment assets and those functioning as endowment assets	940,114	140,300	406,100	1,486,514
Other changes:				
Change in value and transfer upon demise	48,645	938	(5,743)	43,840
Total other changes	48,645	938	(5,743)	43,840
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ 5,942,660</b>	<b>\$ 141,238</b>	<b>\$ 3,585,787</b>	<b>\$ 9,669,685</b>

See Independent Auditors' Report.





# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Financial Statements

### Note 9 - Net Assets and Endowment Matters (Continued)

	June 30, 2009			
	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 8,349,462	\$ -	\$ 3,223,770	\$ 11,573,232
Reclassification based on change in law	-	345,944	(345,944)	-
Gifts and additions	228,161	-	327,000	555,161
Investment returns:				
Interest and dividends	97,888	69,491	-	167,379
Realized and unrealized losses	(1,498,557)	(1,064,447)	-	(2,563,004)
Total investment returns	(1,400,669)	(994,956)	-	(2,395,625)
Expenditures:				
Bequests appropriated for operations	(1,288,814)	-	-	(1,288,814)
Spending rate appropriated for operations	(380,139)	(269,861)	-	(650,000)
Underdraw of spending rate	360,139	-	-	360,139
Custodial fees	(35,279)	(25,045)	-	(60,324)
Total expenditures	(1,344,093)	(294,906)	-	(1,638,999)
Change in endowment assets and those functioning as endowment assets	(2,516,601)	(1,289,862)	327,000	(3,479,463)
Other changes:				
Transfer related to funds with deficiencies	(955,031)	955,031	-	-
Change in value and transfer upon demise	76,071	(11,113)	(19,396)	45,562
Total other changes	(878,960)	943,918	(19,396)	45,562
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ 4,953,901</b>	<b>\$ -</b>	<b>\$ 3,185,430</b>	<b>\$ 8,139,331</b>

See Independent Auditors' Report.



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Financial Statements*

#### *Note 9 - Net Assets and Endowment Matters (Continued)*

##### *Endowment*

UUSC's endowment consists of approximately 32 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

##### *Interpretation of Relevant Law and Spending Policy*

UUSC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UUSC in a manner consistent with the standard of prudence prescribed by state law. In accordance with state law, UUSC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of UUSC and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of UUSC
- (7) The investment policies of UUSC

##### *Spending Rates and the Measure of Operations*

The Board of Trustees, recognizing that certain of its sources of revenue are very stable in the long term but can fluctuate significantly from year to year, have adopted authorized spending rates for these sources. Investment income appropriated for the year is calculated at the beginning of the year as 5.75% of total average non-planned giving investments for the previous twelve calendar quarters. Bequests appropriated for the year are calculated at the beginning of the year as 75% of the last three years' total average bequests. In addition to the bequests appropriated based on the spending rate, the Board of Trustees approved additional draw downs during the years ended June 30, 2010 and 2009 of \$390,000 and \$780,000, respectively, to help meet operating cash needs.

In its statement of activities, UUSC includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income earned and bequests received in excess of (or less than) UUSC's authorized spending rates are recognized as non-operating activity as are changes in the value of split-interest agreements.



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Financial Statements*

#### *Note 9 - Net Assets and Endowment Matters (Continued)*

##### *Funds with Deficiencies*

Due to a sharp decline in the equity market in 2009, the market value of the endowment assets were below their original gift values. This under-value amounted to approximately \$900,000 as of June 30, 2009. This amount was transferred from the board-designated fund to cover the under-valued amounts. There were no such amounts at June 30, 2010.

UUSC believes this deficit does not present any risk because it has enough assets in its investment portfolio to cover the corpus of the endowment fund balance.

##### *Return Objectives and Risk Parameters*

UUSC's investment portfolio is managed to provide for the long-term support of UUSC. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. It is the goal of the aggregate long-term investments to generate an average total annual return that exceeds the spending/payout rate plus inflation.

##### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, UUSC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). UUSC targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, UUSC seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

#### *Note 10 - Allocation of Joint Costs*

UUSC conducted activities that included appeals for contributions and that incurred joint costs.

These costs were included in the statements of activities as follows at June 30:

	<i>2010</i>	<i>2009</i>
Program services	\$ 51,817	\$ 57,522
Fundraising	<u>58,433</u>	<u>73,209</u>
<b>Total allocation of joint costs</b>	<b>\$ <u>110,250</u></b>	<b>\$ <u>130,731</u></b>

*See Independent Auditors' Report.*



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Financial Statements*

#### *Note 10 - Allocation of Joint Costs (Continued)*

These costs were included in the statements of functional expenses as follows:

	<i>2010</i>	<i>2009</i>
Printing and publications	\$ 64,632	\$ 74,743
Postage and delivery	<u>45,618</u>	<u>55,988</u>
<b>Total</b>	<b><u>\$ 110,250</u></b>	<b><u>\$ 130,731</u></b>

#### *Note 11 - Contributed Services*

Contributed professional accounting, computer technology, and legal services in the amounts of \$6,064 and \$36,065 for the years ended June 30, 2010 and 2009, respectively, were recorded as unrestricted contributions and as expense. Extensive other services have been provided by volunteers that UUSC does not record in this manner as they do not meet the requirements established under generally accepted accounting principles.

#### *Note 12 - Concentrations of Credit and other Similar Risks*

Revenue for the years ended June 30, 2010 and 2009 includes \$1,300,000 and \$700,000, respectively, in contributions from a single donor, the Unitarian Universalist Veatch Program at Shelter Rock, which is located in Manhasset, New York. In addition, pledges receivable includes \$1,000,000 and \$700,000 at June 30, 2010 and 2009, respectively, from this same donor. The pledge from 2009 was collected, and, based on experience, UUSC expects that the balance at June 30, 2010 will also be collected in full.

Cash and cash equivalents are maintained in accounts, which, from time to time, may exceed federally insured limits. UUSC monitors its exposure associated with these accounts and has not experienced any losses.

UUSC's workforce is composed primarily of members of UNITE Here! with whom there is a collective bargaining agreement. In June 2010, that agreement was extended for one year until June 2011.

#### *Note 13 - Retirement Plan*

UUSC maintains a qualified defined contribution retirement plan for the benefit of all employees who have completed one year of service working a minimum of twenty hours a week. The present employer contribution rate is 9% of an employee's base salary. In addition, employees under the age of 50 may make elective salary reduction contributions of up to \$16,500, and employees aged 50 and over may make elective salary reduction contributions of up to \$22,000.

All contributions to the plan are invested in a group annuity contract. Retirement plan expenses were \$125,705 and \$216,840 for the years ended June 30, 2010 and 2009, respectively.

*See Independent Auditors' Report.*





**Mayer Hoffman McCann P.C.**

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*Independent Auditors' Report*

Board of Trustees  
Unitarian Universalist Service Committee  
Cambridge, Massachusetts

We have audited the accompanying statements of financial position of Unitarian Universalist Service Committee ("UUSC") as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of UUSC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unitarian Universalist Service Committee as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Mayer Hoffman McCann P.C.*

October 2, 2010  
Cambridge, Massachusetts