



uusc

Financial Statements for the Year Ended June 30, 2012



Unitarian Universalist Service Committee

689 Massachusetts Avenue | Cambridge, MA 02139

uusc.org | 617-868-6600 | info@uusc.org



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Financial Statements

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UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Statements of Financial Position

	<i>June 30,</i>	
	<i>2012</i>	<i>2011</i>
Assets		
Cash and cash equivalents:		
Cash	\$ 2,135,430	\$ 2,807,093
Money market fund	85,866	85,857
Total cash and cash equivalents	2,221,296	2,892,950
Investments	12,220,253	12,511,655
Accounts and interest receivable	110,545	110,561
Pledges receivable, net	2,775,114	1,001,547
Prepaid expenses and other assets	123,646	91,174
Debt service reserve fund	78,644	78,977
Property and equipment, net	5,522,284	5,670,263
Total assets	\$ 23,051,782	\$ 22,357,127
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 459,455	\$ 247,096
Accrued compensation	222,705	190,322
Pooled income deferred revenue	182,583	201,265
Bond payable	3,093,658	3,180,272
Donor advance - promissory notes	375,000	375,000
Planned giving obligations:		
Gift annuities	1,264,664	1,269,370
Trust agreements	69,596	73,816
Pooled income	3,818	6,031
Total liabilities	5,671,479	5,543,172
Net assets:		
Unrestricted	8,893,295	9,677,537
Temporarily restricted	4,865,122	3,515,082
Permanently restricted	3,621,886	3,621,336
Total net assets	17,380,303	16,813,955
Total liabilities and net assets	\$ 23,051,782	\$ 22,357,127

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>Permanently Restricted</i>	<i>2012 Total</i>	<i>2011 Total</i>
Operating support and revenue					
Public support:					
Contributions	\$ 3,845,427	\$ 1,349,880	\$ 550	\$ 5,195,857	\$ 3,829,106
Matching grant	-	800,000	-	800,000	775,000
Foundations	107,082	40,000	-	147,082	183,788
Bequests appropriated	595,317	-	-	595,317	694,135
	4,547,826	2,189,880	550	6,738,256	5,482,029
Revenue:					
Sales of merchandise, net	47,575	-	-	47,575	45,127
Rental income and other	355,906	58,843	-	414,749	397,169
Investment income and gains appropriated	471,627	-	-	471,627	525,623
	875,108	58,843	-	933,951	967,919
Total operating support and revenue	5,422,934	2,248,723	550	7,672,207	6,449,948
Net assets released from restrictions					
Satisfaction of program restrictions	1,059,305	(1,059,305)	-	-	-
Passage of time	828,510	(828,510)	-	-	-
	1,887,815	(1,887,815)	-	-	-
Total operating support and revenue and net assets released from restrictions	7,310,749	360,908	550	7,672,207	6,449,948
Expenses					
Program services	6,293,116	-	-	6,293,116	5,488,667
Fundraising	664,050	-	-	664,050	592,007
Management	270,174	-	-	270,174	261,380
	7,227,340	-	-	7,227,340	6,342,054
Income from operations	83,409	360,908	550	444,867	107,894
Non-operating activity					
Bequests in excess of (less than) amount appropriated	(265,160)	1,223,920	-	958,760	(333,719)
Capital campaign support	35,402	(33,500)	-	1,902	46,024
Capital campaign expenses	(131,950)	-	-	(131,950)	(186,368)
Investment income in excess of (less than) amount appropriated and investment fees	(298,851)	(175,170)	-	(474,021)	1,158,177
Change in value of split-interest gifts and transfer upon demise	(207,092)	(26,118)	-	(233,210)	(166,692)
	(867,651)	989,132	-	121,481	517,422
Change in net assets	(784,242)	1,350,040	550	566,348	625,316
Net assets, beginning of year	9,677,537	3,515,082	3,621,336	16,813,955	16,188,639
Net assets, end of year	\$ 8,893,295	\$ 4,865,122	\$ 3,621,886	\$ 17,380,303	\$ 16,813,955

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



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Statement of Activities *Year Ended June 30, 2011*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Operating support and revenue				
Public support:				
Contributions	\$ 3,216,182	\$ 585,104	\$ 27,820	\$ 3,829,106
Matching grant	-	775,000	-	775,000
Foundations	138,955	44,833	-	183,788
Bequests appropriated	694,135	-	-	694,135
	4,049,272	1,404,937	27,820	5,482,029
Revenue:				
Sales of merchandise, net	45,127	-	-	45,127
Rental income and other	374,319	22,850	-	397,169
Investment income appropriated	525,623	-	-	525,623
	945,069	22,850	-	967,919
Total operating support and revenue	4,994,341	1,427,787	27,820	6,449,948
Net assets released from restrictions				
Satisfaction of program restrictions	794,833	(794,833)	-	-
Passage of time	1,092,674	(1,092,674)	-	-
	1,887,507	(1,887,507)	-	-
Total operating support and revenue and net assets released from restrictions	6,881,848	(459,720)	27,820	6,449,948
Expenses				
Program services	5,488,667	-	-	5,488,667
Fundraising	592,007	-	-	592,007
Management	261,380	-	-	261,380
Total expenses	6,342,054	-	-	6,342,054
Income (loss) from operations	539,794	(459,720)	27,820	107,894
Non-operating activity				
Bequests in excess of (less than) amount appropriated	(333,719)	-	-	(333,719)
Capital campaign support	(3,305)	49,329	-	46,024
Capital campaign expenses	(186,368)	-	-	(186,368)
Investment income in excess of (less than) amount appropriated and investment fees	857,872	300,305	-	1,158,177
Change in value of split-interest gifts and transfer upon demise	(165,242)	(9,179)	7,729	(166,692)
Total net non-operating activity	169,238	340,455	7,729	517,422
Change in net assets	709,032	(119,265)	35,549	625,316
Net assets, beginning of year	8,968,505	3,634,347	3,585,787	16,188,639
Net assets, end of year	\$ 9,677,537	\$ 3,515,082	\$ 3,621,336	\$ 16,813,955

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>2012</i>	<i>2011</i>
	<i>Environmental Justice</i>	<i>Economic Justice</i>	<i>Civil Liberties</i>	<i>Rights in Humanitarian Crisis</i>	<i>College of Social Justice</i>	<i>Total</i>	<i>Fundraising</i>	<i>Management</i>	<i>Total</i>	<i>Total</i>
Salaries and fringe	\$ 977,655	\$ 674,506	\$ 599,297	\$ 1,022,053	\$ 250,281	\$ 3,523,792	\$ 192,743	\$ 25,272	\$ 3,741,807	\$ 3,137,924
Program grants	156,277	154,192	110,233	131,371	12,500	564,573	-	-	564,573	541,858
Designated/emergency relief grants	-	-	-	678,030	-	678,030	-	-	678,030	849,459
Professional fees	58,959	43,731	37,289	98,037	84,870	322,886	150,299	29,105	502,290	343,381
Printing and publication	74,277	55,435	46,976	69,603	8,603	254,894	37,332	193	292,419	191,244
Travel	66,211	52,162	43,546	91,652	116,148	369,719	19,178	4,534	393,431	343,824
Depreciation and amortization	42,320	31,390	26,765	39,656	-	140,131	50,957	63,696	254,784	257,867
Postage and delivery	35,978	26,884	22,965	33,747	687	120,261	17,251	928	138,440	95,221
Occupancy	27,452	20,362	17,362	25,726	-	90,902	43,140	60,296	194,338	137,322
Supplies	3,594	2,545	2,240	4,504	5,542	18,425	4,918	2,445	25,788	31,379
Cost of sales	-	-	-	-	-	-	39,444	-	39,444	32,005
Communication	12,261	8,763	6,469	14,765	3,031	45,289	10,819	7,526	63,634	59,962
Technology	2,950	2,188	1,866	3,559	5,553	16,116	940	1,026	18,082	22,475
Staff development	3,320	2,463	2,100	3,138	-	11,021	4,334	4,953	20,308	5,591
Rent	5,551	4,117	3,511	5,254	-	18,433	1,982	2,477	22,892	32,859
Memberships and subscription	18,232	14,302	11,767	16,849	1,296	62,446	9,934	102	72,482	67,566
Insurance	7,822	5,802	4,947	7,332	-	25,903	9,419	11,775	47,097	41,068
Investment fees	-	-	-	-	-	-	58,745	-	58,745	57,011
Interest - mortgage	25,376	18,822	16,049	23,777	-	84,024	25,854	51,707	161,585	165,486
Lock box and bank fees	1,035	745	635	2,469	-	4,884	93,304	672	98,860	80,580
Awards	604	448	382	567	-	2,001	-	-	2,001	2,092
Miscellaneous	14,327	9,813	12,082	13,166	2,156	51,544	11,438	3,467	66,449	121,264
	1,534,201	1,128,670	966,481	2,285,255	490,667	6,405,274	782,031	270,174	7,457,479	6,617,438
Less:										
Cost of sales	-	-	-	-	-	-	(39,444)	-	(39,444)	(32,005)
Major donor expenses	(19,520)	(13,946)	(12,187)	(66,505)	-	(112,158)	(19,792)	-	(131,950)	(186,368)
Investment fees	-	-	-	-	-	-	(58,745)	-	(58,745)	(57,011)
	<u>\$ 1,514,681</u>	<u>\$ 1,114,724</u>	<u>\$ 954,294</u>	<u>\$ 2,218,750</u>	<u>\$ 490,667</u>	<u>\$ 6,293,116</u>	<u>\$ 664,050</u>	<u>\$ 270,174</u>	<u>\$ 7,227,340</u>	<u>\$ 6,342,054</u>

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



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Statement of Functional Expenses

Year Ended June 30, 2011

	<i>Program Services</i>						<i>Supporting Services</i>		<i>Total</i>
	<i>Environmental Justice</i>	<i>Economic Justice</i>	<i>Civil Liberties</i>	<i>Rights in Humanitarian Crisis</i>	<i>College of Social Justice</i>	<i>Total</i>	<i>Fundraising</i>	<i>Management</i>	
Salaries and fringe	\$ 741,408	\$ 508,706	\$ 333,337	\$ 780,573	\$ 423,615	\$ 2,787,639	\$ 318,371	\$ 31,914	\$ 3,137,924
Program grants	134,501	152,366	118,795	124,196	12,000	541,858	-	-	541,858
Designated/emergency relief grants	-	-	-	849,459	-	849,459	-	-	849,459
Professional fees	34,652	26,340	21,127	80,442	22,974	185,535	121,549	36,297	343,381
Printing and publication	45,558	35,354	24,856	54,115	10,801	170,684	20,410	150	191,244
Travel	40,438	37,073	24,403	92,627	62,642	257,183	81,906	4,735	343,824
Depreciation and amortization	37,016	28,252	19,443	35,354	21,761	141,826	51,573	64,468	257,867
Postage and delivery	23,554	18,240	12,426	22,638	7,881	84,739	9,778	704	95,221
Occupancy	18,848	14,139	10,286	17,638	13,367	74,278	32,195	30,849	137,322
Supplies	3,239	2,728	1,733	11,450	5,143	24,293	4,667	2,419	31,379
Cost of sales	-	-	-	-	-	-	32,005	-	32,005
Communication	8,803	6,850	4,411	10,084	7,006	37,154	13,511	9,297	59,962
Technology	4,444	3,392	2,334	5,533	2,176	17,879	2,265	2,331	22,475
Staff development	868	663	456	829	476	3,292	1,022	1,277	5,591
Rent	6,535	4,866	3,804	7,335	1,253	23,793	4,002	5,064	32,859
Memberships and subscription	13,317	10,653	7,279	17,077	828	49,154	18,327	85	67,566
Insurance	5,689	4,341	2,987	6,877	3,344	23,238	7,924	9,906	41,068
Investment fees	-	-	-	-	-	-	57,011	-	57,011
Interest - mortgage	19,587	14,950	10,288	23,093	11,515	79,433	24,823	61,230	165,486
Lock box and bank fees	748	571	393	12,032	130	13,874	66,052	654	80,580
Awards	645	492	339	616	-	2,092	-	-	2,092
Miscellaneous	-	-	-	58,078	63,186	121,264	-	-	121,264
	1,139,850	869,976	598,697	2,210,046	670,098	5,488,667	867,391	261,380	6,617,438
Less:									
Cost of sales	-	-	-	-	-	-	(32,005)	-	(32,005)
Capital campaign expenses	-	-	-	-	-	-	(186,368)	-	(186,368)
Investment fees	-	-	-	-	-	-	(57,011)	-	(57,011)
	<u>\$ 1,139,850</u>	<u>\$ 869,976</u>	<u>\$ 598,697</u>	<u>\$ 2,210,046</u>	<u>\$ 670,098</u>	<u>\$ 5,488,667</u>	<u>\$ 592,007</u>	<u>\$ 261,380</u>	<u>\$ 6,342,054</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>2012</i>	<i>2011</i>
Cash flows from operating activities:		
Changes in net assets	\$ 566,348	\$ 625,316
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Gifts of investments	(129,970)	(48,392)
Depreciation and amortization	254,784	257,867
Realized and unrealized gains on investments	183,311	(1,539,207)
Net contributions to endowments	(550)	(35,550)
Change in bond premium	(86,614)	(82,713)
Changes in:		
Accounts and interest receivable	16	(34,780)
Pledges receivable, net	(1,773,567)	719,413
Prepaid expenses and other assets	(32,472)	50,542
Accounts payable and accrued expenses	212,359	(124,878)
Accrued compensation	32,383	23,499
Pooled income deferred revenue	(18,682)	15,460
Gift annuities obligations	(4,706)	35,556
Trust agreement obligations	(4,220)	(1,096)
Pooled income	(2,213)	654
Total adjustments	(1,370,141)	(763,625)
Net cash provided by (used in) operating activities	(803,793)	(138,309)
Cash flows from investing activities:		
Purchase of property and equipment	(106,805)	(58,631)
(Source)/use of debt service reserve fund	333	(570)
Purchase of investments	(1,993,770)	(1,631,102)
Proceeds from the sale of investments	2,318,445	1,135,076
Proceeds from the sale of land	-	1,000,000
Net cash provided by investing activities	218,203	444,773
Cash flows from financing activities:		
Net contributions to endowments	550	35,550
Repayment of bond payable	(86,614)	(82,713)
Net cash provided by (used in) financing activities	(86,064)	(47,163)
Net increase (decrease) in cash and cash equivalents	(671,654)	259,301
Cash and cash equivalents, beginning of year	2,892,950	2,633,649
Cash and cash equivalents, end of year	\$ 2,221,296	\$ 2,892,950
Supplemental disclosure:		
Cash paid for interest	\$ 161,586	\$ 165,487



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to 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 disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Significant management estimates included in the financial statements relate to the allowance for pledges receivable, fair value disclosures of certain investments, validity and completeness of satisfaction of donor restrictions, useful lives of property and equipment, valuation interest in and obligations under split-interest agreements, and the allocation of common expenses over program functions.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to 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 on related income. Given the limited taxable activities of UUSC, management concluded that disclosures relative to tax provisions are not necessary.

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 its only significant tax position and 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 after the date of filing, including extensions.

Cash and Cash Equivalents

All highly liquid debt instruments with a maturity of three months or less when purchased are classified as cash equivalents. UUSC maintains its cash in interest-bearing bank deposit accounts that are insured up to \$250,000 by the FDIC. Balances at times exceed insured limits. UUSC monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts. Cash and cash equivalents held by investment managers are considered part of investments.

Investments

UUSC reports investments at fair value. Fair value is determined as per Note 3.

Investment returns are reported as increases or decreases in unrestricted net assets or:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund.
- as increases in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the current use of the income or net gains or as decreases, up to any existing unrealized appreciation.

Realized gains and losses are determined using the average cost basis. Purchases and sales of securities are accounted for using the trade date. Investment income is presented net of investment management and custodial fees.

Debt Service Reserve Fund

Debt service reserve fund 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

Notes to Financial Statements

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

Split-Interest Agreements

UUSC is the beneficiary of various split-interest planned giving arrangements. Assets of split-interest agreements are recorded at fair value as per Note 3, in the appropriate net asset category based on donor stipulation. Contributions are recognized initially at fair value based on the present value of future benefits expected to be received or in the case of gift annuities and certain other gift instruments as the difference between fair value of donated investments less the liability for amounts payable to the donor or the donor's designee. For the pooled income fund, the difference is recorded as deferred revenue, to be recognized upon the demise of the donor or beneficiary.

The initially recorded fair value of the donated investments are determined based on the underlying nature of the investments received which have generally represented Level 1 and Level 3 measurements while the initial measurement of the related obligations are a Level 2 measure.

Pooled income funds - Pooled income funds require that income generated is paid to a designated beneficiary (or beneficiaries) over their lifetime. Upon the last beneficiary's death, the value of the donor's units in the fund is transferred to the unrestricted net assets of UUSC, unless the donor has designated these funds for a restricted purpose.

Trust agreements - Trust agreements generally require that specified distributions be made to a designated beneficiary (or beneficiaries) over the trust's term. Upon termination of the trust, UUSC receives any remaining assets, subject to any donor-restricted purpose.

Gift annuity funds - Gift annuity funds generally entail a donor transferring assets to UUSC in return for a promise to pay a specific annuity to a designated beneficiary (or beneficiaries) for their lifetime. Under this arrangement, the obligation to make annuity payments is guaranteed by UUSC. Upon the last beneficiary's death, the annuity payment obligation ceases, and the residual balance is transferred to the unrestricted net assets of UUSC, unless the donor has designated these funds for a restricted purpose.

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 three to forty years.

Pledges Receivable

Pledges receivable are initially recorded at fair value based on the present value using a risk adjusted discount rate taking into account expected collections. Management revises its estimates of the allowance for doubtful accounts based on history of collections and knowledge acquired about specific facts relating to outstanding items while the initial discount rate is used over the life of the related pledge. The initially recorded fair value is considered a Level 2 fair value approach. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the allowance. An account is considered uncollectible when all collection efforts have been exhausted.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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

Contributions

Contributions, including unconditional promises to give, are initially recorded as revenue at fair value when verifiably committed. Fair value is determined at the original date of recordation as per Note 3 and as earlier described in these notes using Level 2 fair value methods. Conditional contributions and intentions to give are recorded as revenue when the conditions have been met. Contributions are reflected as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor restrictions. Amounts received with donor-imposed restrictions that are recorded as temporarily restricted revenues are reclassified to unrestricted net assets when the time or purpose restriction has been satisfied. 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.

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 certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include UUSC's investments and assets held under split-interest portfolios. Non-recurring measurements include pledges receivable and liabilities for split interest agreements.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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

Fair Value Measurements (Continued)

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. In addition, UUSC reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. 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 or in accordance with net asset value ("NAV") practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

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 2 also includes practical expedient investments with notice periods for redemption of 90 days or less.

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. Level 3 also includes practical expedient investments with notice periods for redemption of more than 90 days.

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

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.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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

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 September 10, 2012, the date the financial statements were authorized to be issued.

Note 2 - Investments

Investments were composed of the following at June 30:

	<i>2012</i>	<i>2011</i>
Money market instruments	\$ 688,937	\$ 1,294,985
Government issued securities and mutual funds of government securities	3,016,832	1,091,173
Common stocks:		
Utilities	16,565	57,029
Financials	748,373	666,058
Consumer products	1,357,286	1,016,263
Industrial products	1,135,917	1,002,531
Technology	835,746	874,822
Healthcare	99,132	584,140
Energy	325,935	539,372
International securities	2,358,463	2,198,171
Corporate bonds	915,309	2,450,145
Assets held outside of above investments related to planned giving obligations	<u>721,758</u>	<u>736,966</u>
Total investments	<u>\$ 12,220,253</u>	<u>\$ 12,511,655</u>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 2 - Investments (Continued)

Certain of these investments specifically support UUSC's planned giving obligations. These assets amounted to \$721,758 and \$1,202,997 at June 30, 2012 and 2011, respectively. The Charitable Gift Annuity assets were transferred to UUSC investment pool as of June 30, 2012. This explains the decline in the planned giving assets as of June 30, 2012.

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

	2012	2011
Investment income and gains appropriated	\$ 471,627	\$ 525,623
Investment income and gains, net of amounts appropriated and investment fees	<u>(474,021)</u>	<u>1,158,177</u>
Total investment return	\$ <u>(2,394)</u>	\$ <u>1,683,800</u>

Investment return was composed of:

	2012	2011
Interest and dividend income	\$ 239,662	\$ 233,904
Realized and unrealized gains (losses) on investments	(183,311)	1,539,207
Investment fees	<u>(58,745)</u>	<u>(89,311)</u>
Total investment return	\$ <u>(2,394)</u>	\$ <u>1,683,800</u>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 3 - Fair Values of Financial Instruments

The following table presents financial assets at June 30, 2012 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>
Money market instruments	\$ 688,937	\$ -	\$ -	\$ 688,937
Government issued securities and mutual funds of government securities	-	3,016,832	-	3,016,832
Common stocks:				
Utilities	16,565	-	-	16,565
Financials	748,373	-	-	748,373
Consumer products	1,357,286	-	-	1,357,286
Industrial products	1,135,917	-	-	1,135,917
Technology	835,746	-	-	835,746
Healthcare	99,132	-	-	99,132
Energy	325,935	-	-	325,935
International securities	2,358,463	-	-	2,358,463
Corporate bonds	-	915,309	-	915,309
Assets held outside of above investments related to planned giving obligations	-	-	721,758	721,758
	\$ 7,566,354	\$ 3,932,141	\$ 721,758	\$ 12,220,253



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 3 - Fair Values of Financial Instruments (Continued)

The following table presents financial assets at June 30, 2011 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>
Money market instruments	\$ 1,294,985	\$ -	\$ -	\$ 1,294,985
Government issued securities and mutual funds of government securities	-	1,091,173	-	1,091,173
Common stocks:				
Utilities	57,029	-	-	57,029
Financials	666,058	-	-	666,058
Consumer products	1,016,263	-	-	1,016,263
Industrial products	1,002,531	-	-	1,002,531
Technology	874,822	-	-	874,822
Healthcare	584,140	-	-	584,140
Energy	539,372	-	-	539,372
International securities	2,198,171	-	-	2,198,171
Corporate bonds	-	2,450,145	-	2,450,145
Assets held outside of above investments related to planned giving obligations	-	-	736,966	736,966
	<u>\$ 8,233,371</u>	<u>\$ 3,541,318</u>	<u>\$ 736,966</u>	<u>\$ 12,511,655</u>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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:

	2012	2011
Due within one year	\$ 1,501,291	\$ 974,038
Due in one to five years	88,000	5,000
Bequests based upon validated wills	<u>2,038,920</u>	<u>40,000</u>
	3,628,211	1,019,038
Less: present value discount	11,768	9,691
Less: allowance for uncollectible pledges	<u>841,329</u>	<u>7,800</u>
Total pledges receivable, net	\$ <u>2,775,114</u>	\$ <u>1,001,547</u>

Note 5 - Property and Equipment, Net

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

	2012	2011
Land	\$ 970,001	\$ 970,001
Property and improvements	5,366,823	5,266,143
Office and computer equipment	589,836	564,586
Construction in Progress	<u>23,199</u>	<u>42,323</u>
	6,949,859	6,843,053
Less: accumulated depreciation	<u>1,427,575</u>	<u>1,172,790</u>
Total property and equipment, net	\$ <u>5,522,284</u>	\$ <u>5,670,263</u>

Construction in progress relates to a renovation project at UUSC's main office.

Note 6 - Commitments and Contingencies

Employment Agreement

As is common at many organizations, UUSC has an employment agreement with its CEO. The contract extends through January 31, 2016 and contains a number of provisions relative to the terms of employment, which in the event of involuntary termination would create a liability to UUSC.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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 was privately placed with a bank and is secured by the related building. This bond was refinanced in June 2012 and the new tax exempt bond bears interest at a fixed rate of 3.43% down from 5.06%. The principal and interest on the loan is payable in 120 monthly payments. The new annual payments of principal and interest are approximately \$185,000 per year down from \$250,000. UUSC is required to maintain certain financial covenants.

The annual principal payments for the next five years and thereafter as of June 30, 2012 are as follows:

2013	\$	79,113
2014		81,909
2015		84,803
2016		87,531
2017		90,893
Thereafter		<u>2,669,409</u>
	\$	<u>3,093,658</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 a money market account, 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, given that they represent an intention, and have not been present valued due to the demand feature of the notes.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters

Net assets were composed of the following at June 30:

Unrestricted:

	<i>2012</i>	<i>2011</i>
Operating - undesignated	\$ 533,721	\$ 452,216
Board designated	5,852,304	6,656,352
Plant	<u>2,507,270</u>	<u>2,568,969</u>
Total unrestricted net assets	<u>\$ 8,893,295</u>	<u>\$ 9,677,537</u>

Temporarily Restricted:

	<i>2012</i>	<i>2011</i>
Eleanor Clark French Library	\$ 100,000	\$ 100,000
Programs	32,010	42,485
Designated relief	490,086	1,337,973
Comprehensive campaign	115,325	148,826
Time	3,559,386	1,086,996
Accumulated appreciation on endowment	266,374	441,544
Charitable trusts	72,440	82,939
Pooled income	<u>229,501</u>	<u>274,319</u>
Total temporarily restricted net assets	<u>\$ 4,865,122</u>	<u>\$ 3,515,082</u>

Permanently Restricted:

	<i>2012</i>	<i>2011</i>
Charitable trusts	\$ 9,942	\$ 9,942
Comprehensive campaign	250,000	250,000
Pooled income	108,521	108,521
Endowment fund	<u>3,253,423</u>	<u>3,252,873</u>
Total permanently restricted net assets	<u>\$ 3,621,886</u>	<u>\$ 3,621,336</u>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to 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, 2012:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 266,374	\$ 3,621,886	\$ 3,888,260
Board-designated endowment funds	<u>5,852,304</u>	<u>-</u>	<u>-</u>	<u>5,852,304</u>
Total funds	\$ <u>5,852,304</u>	\$ <u>266,374</u>	\$ <u>3,621,886</u>	\$ <u>9,740,564</u>

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2011:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 441,544	\$ 3,621,336	\$ 4,062,880
Board-designated endowment funds	<u>6,656,352</u>	<u>-</u>	<u>-</u>	<u>6,656,352</u>
Total funds	\$ <u>6,656,352</u>	\$ <u>441,544</u>	\$ <u>3,621,336</u>	\$ <u>10,719,232</u>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to 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:

	2012			
	<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	\$ 6,656,352	\$ 441,544	\$ 3,621,336	\$ 10,719,232
Gifts and additions	330,157	-	550	330,707
Investment returns:				
Interest and dividends	155,689	75,285	-	230,974
Realized and unrealized gains	(163,594)	(79,107)	-	(242,701)
Total investment returns	(7,905)	(3,822)	-	(11,727)
Expenditures:				
Bequests appropriated for operations	(595,317)	-	-	(595,317)
Spending rate appropriated for operations	(317,902)	(153,725)	-	(471,627)
Other changes	-	-	-	-
Custodial fees	(36,445)	(17,623)	-	(54,068)
Other expenditures	(176,636)	-	-	(176,636)
Total expenditures	(1,126,300)	(171,348)	-	(1,297,648)
Change in endowment assets and those functioning as endowment assets	(804,048)	(175,170)	550	(978,668)
Endowment assets and those functioning as endowment assets, end of year	\$ 5,852,304	\$ 266,374	\$ 3,621,886	\$ 9,740,564



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

	2011			
	<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	\$ 5,942,660	\$ 141,238	\$ 3,585,787	\$ 9,669,685
Gifts and additions	1,363,368	-	27,820	1,391,188
Investment returns:				
Interest and dividends	150,969	64,554	-	215,523
Realized and unrealized gains	1,087,419	464,980	-	1,552,399
Total investment returns	1,238,388	529,534	-	1,767,922
Expenditures:				
Bequests appropriated for operations	(694,135)	-	-	(694,135)
Spending rate appropriated for operations	(368,187)	(157,436)	-	(525,623)
Other changes	(138,010)	(56,260)	-	(194,270)
Custodial fees	(36,325)	(15,532)	-	(51,857)
Replenishment of comprehensive campaign expenditures	(616,155)	-	-	(616,155)
Other expenditures	(35,252)	-	-	(35,252)
Total expenditures	(1,888,064)	(229,228)	-	(2,117,292)
Change in endowment assets and those functioning as endowment assets	713,692	300,306	27,820	1,041,818
Other changes:				
Change in value and transfer upon demise	-	-	7,729	7,729
Total other changes	-	-	7,729	7,729
Endowment assets and those functioning as endowment assets, end of year	\$ 6,656,352	\$ 441,544	\$ 3,621,336	\$ 10,719,232



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to 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 was 5% of the non-planned giving investments using the average of the previous twelve quarters using the end of the prior fiscal year as a starting point. Bequests appropriated for the year are calculated at the beginning of the year as 65% of the last three years' total average bequests. In addition to these spending rates, the Board of Trustees approved additional draw downs during the years ended June 30, 2012 and 2011 of \$97,000 and \$195,000, 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

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

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:

	2012	2011
Program services	\$ 278,734	\$ 111,075
Fundraising	<u>49,188</u>	<u>19,602</u>
Total allocation of joint costs	\$ <u>327,922</u>	\$ <u>130,677</u>

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

	2012	2011
Printing and publications	\$ 217,733	\$ 73,526
Postage and delivery	<u>110,189</u>	<u>57,151</u>
Total	\$ <u>327,922</u>	\$ <u>130,677</u>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 11 - Contributed Services

Contributed professional accounting, computer technology, and legal services in the amounts of \$43,487 and \$12,487 for the years ended June 30, 2012 and 2011, 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 and Related Party Matters

Revenue for the year ended June 30, 2012 includes \$1,925,000 from three donors including the Unitarian Universalist Veatch Program at Shelter Rock. The year ended June 30, 2011 also included \$775,000 in contributions from Shelter Rock alone. Similarly, pledges receivable include two full pledges of \$800,000 and \$775,000 at June 30, 2012 and 2011, respectively, from Shelter Rock alone and a net pledge of \$1,100,000 from the two estates at June 30, 2012. The pledge from 2011 was collected, and based on experience, UUSC expects that the balance at June 30, 2012 from Shelter Rock will also be collected in full. The pledge from the two estates is net of \$775,000 for reserve for doubtful pledges.

UUSC's workforce is composed primarily of members of UNITE Here! with whom there is a collective bargaining agreement. In June 2012, that agreement was extended for five years until June 2017.

A significant portion of UUSC's investments are managed by a firm associated with a trustee. Fees for such services were \$32,471 and \$34,963 for the years ended June 30, 2012 and 2011, respectively. The Board believes this transaction is favorable to UUSC, and such arrangement has been reviewed and approved by the remaining trustees.

A member of the Board of Trustees' organization is currently renting office space from UUSC. This related party transaction was brought to the attention of the Board, and the Board voted to allow the member's organization to rent about 620 rentable square feet from UUSC. UUSC and the board member's organization entered into a rental contract, and the organization pays market rate comparable to the existing tenants.

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 \$17,000 and employees aged 50 and over may make elective salary reduction contributions of up to \$22,500. All contributions to the plan are invested in a group annuity contract. Retirement plan expenses were \$216,485 and \$184,395 for the years ended June 30, 2012 and 2011, respectively.



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

500 Boylston Street ■ Boston, MA 02116
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofiass.com

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, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the 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 audits 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 the 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, 2012 and 2011, 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.

September 10, 2012
Boston, Massachusetts