



**UUSC**

# Financial Statements for the Year Ended June 30, 2013



**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>2013</i>	<i>2012</i>
<b>Assets</b>		
Cash and cash equivalents:		
Cash	\$ 2,930,268	\$ 2,135,430
Money market fund	85,878	85,866
<b>Total cash and cash equivalents</b>	<b>3,016,146</b>	<b>2,221,296</b>
Investments	13,062,075	12,220,253
Accounts and interest receivable	138,930	110,545
Prepaid expenses and other assets	168,450	123,646
Pledges receivable, net	2,152,512	2,775,114
Debt service reserve fund	78,791	78,644
Property and equipment, net	5,965,750	5,522,284
<b>Total assets</b>	<b>\$ 24,582,654</b>	<b>\$ 23,051,782</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 581,271	\$ 459,455
Accrued compensation	250,832	222,705
Pooled income deferred revenue	162,698	182,583
Bond payable	3,014,545	3,093,658
Donor advance - promissory notes	375,000	375,000
Planned giving obligations:		
Gift annuities	894,257	1,264,664
Trust agreements	61,089	69,596
Pooled income	1	3,818
<b>Total liabilities</b>	<b>5,339,693</b>	<b>5,671,479</b>
Net assets:		
Unrestricted	11,066,691	8,893,295
Temporarily restricted	4,553,184	4,865,122
Permanently restricted	3,623,086	3,621,886
<b>Total net assets</b>	<b>19,242,961</b>	<b>17,380,303</b>
<b>Total liabilities and net assets</b>	<b>\$ 24,582,654</b>	<b>\$ 23,051,782</b>

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



**UNITARIAN UNIVERSALIST SERVICE COMMITTEE**

*Statements of Activities*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Years Ended June 30,	
				2013 Total	2012 Total
<b>Operating support and revenue</b>					
Public support:					
Contributions	\$ 4,026,587	\$ 781,779	\$ 1,200	\$ 4,809,566	\$ 5,195,857
Matching grant	-	800,000	-	800,000	800,000
Foundations	56,649	116,749	-	173,398	147,082
Bequests appropriated	513,399	-	-	513,399	595,317
	<b>4,596,635</b>	<b>1,698,528</b>	<b>1,200</b>	<b>6,296,363</b>	<b>6,738,256</b>
Revenue:					
Sales of merchandise, net	48,989	-	-	48,989	47,575
Rental income and other	519,067	-	-	519,067	414,749
Investment income and gains appropriated	487,938	-	-	487,938	471,627
	<b>1,055,994</b>	-	-	<b>1,055,994</b>	<b>933,951</b>
	<b>5,652,629</b>	<b>1,698,528</b>	<b>1,200</b>	<b>7,352,357</b>	<b>7,672,207</b>
<b>Total operating support and revenue</b>					
<b>Net assets released from restrictions</b>					
Satisfaction of program restrictions	663,617	(663,617)	-	-	-
Passage of time	2,257,899	(2,257,899)	-	-	-
	<b>2,921,516</b>	<b>(2,921,516)</b>	-	-	-
	<b>8,574,145</b>	<b>(1,222,988)</b>	<b>1,200</b>	<b>7,352,357</b>	<b>7,672,207</b>
<b>Total operating support and revenue and net assets released from restrictions</b>					
				<b>7,210,155</b>	<b>7,227,340</b>
<b>Expenses</b>					
Program services	5,566,384	-	-	5,566,384	5,671,005
Office space rental	317,544	-	-	317,544	213,713
Fundraising	532,313	-	-	532,313	644,537
Management	793,914	-	-	793,914	698,085
	<b>7,210,155</b>	-	-	<b>7,210,155</b>	<b>7,227,340</b>
<b>Income (loss) from operations</b>	<b>1,363,990</b>	<b>(1,222,988)</b>	<b>1,200</b>	<b>142,202</b>	<b>444,867</b>
<b>Non-operating activity</b>					
Bequests in excess of amount appropriated	163,516	707,210	-	870,726	958,760
Capital campaign support	-	-	-	-	1,902
Capital campaign expenses	-	-	-	-	(131,950)
Investment income and gains net of amounts appropriated and investment fees	434,732	193,595	-	628,327	(474,021)
Change in value of split-interest gifts and transfer upon demise	211,158	10,245	-	221,403	(233,210)
	<b>809,406</b>	<b>911,050</b>	-	<b>1,720,456</b>	<b>121,481</b>
<b>Total net non-operating activity</b>	<b>2,173,396</b>	<b>(311,938)</b>	<b>1,200</b>	<b>1,862,658</b>	<b>566,348</b>
<b>Change in net assets</b>					
Net assets, beginning of year	8,893,295	4,865,122	3,621,886	17,380,303	16,813,955
<b>Net assets, end of year</b>	<b>\$ 11,066,691</b>	<b>\$ 4,553,184</b>	<b>\$ 3,623,086</b>	<b>\$ 19,242,961</b>	<b>\$ 17,380,303</b>



**UNITARIAN UNIVERSALIST SERVICE COMMITTEE**

*Statement of Activities  
Year Ended June 30, 2012*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Operating support and revenue</b>				
Public support:				
Contributions	3,845,427	1,349,880	550	5,195,857
Matching grant	-	800,000	-	800,000
Foundations	107,082	40,000	-	147,082
Bequests appropriated	595,317	-	-	595,317
	<b>4,547,826</b>	<b>2,189,880</b>	<b>550</b>	<b>6,738,256</b>
Revenue:				
Sales of merchandise, net	47,575	-	-	47,575
Rental income and other	355,906	58,843	-	414,749
Investment income and gains appropriated	471,627	-	-	471,627
	<b>875,108</b>	<b>58,843</b>	<b>-</b>	<b>933,951</b>
	<b>5,422,934</b>	<b>2,248,723</b>	<b>550</b>	<b>7,672,207</b>
<b>Total operating support and revenue</b>				
<b>Net assets released from restrictions</b>				
Satisfaction of program restrictions	1,059,305	(1,059,305)	-	-
Passage of time	828,510	(828,510)	-	-
	<b>1,887,815</b>	<b>(1,887,815)</b>	<b>-</b>	<b>-</b>
	<b>7,310,749</b>	<b>360,908</b>	<b>550</b>	<b>7,672,207</b>
<b>Total operating support and revenue and net assets released from restrictions</b>				
<b>Expenses</b>				
Program services	5,671,005	-	-	5,671,005
Office space rental	213,713	-	-	213,713
Fundraising	644,537	-	-	644,537
Management	698,085	-	-	698,085
	<b>7,227,340</b>	<b>-</b>	<b>-</b>	<b>7,227,340</b>
<b>Total expenses</b>	<b>83,409</b>	<b>360,908</b>	<b>550</b>	<b>444,867</b>
<b>Income from operations</b>				
<b>Non-operating activity</b>				
Bequests in excess of (less than) amount appropriated	(265,160)	1,223,920	-	958,760
Capital campaign support	35,402	(33,500)	-	1,902
Capital campaign expenses	(131,950)	-	-	(131,950)
Investment income and gains, net of amounts appropriated and investment fees	(298,851)	(175,170)	-	(474,021)
Change in value of split-interest gifts and transfer upon demise	(207,092)	(26,118)	-	(233,210)
	<b>(867,651)</b>	<b>989,132</b>	<b>-</b>	<b>121,481</b>
<b>Total net non-operating activity</b>	<b>(784,242)</b>	<b>1,350,040</b>	<b>550</b>	<b>566,348</b>
<b>Change in net assets</b>	9,677,537	3,515,082	3,621,336	16,813,955
Net assets, beginning of year	8,893,295	4,865,122	3,621,886	17,380,303
<b>Net assets, end of year</b>	<b>17,380,303</b>	<b>17,380,303</b>	<b>17,380,303</b>	<b>17,380,303</b>



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### Statements of Functional Expenses

	Program Services						Rights in			Supporting Services			Years Ended June 30,	
	Environmental Justice	Economic Justice	Civil Liberties	Humanitarian Crisis		College of Social Justice	Total	Office Space Rental	Fundraising	Management	2013		Total	
				Total	Total						Total	Total		
Salaries and fringe	630,509	611,150	406,707	1,121,412	379,154	3,148,932	111,738	187,991	611,985	\$	4,060,646	\$	3,741,807	
Program grants	156,094	161,238	98,283	145,701	39,537	600,853	-	-	-	-	600,853	-	564,573	
Designated/emergency relief grants	-	-	-	145,292	-	145,292	-	-	-	-	-	-	678,030	
Professional fees	51,233	63,831	35,330	124,852	60,415	335,661	-	70,823	72,937	-	479,421	-	502,290	
Printing and publication	51,140	53,172	33,370	95,520	7,607	240,809	-	31,719	103	-	272,631	-	292,419	
Travel	61,681	72,045	46,584	132,644	157,819	470,773	-	20,473	7,150	-	498,396	-	393,431	
Depreciation and amortization	21,832	22,090	14,246	40,779	-	98,947	85,500	24,737	30,923	-	240,107	-	254,784	
Postage and delivery	28,662	29,173	18,780	53,468	462	130,545	-	20,104	1,019	-	151,668	-	138,440	
Occupancy	17,537	17,744	11,444	32,755	13,787	93,267	63,717	18,592	23,727	-	199,303	-	194,338	
Supplies	3,378	3,561	2,152	9,233	12,710	31,034	2,641	6,177	2,496	-	42,348	-	25,788	
Cost of sales	-	-	-	-	-	-	-	55,496	-	-	55,496	-	39,444	
Communication	6,912	6,621	4,395	18,277	7,044	43,249	-	6,803	6,612	-	56,664	-	63,634	
Technology	3,089	3,125	2,016	5,769	4,024	18,023	-	1,378	5,906	-	25,307	-	18,082	
Staff development	2,735	2,767	1,785	5,108	5,179	17,574	-	2,013	150	-	19,737	-	20,308	
Rent	4,675	4,905	3,051	8,732	-	21,363	-	1,787	2,468	-	25,618	-	22,892	
Memberships and subscription	15,779	16,240	10,397	29,586	737	72,739	-	14,115	6,032	-	92,886	-	72,482	
Insurance	3,884	3,930	2,535	7,255	-	17,604	15,212	4,401	5,502	-	42,719	-	47,097	
Investment fees	-	-	-	-	-	-	-	59,023	-	-	59,023	-	58,745	
Interest - mortgage	9,669	9,783	6,309	18,060	-	43,821	37,866	10,955	13,696	-	106,338	-	161,585	
Lock box and bank fees	392	396	256	1,132	210	2,386	-	101,555	-	-	103,941	-	98,860	
Awards	459	464	299	858	-	2,080	-	-	-	-	2,080	-	2,001	
Miscellaneous	5,370	5,466	3,524	11,610	5,462	31,432	870	8,690	3,208	-	44,200	-	66,449	
	1,075,030	1,087,701	701,463	2,008,043	694,147	5,566,384	317,544	646,832	793,914	-	7,324,674	-	7,457,479	
Less:	-	-	-	-	-	-	-	(55,496)	-	-	(55,496)	-	(39,444)	
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-	(131,950)	
Major donor expenses	-	-	-	-	-	-	-	(59,023)	-	-	(59,023)	-	(58,745)	
Investment fees	-	-	-	-	-	-	-	-	-	-	-	-	-	
	<u>\$ 1,075,030</u>	<u>\$ 1,087,701</u>	<u>\$ 701,463</u>	<u>\$ 2,008,043</u>	<u>\$ 694,147</u>	<u>\$ 5,566,384</u>	<u>\$ 317,544</u>	<u>\$ 532,313</u>	<u>\$ 793,914</u>	<u>\$</u>	<u>\$ 7,210,155</u>	<u>\$</u>	<u>\$ 7,227,540</u>	

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



**UNITARIAN UNIVERSALIST SERVICE COMMITTEE**

*Statement of Functional Expenses  
Year Ended June 30, 2012*

	Program Services					Supporting Services			Total	
	Environmental Justice	Economic Justice	Civil Liberties	Rights in Humanitarian Crisis	College of Social Justice	Total	Office Space Rental	Fundraising		Management
Salaries and fringe	\$ 581,002	\$ 563,163	\$ 374,773	\$ 1,033,360	\$ 349,383	\$ 2,901,681	\$ 102,964	\$ 173,230	\$ 563,932	\$ 3,741,807
Program grants	156,277	154,192	110,233	131,371	12,500	564,573	-	-	-	564,573
Designated/emergency relief grants	-	-	-	678,030	-	678,030	-	-	-	678,030
Professional fees	58,959	43,731	37,289	98,037	84,870	322,886	-	150,299	29,105	502,290
Printing and publication	74,277	55,435	46,976	69,603	8,603	254,894	-	37,332	193	292,419
Travel	66,211	52,162	43,546	91,652	116,148	369,719	-	19,178	4,534	393,431
Depreciation and amortization	42,320	31,390	26,765	39,656	-	140,131	45,961	50,957	17,735	254,784
Postage and delivery	35,978	26,884	22,965	33,747	687	120,261	-	17,251	928	138,440
Occupancy	27,452	20,362	17,362	25,726	-	90,902	34,332	43,140	25,964	194,338
Supplies	3,594	2,545	2,240	4,504	5,542	18,425	1,440	4,918	1,005	25,788
Cost of sales	-	-	-	-	-	-	-	39,444	-	39,444
Communication	12,261	8,763	6,469	14,765	3,031	45,289	-	10,819	7,526	63,634
Technology	2,950	2,188	1,866	3,559	5,553	16,116	-	940	1,026	18,082
Staff development	3,320	2,463	2,100	3,138	-	11,021	-	4,334	4,953	20,308
Rent	5,551	4,117	3,511	5,254	-	18,433	-	1,982	2,477	22,892
Memberships and subscription	18,232	14,302	11,767	16,849	1,296	62,446	-	9,934	102	72,482
Insurance	7,822	5,802	4,947	7,332	-	25,903	8,195	9,419	3,580	47,097
Investment fees	-	-	-	-	-	-	-	58,745	-	58,745
Interest - mortgage	25,376	18,822	16,049	23,777	-	84,024	20,378	25,854	31,329	161,585
Lock box and bank fees	1,035	745	635	2,469	-	4,884	-	93,304	672	98,860
Awards	604	448	382	567	-	2,001	-	-	-	2,001
Miscellaneous	14,327	9,813	12,082	13,166	2,156	51,544	443	11,438	3,024	66,449
	1,137,548	1,017,327	741,957	2,296,562	589,769	5,783,163	213,713	762,518	698,085	7,457,479
Less:										
Cost of sales	-	-	-	-	-	-	-	(39,444)	-	(39,444)
Capital campaign expenses	(19,520)	(13,946)	(12,187)	(66,505)	-	(112,158)	-	(19,792)	-	(131,950)
Investment fees	-	-	-	-	-	-	-	(58,745)	-	(58,745)
	<u>\$ 1,118,028</u>	<u>\$ 1,003,381</u>	<u>\$ 729,770</u>	<u>\$ 2,230,057</u>	<u>\$ 589,769</u>	<u>\$ 5,671,005</u>	<u>\$ 213,713</u>	<u>\$ 644,537</u>	<u>\$ 698,085</u>	<u>\$ 7,227,340</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>2013</i>	<i>2012</i>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ <u>1,862,658</u>	\$ <u>566,348</u>
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Interest and dividends, reinvested	(198,691)	(208,727)
Depreciation and amortization	240,106	254,784
Realized and unrealized gains on investments	(934,126)	183,311
Net contributions to endowments	(1,200)	(550)
Changes in:		
Accounts and interest receivable	(28,385)	16
Pledges receivable, net	622,602	(1,773,567)
Prepaid expenses and other assets	(44,804)	(32,472)
Accounts payable and accrued expenses	66,260	212,359
Accrued compensation	28,127	32,383
Pooled income deferred revenue	(19,885)	(18,682)
Gift annuities obligations	(370,407)	(4,706)
Trust agreement obligations	(8,507)	(4,220)
Pooled income	(3,817)	(2,213)
Total adjustments	<u>(652,727)</u>	<u>(1,362,284)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>1,209,931</u></b>	<b><u>(795,936)</u></b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(628,016)	(106,805)
(Source)/use of debt service reserve fund	(147)	333
Purchase of investments	-	(231,040)
Proceeds from the sale of investments	<u>290,995</u>	<u>547,858</u>
<b>Net cash provided by (used in) investing activities</b>	<b><u>(337,168)</u></b>	<b><u>210,346</u></b>
<b>Cash flows from financing activities:</b>		
Net contributions to endowments	1,200	550
Repayment of bond payable	<u>(79,113)</u>	<u>(86,614)</u>
<b>Net cash used in financing activities</b>	<b><u>(77,913)</u></b>	<b><u>(86,064)</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>794,850</b>	<b>(671,654)</b>
Cash and cash equivalents, beginning of year	<u>2,221,296</u>	<u>2,892,950</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>3,016,146</u></b>	<b>\$ <u>2,221,296</u></b>
<b>Supplemental disclosure:</b>		
Cash paid for interest	<b>\$ <u>106,338</u></b>	<b>\$ <u>161,586</u></b>

**Disclosure of non-cash activity:**

During the year ended June 30, 2013, UUSC acquired of fixed asset additions that are included in accounts payable at year end.





## 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.

#### ***Operations***

The statement of activities reports the changes in unrestricted, temporarily restricted and permanently restricted assets from operating and non-operating activities. Non-operating activities consist of investment income and gains net of amounts appropriated and investment fees, bequests in excess of amount appropriated, capital campaign support and expenses and change in value of split-interest gifts and transfer upon demise. All other activities are considered operating.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

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

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

*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 and its determination of which income is related and unrelated as its only significant tax positions and has determined that such tax positions do not result in 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.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

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

***Investments***

UUSC reports investments at fair value. Fair value is determined as per Note 1, in the Fair Value Measurements section.

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.

***Split-Interest Agreements***

UUSC is the beneficiary of various split-interest planned giving agreements. 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.



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

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

##### *Split-Interest Agreements (Continued)*

**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.

##### *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.

Contributions for 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.



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

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

##### ***Conditional Promises to Give/Bequests***

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, assets related to pooled income funds, assets related to charitable trust funds and assets held for the debt service reserve fund. Non-recurring measurements include pledges receivable and liabilities for split-interest agreements.

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.

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.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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

Fair Value Measurements (Continued)

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.

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 August 30, 2013, the date the financial statements were authorized to be issued.

Note 2 - Investments

Certain investments specifically support UUSC’s planned giving obligations. These assets amounted to \$664,862 and \$721,758 at June 30, 2013 and 2012, respectively. The Charitable Gift Annuity assets were transferred to UUSC’s investment pool as of June 30, 2012.

Investment return was recorded as follows in the statements of activities for the years ended June 30:

	<i>2013</i>	<i>2012</i>
Investment income and gains appropriated	\$ 487,938	\$ 471,627
Investment income and gains (losses), net of amounts appropriated and investment fees	<u>628,327</u>	<u>(474,021)</u>
<b>Total investment return</b>	<b>\$ <u>1,116,265</u></b>	<b>\$ <u>(2,394)</u></b>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

**Note 2 - Investments (Continued)**

Investment return was composed of the following for the years ended June 30:

	<i>2013</i>	<i>2012</i>
Interest and dividend income	\$ 241,162	\$ 239,662
Realized and unrealized gains (losses) on investments	934,126	(183,311)
Investment fees	<u>(59,023)</u>	<u>(58,745)</u>
<b>Total investment return</b>	<b>\$ <u>1,116,265</u></b>	<b>\$ <u>(2,394)</u></b>

**Note 3 - Fair Values of Financial Instruments**

The following table presents financial assets at June 30, 2013 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>
<b>Investments:</b>				
Money market instruments	\$ 588,203	\$ -	\$ -	\$ 588,203
Government issued securities and mutual funds of government securities	-	2,915,992	-	2,915,992
Common stocks:				
Utilities	18,658	-	-	18,658
Financials	879,048	-	-	879,048
Consumer products	1,014,708	-	-	1,014,708
Industrial products	1,242,345	-	-	1,242,345
Technology	956,561	-	-	956,561
Healthcare	604,607	-	-	604,607
Energy	326,953	-	-	326,953
International securities	2,850,142	-	-	2,850,142
Corporate bonds	-	999,996	-	999,996
Assets related to pooled income funds and charitable trust funds	<u>-</u>	<u>-</u>	<u>664,862</u>	<u>664,862</u>
<b>Total investments</b>	<b><u>8,481,225</u></b>	<b><u>3,915,988</u></b>	<b><u>664,862</u></b>	<b><u>13,062,075</u></b>
Debt service reserve fund	<u>78,791</u>	<u>-</u>	<u>-</u>	<u>78,791</u>
<b>Total fair value of financial instruments</b>	<b>\$ <u>8,560,016</u></b>	<b>\$ <u>3,915,988</u></b>	<b>\$ <u>664,862</u></b>	<b>\$ <u>13,140,866</u></b>



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, 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>
<b>Investments</b>				
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 related to pooled income funds and charitable trust funds	-	-	721,758	721,758
<b>Total investments</b>	<b><u>7,566,354</u></b>	<b><u>3,932,141</u></b>	<b><u>721,758</u></b>	<b><u>12,220,253</u></b>
Debt service reserve fund	<u>78,644</u>	<u>-</u>	<u>-</u>	<u>78,644</u>
<b>Total fair value of financial instruments</b>	<b><u>\$ 7,644,998</u></b>	<b><u>\$ 3,932,141</u></b>	<b><u>\$ 721,758</u></b>	<b><u>\$ 12,298,897</u></b>

The fair value of the planned giving assets is based on the fair market value of the planned giving assets. Due to the planned giving provisions, UUSC does not have the ability to redeem the investments as net asset value per share. Therefore, the assets have been recorded as Level 3. Investment securities that underlie the planned giving assets and debt service reserve fund have readily determinable fair values.





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:

	<b>2013</b>	<b>2012</b>
Due within one year	\$ 1,504,367	\$ 1,501,291
Due in one to five years	256,000	88,000
Bequests based upon validated wills	<u>522,101</u>	<u>2,038,920</u>
	2,282,468	3,628,211
Less: present value discount	21,104	11,768
Less: allowance for uncollectible pledges	<u>108,852</u>	<u>841,329</u>
<b>Total pledges receivable, net</b>	<b><u>\$ 2,152,512</u></b>	<b><u>\$ 2,775,114</u></b>

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

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

	<b>2013</b>	<b>2012</b>
Land	\$ 970,001	\$ 970,001
Property and improvements	5,399,910	5,366,823
Office and computer equipment	666,820	589,836
Construction in progress	<u>596,700</u>	<u>23,199</u>
	7,633,431	6,949,859
Less: accumulated depreciation	<u>1,667,681</u>	<u>1,427,575</u>
<b>Total property and equipment, net</b>	<b><u>\$ 5,965,750</u></b>	<b><u>\$ 5,522,284</u></b>

Construction in progress relates to a renovation project at UUSC's main office. The work is expected to be completed in September, 2013 at which time such assets will be considered placed in service.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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. In addition, UUSC also pays certain benefits of the former CEO. The anticipated costs of these agreements are included in deferred compensation at June 30, 2013 and 2012.

UUSC's Board of Trustees approved a combined appropriation of \$1,191,791 in support of operations for the year ending June 30, 2014, pursuant to the Investment and Bequest Spending Policy.

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. The bond bears interest at a fixed rate of 3.43% in 2013 down from 5.06% in 2012. The principal and interest on the loan is payable in 120 monthly payments. The annual payments of principal and interest are approximately \$185,000 per year. UUSC is required to maintain certain financial covenants.

The annual principal payments for the next five years and thereafter as of June 30, 2013 are as follows:

2014	\$	81,909
2015		84,803
2016		87,531
2017		90,893
2018		94,104
Thereafter		<u>2,575,305</u>
	\$	<u><u>3,014,545</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 a money market account, the interest of which can be used to support operations. It is each 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>2013</i>	<i>2012</i>
Operating - undesignated	\$ 1,620,084	\$ 533,721
Board designated	6,416,611	5,852,304
Plant	<u>3,029,996</u>	<u>2,507,270</u>
<b>Total unrestricted net assets</b>	<b><u>\$ 11,066,691</u></b>	<b><u>\$ 8,893,295</u></b>

*Temporarily Restricted:*

	<i>2013</i>	<i>2012</i>
Eleanor Clark French Library	\$ 100,000	\$ 100,000
Programs	57,483	32,010
Designated relief	284,773	490,086
Comprehensive campaign	81,825	115,325
Time	3,256,948	3,559,386
Accumulated appreciation on endowment	459,969	266,374
Charitable trusts	62,801	72,440
Pooled income	<u>249,385</u>	<u>229,501</u>
<b>Total temporarily restricted net assets</b>	<b><u>\$ 4,553,184</u></b>	<b><u>\$ 4,865,122</u></b>

*Permanently Restricted:*

	<i>2013</i>	<i>2012</i>
Charitable trusts	\$ 9,942	\$ 9,942
Comprehensive campaign	250,000	250,000
Pooled income	108,521	108,521
Endowment fund	<u>3,254,623</u>	<u>3,253,423</u>
<b>Total permanently restricted net assets</b>	<b><u>\$ 3,623,086</u></b>	<b><u>\$ 3,621,886</u></b>



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, 2013:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 459,969	\$ 3,623,086	\$ 4,083,055
Board-designated endowment funds	<u>6,416,611</u>	<u>-</u>	<u>-</u>	<u>6,416,611</u>
<b>Total funds</b>	<b><u>\$ 6,416,611</u></b>	<b><u>\$ 459,969</u></b>	<b><u>\$ 3,623,086</u></b>	<b><u>\$ 10,499,666</u></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, 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>
<b>Total funds</b>	<b><u>\$ 5,852,304</u></b>	<b><u>\$ 266,374</u></b>	<b><u>\$ 3,621,886</u></b>	<b><u>\$ 9,740,564</u></b>



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 June 30:

	<i>2013</i>			<i>Total</i>
	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	
Endowment assets and those functioning as endowment assets, beginning of year	\$ 5,852,304	\$ 266,374	\$ 3,621,886	\$ 9,740,564
Gifts and additions	676,915	-	1,200	678,115
Investment returns:				
Interest and dividends	183,511	73,982	-	257,493
Realized and unrealized gains	681,914	275,935	-	957,849
Total investment returns	865,425	349,917	-	1,215,342
Expenditures:				
Bequests appropriated for operations	(513,399)	-	-	(513,399)
Spending rate appropriated for operations	(347,745)	(140,193)	-	(487,938)
Custodial fees	(40,007)	(16,129)	-	(56,136)
Other expenditures	(76,882)	-	-	(76,882)
Total expenditures	(978,033)	(156,322)	-	(1,134,355)
Change in endowment assets and those functioning as endowment assets	564,307	193,595	1,200	759,102
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ 6,416,611</b>	<b>\$ 459,969</b>	<b>\$ 3,623,086</b>	<b>\$ 10,499,666</b>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

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

	<i>2012</i>			<i>Total</i>
	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</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 losses	(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)
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ 5,852,304</b>	<b>\$ 266,374</b>	<b>\$ 3,621,886</b>	<b>\$ 9,740,564</b>



## 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 calendar 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, 2013 and 2012 of \$48,750 and \$97,000, 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.

##### ***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires UUSC to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2013 or 2012.



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:

	<i>2013</i>	<i>2012</i>
Program services	\$ 259,566	\$ 278,734
Fundraising	<u>45,806</u>	<u>49,188</u>
<b>Total allocation of joint costs</b>	<b><u>\$ 305,372</u></b>	<b><u>\$ 327,922</u></b>

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

	<i>2013</i>	<i>2012</i>
Printing and publications	\$ 175,904	\$ 217,733
Postage and delivery	<u>129,468</u>	<u>110,189</u>
<b>Total</b>	<b><u>\$ 305,372</u></b>	<b><u>\$ 327,922</u></b>





UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

***Note 11 - Contributed Services***

Contributed professional accounting, computer technology, and legal services in the amount of \$43,487 for the year ended June 30, 2012 were recorded as unrestricted contributions and as expense. There were no contributed services in 2013. 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 accounting principles generally accepted in the United States of America.

***Note 12 - Rental Leases***

UUSC, as a landlord, rents office space located at 689 Massachusetts Avenue, Cambridge, Massachusetts, under operating leases. UUSC occupies a portion of the building. Rental income and related expenses are included in the operating activities on the accompanying statement of activities. The leases expire at various dates through 2019.

The approximate minimum revenues from future rentals to be received under operating leases for each of the next five years and thereafter as of June 30, 2013 are as follows:

2014	\$	345,095
2015		311,776
2016		225,223
2017		123,517
2018		25,000
Thereafter		<u>25,000</u>
	\$	<u><u>1,055,611</u></u>

***Note 13 - Concentrations and Related Party Matters***

Revenue for the years ended June 30, 2013 and 2012 includes \$1,447,899 and \$1,925,000, respectively, from two and three donors including the Unitarian Universalist Veatch Program at Shelter Rock. During the years ended June 30, 2013 and 2012, Shelter Rock committed pledge revenue of \$800,000. In addition to this, UUSC received approximately \$1,100,000 in pledge commitments during the year ended June 30, 2012 from two estates. The pledges from 2012 were largely collected, and based on experience, UUSC expects that the balance at June 30, 2013 from Shelter Rock will also be collected in full. The 2012 pledge from the two estates was net of \$775,000 for reserve for doubtful pledges.

A significant portion of UUSC's investments are managed by a firm associated with a trustee who is a managing director of the firm and who regularly recuses herself from all investment related decisions. Fees for such services were \$30,333 and \$32,471 for the years ended June 30, 2013 and 2012, respectively. The Board believes this transaction is favorable to UUSC, and such arrangement has been reviewed and approved by the remaining trustees.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

***Note 14 - 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 plus employee elective deferrals up to specified qualified plan limits. All contributions to the plan are invested in a group annuity contract. Retirement plan expenses were \$239,795 and \$216,485 for the years ended June 30, 2013 and 2012, respectively.

***Note 15 - Collective Bargaining Agreement***

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.



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## *Independent Auditors' Report*

Board of Trustees  
Unitarian Universalist Service Committee  
Cambridge, Massachusetts

We have audited the accompanying financial statements of Unitarian Universalist Service Committee (“UUSC”), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mayer Hoffmann McCann P.C.*

August 30, 2013  
Boston, Massachusetts