



# Financial Statements for the year ended June 30, 2017



Photo: Bob Denniston/UUs for Social Justice

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# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Financial Statements*

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#### *Financial Statements:*

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**UNITARIAN UNIVERSALIST SERVICE COMMITTEE**

*Statements of Financial Position*

	<i>June 30,</i>	
	<i>2017</i>	<i>2016</i>
<b>Assets</b>		
Cash and cash equivalents:		
Cash	\$ 1,464,189	\$ 1,065,445
Money market funds	5,008,377	4,747,640
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<b>Total cash and cash equivalents</b>	<b>6,472,566</b>	<b>5,813,085</b>
Investments	14,287,201	13,618,747
Accounts and interest receivable	201,486	305,745
Mission related loan receivable	157,605	266,623
Prepaid expenses and other assets	235,325	213,780
Pledges and grants receivable, net	2,791,831	4,247,583
Debt service reserve fund	119,340	119,218
Property and equipment, net	5,849,996	5,826,826
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 30,115,350</b>	<b>\$ 30,411,607</b>
	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 483,271	\$ 407,279
Accrued compensation	384,690	586,763
Pooled income deferred revenue	77,181	94,054
Donor advance - promissory notes	125,000	125,000
Bond payable	2,669,424	2,760,313
Planned giving obligations:		
Gift annuities	692,006	712,885
Trust agreements	2,881	5,497
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>4,434,453</b>	<b>4,691,791</b>
	<hr/>	<hr/>
Net assets:		
Unrestricted	13,683,840	12,754,130
Temporarily restricted	6,936,923	7,931,561
Permanently restricted	5,060,134	5,034,125
	<hr/>	<hr/>
<b>Total net assets</b>	<b>25,680,897</b>	<b>25,719,816</b>
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<b>Total liabilities and net assets</b>	<b>\$ 30,115,350</b>	<b>\$ 30,411,607</b>
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**UNITARIAN UNIVERSALIST SERVICE COMMITTEE**

*Statements of Activities*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Years Ended June 30, 2017 Total</i>	<i>2016 Total</i>
<b>Operating support and revenue</b>					
Public support:					
Contributions	\$ 5,094,443	\$ 242,790	\$ 6,143	\$ 5,343,376	\$ 5,309,118
Matching grant	-	850,000	-	850,000	850,000
Foundations	125,470	75,000	-	200,470	194,838
Bequests appropriated	514,645	-	-	514,645	613,317
	<u>5,734,558</u>	<u>1,167,790</u>	<u>6,143</u>	<u>6,908,491</u>	<u>6,967,273</u>
Revenue:					
Sales of merchandise, net	36,451	-	-	36,451	30,524
Rental income and other	645,518	-	-	645,518	578,068
Investment income and gains appropriated	601,314	-	-	601,314	589,557
	<u>1,283,283</u>	<u>-</u>	<u>-</u>	<u>1,283,283</u>	<u>1,198,149</u>
<b>Total operating support and revenue</b>	<u>7,017,841</u>	<u>1,167,790</u>	<u>6,143</u>	<u>8,191,774</u>	<u>8,165,422</u>
<b>Net assets released from restrictions</b>					
Satisfaction of program restrictions	643,244	(643,244)	-	-	-
Passage of time	2,543,034	(2,543,034)	-	-	-
	<u>3,186,278</u>	<u>(3,186,278)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total operating support and revenue and net assets released from restrictions</b>	<u>10,204,119</u>	<u>(2,018,488)</u>	<u>6,143</u>	<u>8,191,774</u>	<u>8,165,422</u>
<b>Expenses</b>					
Program services	7,856,342	-	-	7,856,342	8,133,079
Office space rental	347,210	-	-	347,210	350,359
Fundraising	779,572	-	-	779,572	737,173
Management	898,585	-	-	898,585	1,026,320
	<u>9,881,709</u>	<u>-</u>	<u>-</u>	<u>9,881,709</u>	<u>10,246,931</u>
<b>Income (loss) from operations</b>	<u>322,410</u>	<u>(2,018,488)</u>	<u>6,143</u>	<u>(1,689,935)</u>	<u>(2,081,509)</u>
<b>Non-operating activity</b>					
Bequests in excess of amount appropriated	185,203	50,000	-	235,203	178,773
Special initiative campaign support	-	590,528	19,866	610,394	1,208,119
Special initiative campaign expenses	(80,014)	-	-	(80,014)	(212,431)
Investment income and losses net of amounts appropriated and investment fees	574,718	409,165	-	983,883	(375,979)
Change in value of split-interest gifts and transfer upon demise	(72,607)	(25,843)	-	(98,450)	(155,096)
	<u>607,300</u>	<u>1,023,850</u>	<u>19,866</u>	<u>1,651,016</u>	<u>643,386</u>
<b>Change in net assets</b>	<u>929,710</u>	<u>(994,638)</u>	<u>26,009</u>	<u>(38,919)</u>	<u>(1,438,123)</u>
Net assets, beginning of year	12,754,130	7,931,561	5,034,125	25,719,816	27,157,939
<b>Net assets, end of year</b>	<u>\$ 13,683,840</u>	<u>\$ 6,936,923</u>	<u>\$ 5,060,134</u>	<u>\$ 25,680,897</u>	<u>\$ 25,719,816</u>

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

**UNITARIAN UNIVERSALIST SERVICE COMMITTEE**

*Statement of Activities*  
*Year Ended June 30, 2016*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating support and revenue</b>				
Public support:				
Contributions	\$ 4,784,460	\$ 523,458	\$ 1,200	\$ 5,309,118
Matching grant	-	850,000	-	850,000
Foundations	119,838	75,000	-	194,838
Bequests appropriated	613,317	-	-	613,317
	<u>5,517,615</u>	<u>1,448,458</u>	<u>1,200</u>	<u>6,967,273</u>
Revenue:				
Sales of merchandise, net	30,524	-	-	30,524
Rental income and other	578,068	-	-	578,068
Investment income and gains appropriated	589,557	-	-	589,557
	<u>1,198,149</u>	<u>-</u>	<u>-</u>	<u>1,198,149</u>
<b>Total operating support and revenue</b>	<u>6,715,764</u>	<u>1,448,458</u>	<u>1,200</u>	<u>8,165,422</u>
<b>Net assets released from restrictions</b>				
Satisfaction of program restrictions and donor redesignations	1,036,991	(1,036,991)	-	-
Passage of time	2,702,124	(2,702,124)	-	-
	<u>3,739,115</u>	<u>(3,739,115)</u>	<u>-</u>	<u>-</u>
<b>Total operating support and revenue and net assets released from restrictions</b>	<u>10,454,879</u>	<u>(2,290,657)</u>	<u>1,200</u>	<u>8,165,422</u>
<b>Expenses</b>				
Program services	8,133,079	-	-	8,133,079
Office space rental	350,359	-	-	350,359
Fundraising	737,173	-	-	737,173
Management	1,026,320	-	-	1,026,320
<b>Total expenses</b>	<u>10,246,931</u>	<u>-</u>	<u>-</u>	<u>10,246,931</u>
<b>Income (loss) from operations</b>	<u>207,948</u>	<u>(2,290,657)</u>	<u>1,200</u>	<u>(2,081,509)</u>
<b>Non-operating activity</b>				
Bequests in excess of amount appropriated	178,773	-	-	178,773
Special initiative campaign support	-	1,189,188	18,931	1,208,119
Special initiative campaign expenses	(212,431)	-	-	(212,431)
Investment income and losses net of amounts appropriated and investment fees	(259,937)	(116,042)	-	(375,979)
Change in value of split-interest gifts and transfer upon demise	(81,877)	(73,219)	-	(155,096)
<b>Total net non-operating activity</b>	<u>(375,472)</u>	<u>999,927</u>	<u>18,931</u>	<u>643,386</u>
<b>Change in net assets</b>	<u>(167,524)</u>	<u>(1,290,730)</u>	<u>20,131</u>	<u>(1,438,123)</u>
Net assets, beginning of year	12,921,654	9,222,291	5,013,994	27,157,939
<b>Net assets, end of year</b>	<u>\$ 12,754,130</u>	<u>\$ 7,931,561</u>	<u>\$ 5,034,125</u>	<u>\$ 25,719,816</u>

*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>Environmental Justice</i>	<i>Economic Justice</i>	<i>Rights in Humanitarian Crisis</i>	<i>College of Social Justice</i>	<i>Total</i>	<i>Office Space Rental</i>	<i>Fundraising</i>	<i>Management</i>	<i>2017 Total</i>	<i>2016 Total</i>
Salaries and fringe	\$ 699,444	\$ 618,259	\$ 2,128,194	\$ 515,562	\$ 3,961,459	\$ 127,476	\$ 183,334	\$ 714,886	\$ 4,987,155	\$ 4,619,792
Program grants	257,553	227,658	783,654	22,117	1,290,982	-	-	-	1,290,982	1,551,811
Designated/emergency relief grants	-	-	357,633	-	357,633	-	-	-	357,633	694,989
Professional fees	110,706	97,856	397,883	110,350	716,795	-	178,712	61,750	957,257	1,104,799
Printing and publication	54,145	47,861	164,748	6,576	273,330	-	38,701	1,766	313,797	429,840
Travel	58,654	51,846	178,466	110,960	399,926	-	166,020	3,423	569,369	587,176
Depreciation and amortization	23,521	20,791	71,567	44,688	160,567	94,369	30,129	32,446	317,511	290,187
Postage and delivery	56,029	49,525	170,479	56	276,089	-	47,769	680	324,538	175,566
Occupancy	18,993	16,788	57,790	6,274	99,845	66,985	21,386	14,231	202,447	236,717
Supplies	1,605	1,419	4,885	5,568	13,477	1,758	2,052	3,872	21,159	27,350
Cost of sales	11,392	10,070	34,662	-	56,124	-	-	-	56,124	53,646
Communication	2,036	1,799	6,195	3,093	13,123	4,613	7,216	3,806	28,758	29,122
Technology	784	693	2,386	1,908	5,771	-	-	430	6,201	8,686
Staff development	3,063	2,707	9,318	405	15,493	-	8,765	7,456	31,714	29,361
Rent	2,259	1,997	6,874	2,434	13,564	-	8,866	2,056	24,486	17,285
Memberships and subscription	25,725	22,739	78,272	5,711	132,447	-	38,638	33,171	204,256	215,600
Insurance	7,639	6,753	23,245	11,549	49,186	24,206	7,728	822	81,942	89,983
Investment fees	-	-	-	-	-	-	86,834	-	86,834	72,848
Interest - mortgage	6,930	6,125	21,085	14,184	48,324	27,803	8,876	9,559	94,562	97,925
Lock box and bank fees	518	458	2,441	273	3,690	-	95,327	2,055	101,072	116,373
Awards	429	379	1,304	-	2,112	-	-	-	2,112	8,088
Miscellaneous	4,252	3,759	12,938	1,580	22,529	-	16,067	6,176	44,772	128,713
	1,345,677	1,189,482	4,514,019	863,288	7,912,466	347,210	946,420	898,585	10,104,681	10,585,857
Less:										
Cost of sales	(11,392)	(10,070)	(34,662)	-	(56,124)	-	-	-	(56,124)	(53,646)
Special Initiative Campaign - UUSC Rising	-	-	-	-	-	-	(80,014)	-	(80,014)	(212,432)
Investment fees	-	-	-	-	-	-	(86,834)	-	(86,834)	(72,848)
	<u>\$ 1,334,285</u>	<u>\$ 1,179,412</u>	<u>\$ 4,479,357</u>	<u>\$ 863,288</u>	<u>\$ 7,856,342</u>	<u>\$ 347,210</u>	<u>\$ 779,572</u>	<u>\$ 898,585</u>	<u>\$ 9,881,709</u>	<u>\$ 10,246,931</u>

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

**UNITARIAN UNIVERSALIST SERVICE COMMITTEE**

*Statement of Functional Expenses  
Year Ended June 30, 2016*

	<i>Program Services</i>					<i>Supporting Services</i>		<i>Total</i>	
	<i>Environmental Justice</i>	<i>Economic Justice</i>	<i>Rights in Humanitarian Crisis</i>	<i>College of Social Justice</i>	<i>Total</i>	<i>Office Space Rental</i>	<i>Fundraising</i>		<i>Management</i>
Salaries and fringe	\$ 896,986	\$ 893,089	\$ 1,378,143	\$ 383,308	\$ 3,551,526	\$ 123,505	\$ 191,147	\$ 753,614	\$ 4,619,792
Program grants	427,673	425,815	684,398	13,925	1,551,811	-	-	-	1,551,811
Designated/emergency relief grants	-	-	694,989	-	694,989	-	-	-	694,989
Professional fees	177,529	176,758	349,842	94,759	798,888	-	216,734	89,177	1,104,799
Printing and publication	103,719	103,269	163,869	6,544	377,401	-	52,028	411	429,840
Travel	63,727	63,450	98,343	125,584	351,104	-	223,590	12,482	587,176
Depreciation and amortization	33,719	33,572	51,806	-	119,097	100,376	34,737	35,977	290,187
Postage and delivery	41,352	41,172	68,104	562	151,190	558	23,310	508	175,566
Occupancy	24,236	24,131	37,237	34,731	120,335	68,280	23,629	24,473	236,717
Supplies	4,244	4,225	6,520	3,636	18,625	1,351	4,567	2,807	27,350
Cost of sales	15,188	15,122	23,336	-	53,646	-	-	-	53,646
Communication	3,241	3,227	4,979	7,270	18,717	3,589	3,328	3,488	29,122
Technology	2,307	2,297	3,544	-	8,148	-	-	538	8,686
Staff development	2,123	2,114	3,262	112	7,611	-	-	21,750	29,361
Rent	2,204	2,194	3,386	4,729	12,513	-	3,089	1,683	17,285
Memberships and subscription	36,748	36,588	56,460	1,121	130,917	40	45,727	38,916	215,600
Insurance	10,456	10,410	16,065	-	36,931	31,125	10,771	11,156	89,983
Investment fees	-	-	-	-	-	-	72,848	-	72,848
Interest - mortgage	7,234	7,203	11,115	35,667	61,219	21,535	7,452	7,719	97,925
Lock box and bank fees	941	936	11,198	231	13,306	-	100,758	2,309	116,373
Awards	2,290	2,280	3,518	-	8,088	-	-	-	8,088
Miscellaneous	28,029	27,907	43,133	1,594	100,663	-	8,738	19,312	128,713
	<b>1,883,946</b>	<b>1,875,759</b>	<b>3,713,247</b>	<b>713,773</b>	<b>8,186,725</b>	<b>350,359</b>	<b>1,022,453</b>	<b>1,026,320</b>	<b>10,585,857</b>
Less:									
Cost of sales	(15,188)	(15,122)	(23,336)	-	(53,646)	-	-	-	(53,646)
Special Initiative Campaign - UUSC Rising	-	-	-	-	-	-	(212,432)	-	(212,432)
Investment fees	-	-	-	-	-	-	(72,848)	-	(72,848)
	<b>\$ 1,868,758</b>	<b>\$ 1,860,637</b>	<b>\$ 3,689,911</b>	<b>\$ 713,773</b>	<b>\$ 8,133,079</b>	<b>\$ 350,359</b>	<b>\$ 737,173</b>	<b>\$ 1,026,320</b>	<b>\$ 10,246,931</b>

*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>2017</i>	<i>2016</i>
<b>Cash flows from operating activities:</b>		
Changes in net assets	<u>\$ (38,919)</u>	<u>\$ (1,438,123)</u>
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Interest and dividends, reinvested	(350,426)	(284,398)
Depreciation and amortization	317,511	290,187
Realized and unrealized gains on investments	(1,321,605)	(2,028)
Net contributions to endowments	(26,009)	(20,131)
Changes in:		
Accounts and interest receivable	104,259	2,720
Mission related loan receivable	109,018	47,088
Prepaid expenses and other assets	(21,545)	17,803
Pledges and grants receivable, net	1,455,752	1,159,248
Accounts payable and accrued expenses	58,725	(68,630)
Accrued compensation	(202,073)	214,633
Pooled income deferred revenue	(16,873)	(30,943)
Gift annuities obligations	(20,879)	(30,374)
Trust agreement obligations	(2,616)	(45,216)
Total adjustments	<u>83,239</u>	<u>1,249,959</u>
<b>Net cash provided by (used in) operating activities</b>	<u><b>44,320</b></u>	<u><b>(188,164)</b></u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(323,414)	(358,828)
Change in debt service reserve fund	(122)	(139)
Purchase of investments	(11,025)	(45,295)
Proceeds from the sale of investments	<u>1,014,602</u>	<u>299,471</u>
<b>Net cash provided by (used in) investing activities</b>	<u><b>680,041</b></u>	<u><b>(104,791)</b></u>
<b>Cash flows from financing activities:</b>		
Net contributions to endowments	26,009	20,131
Repayment of bond payable	<u>(90,889)</u>	<u>(87,525)</u>
<b>Net cash used in financing activities</b>	<u><b>(64,880)</b></u>	<u><b>(67,394)</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>659,481</b>	<b>(360,349)</b>
Cash and cash equivalents, beginning of year	<u>5,813,085</u>	<u>6,173,434</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 6,472,566</b></u>	<u><b>\$ 5,813,085</b></u>
<b>Supplemental disclosure:</b>		
Cash paid for interest	<u><b>\$ 94,562</b></u>	<u><b>\$ 97,925</b></u>

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



# 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 (losses) net of amounts appropriated and investment fees, bequests in excess of amount appropriated, special initiative campaign support and expenses, change in value of split-interest gifts and transfer upon demise and other non-operating activity. 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 discount and allowance for pledges receivable, reserve for doubtful loans receivable, fair value disclosures of certain investments, validity and completeness of satisfaction of donor restrictions, capitalization, disposal, and useful lives of property and equipment, 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.

#### *Mission Related Loan Receivable*

UUSC has a loan receivable from a program partner in Guatemala, accruing interest at 6% annually. The loan is secured by the partner's administrative building with repayment over a 10 year period.

#### *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.

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

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

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

**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. Expenditures for maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets which range from three to forty years.

#### *Pledges and Grants 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. The initially recorded fair value is considered a Level 2 fair value approach. 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. 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.

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. Unrestricted bequests are held in board designated endowment until appropriated for use.

#### ***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 and they are included in printing and publication expenses. Advertising expense totaled \$49,248 and \$44,533 in 2017 and 2016, respectively.

#### ***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 financial instruments (but for those measured using NAV) 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.

#### *Subsequent Events*

UUSC has evaluated subsequent events through October 7, 2017, the date the financial statements were authorized to be issued.

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

### *Note 2 - Investments*

Certain investments specifically support UUSC's planned giving obligations. These assets amounted to \$241,150 and \$314,388 at June 30, 2017 and 2016, respectively.

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

	<i>2017</i>	<i>2016</i>
Investment income and gains appropriated	\$ 601,314	\$ 589,557
Investment income and losses, net of amounts appropriated and investment fees	<u>983,883</u>	<u>(375,979)</u>
<b>Total investment return</b>	<b><u>\$ 1,585,197</u></b>	<b><u>\$ 213,578</u></b>

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

	<i>2017</i>	<i>2016</i>
Interest and dividend income	\$ 350,426	\$ 284,398
Realized and unrealized gains on investments	1,321,605	2,028
Investment fees	<u>(86,834)</u>	<u>(72,848)</u>
<b>Total investment return</b>	<b><u>\$ 1,585,197</u></b>	<b><u>\$ 213,578</u></b>

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

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

The following table presents financial assets at June 30, 2017 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	\$ 250,338	\$ -	\$ -	\$ 250,338
Government issued securities	-	2,036,851	-	2,036,851
Common stocks:				
Financials	1,111,257	-	-	1,111,257
Consumer products	1,585,761	-	-	1,585,761
Industrial products	1,234,780	-	-	1,234,780
Technology	1,241,359	-	-	1,241,359
Healthcare	929,198	-	-	929,198
Energy	60,098	-	-	60,098
International securities	3,498,123	-	-	3,498,123
Corporate bonds	-	2,098,286	-	2,098,286
Assets related to pooled income funds and charitable trust funds	-	-	241,150	241,150
<b>Total investments</b>	<b>9,910,914</b>	<b>4,135,137</b>	<b>241,150</b>	<b>14,287,201</b>
Debt service reserve fund	119,340	-	-	119,340
<b>Total fair value of financial instruments</b>	<b><u>\$ 10,030,254</u></b>	<b><u>\$ 4,135,137</u></b>	<b><u>\$ 241,150</u></b>	<b><u>\$ 14,406,541</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, 2016 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	\$ 328,044	\$ -	\$ -	\$ 328,044
Government issued securities	-	2,180,624	-	2,180,624
Common stocks:				
Financials	1,218,690	-	-	1,218,690
Consumer products	1,521,517	-	-	1,521,517
Industrial products	1,347,811	-	-	1,347,811
Technology	980,815	-	-	980,815
Healthcare	429,638	-	-	429,638
Energy	167,771	-	-	167,771
International securities	3,031,292	-	-	3,031,292
Corporate bonds	-	2,098,157	-	2,098,157
Assets related to pooled income funds and charitable trust funds	-	-	314,388	314,388
<b>Total investments</b>	<b>9,025,578</b>	<b>4,278,781</b>	<b>314,388</b>	<b>13,618,747</b>
Debt service reserve fund	119,218	-	-	119,218
<b>Total fair value of financial instruments</b>	<b><u>\$9,144,796</u></b>	<b><u>\$4,278,781</u></b>	<b><u>\$ 314,388</u></b>	<b><u>\$ 13,737,965</u></b>

The fair value of the assets related to pooled income funds and charitable trust funds is based on the market value of the related assets. Due to the planned giving provisions, UUSC does not have the ability to redeem the investments at net asset value per share. Therefore, the assets have been recorded as Level 3. The debt service reserve fund is invested in money market instruments.

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

### *Note 4 - Pledges and Grants Receivable*

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

	<i>2017</i>	<i>2016</i>
<b>Pledges receivable</b>		
Due within one year	\$ 1,471,040	\$ 1,627,451
Due in one to five years	487,815	1,636,410
	<u>1,958,855</u>	<u>3,263,861</u>
Less: present value discount (ranging from 3.00% to 6.00%)	17,024	66,278
	<u>1,941,831</u>	<u>3,197,583</u>
<b>Pledges receivable, net</b>		
	1,941,831	3,197,583
<b>Grants receivable</b>	<u>850,000</u>	<u>1,050,000</u>
<b>Total pledges and grants receivable, net</b>	<u><b>\$ 2,791,831</b></u>	<u><b>\$ 4,247,583</b></u>

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

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

	<i>2017</i>	<i>2016</i>
Land	\$ 970,001	\$ 970,001
Property and improvements	6,177,593	6,043,663
Office and computer equipment	886,905	831,605
Construction in progress	<u>251,904</u>	<u>100,453</u>
	8,286,403	7,945,722
Less: accumulated depreciation	<u>2,436,407</u>	<u>2,118,896</u>
<b>Total property and equipment, net</b>	<u><b>\$ 5,849,996</b></u>	<u><b>\$ 5,826,826</b></u>

Construction in progress at June 30, 2017 relates to various projects, including a LEED certification project and sidewalk project, both related to the building at 689 Massachusetts Ave, Cambridge. The LEED certification project is planned to be completed by Spring 2018 with the expectation of receiving platinum certification. The sidewalk project is planned to be completed in October 2017. The estimated cost to complete the projects is \$727,000.

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

### *Note 6 - 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% and matures on May 1, 2022. 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 met the financial covenant conditions required to be maintained.

The annual principal payments for the next five years as of June 30, 2017 are as follows:

2018	\$ 94,104
2019	97,430
2020	100,641
2021	104,429
2022	<u>2,272,820</u>
	<u><b>\$ 2,669,424</b></u>

### *Note 7 - Donor Advance - Promissory Notes*

In 2009, a significant donor advanced funds to UUSC in return for a non-interest bearing demand promissory note. UUSC invested the proceeds from the note in a money market account, the interest of which can be used to support operations. It is the intention of the donor to forgive the note upon their death. The advance has not been accounted for as a contribution, given that it represents an intention, and has not been present valued due to the demand feature of the note.

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

### *Note 8 - Net Assets and Endowment Matters*

Net assets were composed of the following at June 30:

#### *Unrestricted:*

	<i>2017</i>	<i>2016</i>
Operating - undesignated	\$ 3,377,175	\$ 2,894,568
Board designated	7,006,753	6,673,831
Plant	<u>3,299,912</u>	<u>3,185,731</u>
<b>Total unrestricted net assets</b>	<b><u>\$ 13,683,840</u></b>	<b><u>\$ 12,754,130</u></b>

#### *Temporarily Restricted:*

	<i>2017</i>	<i>2016</i>
Special initiative/Comprehensive campaign	\$ 4,016,603	\$ 4,592,202
Time	1,674,537	2,130,126
Designated relief	360,245	691,320
Accumulated appreciation on endowment	671,768	262,602
Pooled income	114,351	138,182
Eleanor Clark French Library	49,507	65,615
Charitable trusts	16,857	18,868
Programs	<u>33,055</u>	<u>32,646</u>
<b>Total temporarily restricted net assets</b>	<b><u>\$ 6,936,923</u></b>	<b><u>\$ 7,931,561</u></b>

#### *Permanently Restricted:*

	<i>2017</i>	<i>2016</i>
Endowment fund	\$ 3,406,990	\$ 3,396,611
Special initiative campaign	1,324,072	1,304,207
Comprehensive campaign	250,000	250,000
Pooled income	69,130	73,365
Charitable trusts	<u>9,942</u>	<u>9,942</u>
<b>Total permanently restricted net assets</b>	<b><u>\$ 5,060,134</u></b>	<b><u>\$ 5,034,125</u></b>

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

### *Note 8 - Net Assets and Endowment Matters (Continued)*

#### ***Special Initiative Campaign - UUSC Rising***

UUSC Rising: Because Justice Can't Wait is a special initiatives campaign established to raise funds in support of UUSC's programmatic work through the Organization's eye-to-eye partnership model, and to celebrate the Organization's 75th anniversary. This campaign provides UUSC with an opportunity to consolidate the significant growth experienced over the past few years in major donor support and will help secure UUSC's financial future for at least the next decade.

The campaign will be conducted over five years, with funds raised from FY14 through FY18. Fiscal Years 14 and 15 comprised the "quiet" phase of the campaign, with FY16 through FY18 marking the public phase. Having reached the financial goal before the campaign's pre-determined end-date, in this last year of activity, UUSC will wind down UUSC Rising with updates to supporters and will look to launch a new campaign for FY19.

UUSC Rising: Because Justice Can't Wait is part of the Unitarian Universalist Collaborative Campaign involving UUSC and the Church of the Larger Fellowship, Meadville Lombard Theological School, Starr King School for the Ministry, the Unitarian Universalist Association and the Unitarian Universalist Ministers Association. The Collaborative Campaign will include a joint planned giving campaign, with the Wake Now our Vision, Legacy Challenge Gift Match. This gift match is sponsored but the UU Church at Shelter Rock and, for UUSC, will bridge from UUSC Rising to the next special initiatives fund.

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2017:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 671,768	\$ 5,060,134	\$ 5,731,902
Board-designated endowment funds	<u>7,006,753</u>	<u>-</u>	<u>-</u>	<u>7,006,753</u>
<b>Total funds</b>	<b><u>\$7,006,753</u></b>	<b><u>\$ 671,768</u></b>	<b><u>\$ 5,060,134</u></b>	<b><u>\$ 12,738,655</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, 2016:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 262,602	\$ 5,034,125	\$ 5,296,727
Board-designated endowment funds	<u>6,673,831</u>	<u>-</u>	<u>-</u>	<u>6,673,831</u>
<b>Total funds</b>	<b><u>\$6,673,831</u></b>	<b><u>\$ 262,602</u></b>	<b><u>\$ 5,034,125</u></b>	<b><u>\$ 11,970,558</u></b>

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

### *Note 8 - 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>2017</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	\$ 6,673,831	\$ 262,602	\$ 5,034,125	\$ 11,970,558
Gifts and additions	699,848	-	26,009	725,857
Investment returns:				
Interest and dividends	206,119	144,307	-	350,426
Realized and unrealized gains	773,989	547,616	-	1,321,605
Total investment returns	980,108	691,923	-	1,672,031
Expenditures:				
Bequests appropriated for operations	(514,645)	-	-	(514,645)
Spending rate appropriated for operations	(353,690)	(247,624)	-	(601,314)
Custodial fees	(51,701)	(35,133)	-	(86,834)
Other expenditures	(426,998)	-	-	(426,998)
Total expenditures	(1,347,034)	(282,757)	-	(1,629,791)
Change in endowment assets and those functioning as endowment assets	332,922	409,166	26,009	768,097
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ 7,006,753</b>	<b>\$ 671,768</b>	<b>\$ 5,060,134</b>	<b>\$ 12,738,655</b>

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

### *Note 8 - Net Assets and Endowment Matters (Continued)*

	2016			
	<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	\$ 6,804,621	\$ 369,711	\$ 5,013,994	\$ 12,188,326
Gifts and additions	792,090	8,931	20,131	821,152
Investment returns:				
Interest and dividends	196,388	88,010	-	284,398
Realized and unrealized gains	1,522	506	-	2,028
Total investment returns	197,910	88,516	-	286,426
Expenditures:				
Bequests appropriated for operations	(613,317)	-	-	(613,317)
Spending rate appropriated for operations	(407,115)	(182,442)	-	(589,557)
Custodial fees	(51,746)	(21,102)	-	(72,848)
Other expenditures	(48,612)	(1,012)	-	(49,624)
Total expenditures	(1,120,790)	(204,556)	-	(1,325,346)
Change in endowment assets and those functioning as endowment assets	(130,790)	(107,109)	20,131	(217,768)
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ 6,673,831</b>	<b>\$ 262,602</b>	<b>\$ 5,034,125</b>	<b>\$ 11,970,558</b>

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

### *Note 8 - Net Assets and Endowment Matters (Continued)*

#### ***Endowment***

UUSC's endowment consists of 33 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 50% of the last three years' total average bequests in FY 2017 and FY 2016.

In its statements 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 8 - Net Assets and Endowment Matters (Continued)*

#### *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, 2017 or 2016.

#### *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 9 - 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:

	<b>2017</b>	<b>2016</b>
Program services	\$ 481,992	\$ 401,996
Fundraising	<u>85,057</u>	<u>70,941</u>
<b>Total allocation of joint costs</b>	<b><u>\$567,049</u></b>	<b><u>\$472,937</u></b>

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

### *Note 9 - Allocation of Joint Costs (Continued)*

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

	<i>2017</i>	<i>2016</i>
Printing and publications	\$ 249,130	\$ 318,826
Postage and delivery	<u>317,919</u>	<u>154,111</u>
<b>Total</b>	<b><u>\$ 567,049</u></b>	<b><u>\$ 472,937</u></b>

### *Note 10 - 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. UUSC leases property owned in Utah to the operator of wind turbine generators under a 40-year lease. Rental income and related expenses are included in the operating activities on the accompanying statements of activities. The committed leases expire at various dates through December 31, 2021. (*Note:* The parent company of the operator of the wind turbine generators filed for bankruptcy protection in 2016. UUSC has not yet been notified of the outcome of the case with regard to the Utah property lease.)

The approximate minimum revenues from future rentals to be received under operating leases for each of the next five years as of June 30, 2017 are as follows:

2018	\$ 356,333
2019	364,105
2020	313,935
2021	261,632
2022	<u>111,207</u>
	<b><u>\$ 1,407,212</u></b>

### *Note 11 - Commitments and Contingencies*

#### *Employment Agreement*

As is common in many organizations, UUSC has employment agreements with key management personnel, including the CEO whose agreement commenced on July 1, 2016 and contains a number of provisions relative to the terms of employment. Additionally, UUSC also pays certain benefits of two prior CEOs and the associated costs of these agreements are included in accrued compensation at June 30, 2017 and 2016.

#### *Appropriation*

UUSC's Board of Trustees approved a combined appropriation of \$1,101,959 in support of operations for the year ending June 30, 2018, pursuant to the Investment and Bequest Spending Policy.

# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

### ***Note 12 - Concentrations and Related Party Matters***

Revenue for each of the years ended June 30, 2017 and 2016 includes \$1,025,000 from one donor, the Unitarian Universalist Veatch Program at Shelter Rock (“Shelter Rock”). During the years ended June 30, 2017 and 2016, Shelter Rock committed grant revenue of \$850,000 as well as \$850,000 in donations for each year. Based on experience, UUSC expects that the balance at June 30, 2017 from Shelter Rock will be collected in full.

There were no related party transactions in the current year.

### ***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, presently with an employer contribution rate at 9% of an employee’s base salary for up to 5 years of service and 10% for more than 5 years of service. To supplement the retirement plan, UUSC offers a Tax-Deferred Annuity plan to all employees with elective deferrals up to specified qualified plan limits. After 5 years of service, UUSC will match half of the eligible employee’s contributions up to 1% of the employee’s base salary. Retirement plan expenses were \$236,929 and \$252,616 for the years ended June 30, 2017 and 2016, respectively.

### ***Note 14 - Collective Bargaining Agreement***

UUSC’s workforce is composed primarily of members of UNITE Here! with whom there is a collective bargaining agreement. In April 2017, that agreement was extended for one year until June 2018.



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## *Independent Auditors' Report*

The Board of Trustees  
Unitarian Universalist Service Committee  
Cambridge, Massachusetts

We have audited the accompanying financial statements of the Unitarian Universalist Service Committee ("UUSC"), which comprise the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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.

*Maye Hoffman McCann P.C.*

October 7, 2017  
Boston, Massachusetts