



**uusc**

# Financial Statements for the Year Ended June 30, 2011



**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*

	2011	June 30, 2010
<b>Assets</b>		
Cash and cash equivalents:		
Cash	\$ 2,807,093	\$ 2,168,806
Money market fund	<u>85,857</u>	<u>464,843</u>
<b>Total cash and cash equivalents</b>	<b>2,892,950</b>	<b>2,633,649</b>
Investments	12,511,655	11,345,315
Accounts and interest receivable	110,561	75,781
Pledges receivable, net	1,001,547	1,720,960
Prepaid expenses and other assets	91,174	141,716
Debt service reserve fund	78,977	78,407
Property and equipment, net	<u>5,670,263</u>	<u>5,869,499</u>
<b>Total assets</b>	<b>\$ <u>22,357,127</u></b>	<b>\$ <u>21,865,327</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 247,096	\$ 371,974
Accrued compensation	190,322	166,823
Pooled income deferred revenue	201,265	185,805
Bond payable	3,180,272	3,262,985
Donor advance - promissory notes	375,000	375,000
Planned giving obligations:		
Gift annuities	1,269,370	1,233,814
Trust agreements	73,816	74,912
Pooled income	<u>6,031</u>	<u>5,377</u>
<b>Total liabilities</b>	<b><u>5,543,172</u></b>	<b><u>5,676,690</u></b>
Net assets:		
Unrestricted	9,677,537	8,968,504
Temporarily restricted	3,515,082	3,634,346
Permanently restricted	<u>3,621,336</u>	<u>3,585,787</u>
<b>Total net assets</b>	<b><u>16,813,955</u></b>	<b><u>16,188,637</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>22,357,127</u></b>	<b>\$ <u>21,865,327</u></b>

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

UNITARIAN UNIVERSALIST SERVICE COMMITTEE  
*Statements of Activities*[illegible]

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



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Statement of Activities

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating support and revenue</b>				
Public support:				
Contributions	\$ 3,241,371	\$ 1,608,623	\$ 406,100	\$ 5,256,094
Matching grant	50,000	1,250,000	-	1,300,000
Foundations	99,300	46,333	-	145,633
Bequests appropriated	887,434	-	-	887,434
	<b>4,278,105</b>	<b>2,904,956</b>	<b>406,100</b>	<b>7,589,161</b>
Revenue:				
Sales of merchandise, net	40,481	-	-	40,481
Rental income and other	333,060	1,185	-	334,245
Investment income appropriated	680,144	-	-	680,144
	<b>1,053,685</b>	<b>1,185</b>	-	<b>1,054,870</b>
	<b>5,331,790</b>	<b>2,906,141</b>	<b>406,100</b>	<b>8,644,031</b>
<b>Total operating support and revenue</b>				
<b>Net assets released from restrictions</b>				
Satisfaction of program restrictions	113,694	(113,694)	-	-
Passage of time	750,956	(750,956)	-	-
Transfer upon demise of donors	46,850	(42,437)	(4,413)	-
	<b>911,500</b>	<b>(907,087)</b>	<b>(4,413)</b>	<b>-</b>
	<b>6,243,290</b>	<b>1,999,054</b>	<b>401,687</b>	<b>8,644,031</b>
<b>Total operating support and revenue and net assets released from restrictions</b>				
<b>Expenses</b>				
Program services	4,550,828	-	-	4,550,828
Fundraising	750,241	-	-	750,241
Management	338,814	-	-	338,814
	<b>5,639,883</b>	-	-	<b>5,639,883</b>
	<b>603,407</b>	<b>1,999,054</b>	<b>401,687</b>	<b>3,004,148</b>
<b>Income (loss) from operations</b>				
<b>Non-operating activity</b>				
Bequests in excess of (less than) amount appropriated	340,571	-	-	340,571
Capital campaign support	31,317	99,496	-	130,813
Capital campaign expenses	(191,948)	-	-	(191,948)
Investment income in excess of (less than) amount appropriated and investment fees	288,565	141,238	-	429,803
Unrealized loss - investment other	-	-	-	-
Change in value of split-interest gifts and transfer upon demise	(187,590)	23,551	(1,330)	(165,369)
	<b>280,915</b>	<b>264,285</b>	<b>(1,330)</b>	<b>543,870</b>
<b>Total net non-operating activity</b>				
<b>Change in net assets</b>				
Net assets, beginning of year	884,322	2,263,339	400,357	3,548,018
	8,084,182	1,371,007	3,185,430	12,640,619
<b>Net assets, end of year</b>	<b>\$ 8,968,504</b>	<b>\$ 3,634,346</b>	<b>\$ 3,585,787</b>	<b>\$ 16,188,637</b>

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



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Statements of Functional Expenses

	Program Services					Supporting Services		Years Ended June 30,	
	Rights in					Fundraising	Management	2011	2010
	Environmental Justice	Economic Justice	Civil Liberties	Humanitarian Crisis	College of Social Justice				
					Total			Total	Total
Salaries and fringe	\$ 741,408	\$ 508,706	\$ 333,337	\$ 780,573	\$ 423,615	\$ 2,787,639	\$ 31,914	\$ 3,137,924	\$ 3,192,908
Program grants	134,501	152,366	118,795	124,196	12,000	541,858	-	541,858	528,511
Designated/emergency relief grants	-	-	-	849,459	-	849,459	-	849,459	292,752
Professional fees	34,652	26,340	21,127	80,442	22,974	185,535	36,297	343,381	339,562
Printing and publication	45,558	35,354	24,856	54,115	10,801	170,684	150	191,244	175,798
Travel	40,438	37,073	24,403	92,627	62,642	257,183	4,735	343,824	173,279
Depreciation and amortization	37,016	28,252	19,443	35,354	21,761	141,826	64,467	257,866	259,983
Postage and delivery	23,554	18,240	12,426	22,638	7,881	84,739	705	95,222	92,542
Occupancy	18,848	14,139	10,286	17,638	13,367	74,278	30,849	137,322	146,934
Supplies	3,239	2,728	1,733	11,450	5,143	24,293	2,419	31,379	25,771
Cost of sales	-	-	-	-	-	-	-	32,005	46,346
Communication	8,803	6,850	4,411	10,084	7,006	37,154	9,297	59,962	53,372
Technology	4,444	3,392	2,334	5,533	2,176	17,879	2,331	22,475	16,670
Staff development	868	663	456	829	476	3,292	1,277	5,591	21,251
Rent	6,535	4,866	3,804	7,335	1,253	23,793	4,002	32,859	39,495
Memberships and subscription	13,317	10,653	7,279	17,077	828	49,154	85	67,566	64,018
Insurance	5,689	4,341	2,987	6,877	3,344	23,238	9,906	41,068	35,525
Investment fees	-	-	-	-	-	-	-	57,011	55,996
Interest - mortgage	19,587	14,950	10,288	23,093	11,515	79,433	61,230	165,486	169,618
Lock box and bank fees	748	571	393	12,032	130	13,874	654	80,580	82,667
Awards	645	492	339	616	-	2,092	-	2,092	2,000
Miscellaneous	-	-	-	58,078	63,186	121,264	-	121,264	119,176
	1,139,850	869,976	598,697	2,210,046	670,098	5,488,667	261,380	6,617,438	5,934,174
Less:						867,391			
Cost of sales	-	-	-	-	-	(32,005)	-	(32,005)	(46,346)
Capital campaign expenses	-	-	-	-	-	(186,368)	-	(186,368)	(191,949)
Investment fees	-	-	-	-	-	(57,011)	-	(57,011)	(55,996)
	<u>\$ 1,139,850</u>	<u>\$ 869,976</u>	<u>\$ 598,697</u>	<u>\$ 2,210,046</u>	<u>\$ 670,098</u>	<u>\$ 592,007</u>	<u>\$ 261,380</u>	<u>\$ 6,342,054</u>	<u>\$ 5,639,883</u>



**UNITARIAN UNIVERSALIST SERVICE COMMITTEE**  
*Statements of Functional Expenses*  
*Year Ended June 30, 2010*

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

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>2011</i>	<i>2010</i>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 625,317	\$ 3,548,018
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Gifts of investments	(48,393)	(133,957)
Depreciation and amortization	257,867	259,983
Realized and unrealized gains on investments	(1,539,207)	(972,743)
Net contributions to endowments	(35,550)	(400,357)
Change in bond premium	(82,713)	(78,583)
Changes in:		
Accounts and interest receivable	(34,780)	(13,099)
Pledges receivable, net	719,413	(915,663)
Prepaid expenses and other assets	50,542	(44,569)
Accounts payable and accrued expenses	(124,878)	168,013
Accrued compensation	23,499	(37,460)
Pooled income deferred revenue	15,460	(21,756)
Unearned revenue	-	(14,142)
Gift annuities obligations	35,556	(5,799)
Trust agreement obligations	(1,096)	(7,377)
Pooled income	654	(1,915)
Total adjustments	(763,626)	(2,219,424)
<b>Net cash provided by (used in) operating activities</b>	<b>(138,309)</b>	<b>1,328,594</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(58,631)	(101,413)
(Source)/use of debt service reserve fund	(570)	118,016
Purchase of investments	(1,631,102)	(1,591,181)
Proceeds from the sale of investments	1,135,076	1,683,190
Proceeds from the sale of land	1,000,000	-
<b>Net cash provided by investing activities</b>	<b>444,773</b>	<b>108,612</b>
<b>Cash flows from financing activities:</b>		
Net contributions to endowments	35,550	400,357
Repayment of bond payable	(82,713)	(78,581)
<b>Net cash provided by (used in) financing activities</b>	<b>(47,163)</b>	<b>321,776</b>
<b>Net increase in cash and cash equivalents</b>	<b>259,301</b>	<b>1,758,982</b>
Cash and cash equivalents, beginning of year	2,633,649	874,667
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,892,950</b>	<b>\$ 2,633,649</b>
<b>Supplemental disclosure:</b>		
Cash paid for interest	\$ 165,487	\$ 169,618

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.

##### ***Use of Estimates***

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



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

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

##### ***Income Tax Status***

UUSC is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state income taxes. Given the limited taxable activities of UUSC, management concluded that disclosures relative to tax provisions are not necessary.

##### ***Uncertain Tax Positions***

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

##### ***Cash and Cash Equivalents***

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

UUSC maintains its cash balances in accounts which, at times, may exceed federally insured limits. UUSC monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

##### ***Investments***

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section.

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

##### ***Debt Service Reserve Fund***

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



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

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

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

Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance based on prior years' experience and management's analysis of specific promises made.

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

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

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



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

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

##### ***Conditional Promises to Give***

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

##### ***Functional Reporting***

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

##### ***Advertising Expense***

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

##### ***Fair Value Measurements***

UUSC reports certain assets and liabilities at fair value on a recurring or non-recurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measurements include investments. Non-recurring measurements include pledges receivable and planned giving obligations. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require UUSC to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique, as discussed below.

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

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

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

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

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



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Notes to Financial Statements

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

#### Fair Value Measurements (Continued)

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

#### Reclassifications

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

#### Subsequent Events

UUSC has evaluated subsequent events through September, 22, 2011, the date the financial statements were authorized to be issued.

### Note 2 - Investments

Investments were composed of the following at June 30:

	2011	2010
Money market instruments	\$ 4,475,227	\$ 3,768,995
Government issued securities and mutual funds of government securities	1,098,042	1,153,592
Common stocks:		
Utilities	57,029	52,410
Financials	666,058	540,000
Consumer products	1,016,263	847,336
Industrial products	1,002,531	778,446
Technology	874,822	577,985
Healthcare	584,140	510,628
Energy	539,372	309,660
International securities	* 2,198,171	-
Mutual funds	-	1,806,263
Land held for sale	-	1,000,000
<b>Total investments</b>	<b>\$ 12,511,655</b>	<b>\$ 11,345,315</b>

\*In the prior year, the amount was invested in a mutual fund of international securities.



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Notes to Financial Statements

### Note 2 - Investments (Continued)

Certain of these investments specifically support UUSC's planned giving obligations. These assets amounted to \$1,202,997 and \$1,180,344 at June 30, 2011 and 2010, respectively.

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

	2011	2010
Investment income and gains appropriated	\$ 525,623	\$ 680,144
Investment income and gains, net of amounts appropriated and investment fees	<u>1,158,178</u>	<u>429,803</u>
<b>Total investment return</b>	<b>\$ <u>1,683,801</u></b>	<b>\$ <u>1,109,947</u></b>

Investment return was composed of:

	2011	2010
Interest and dividend income	\$ 233,905	\$ 193,200
Realized and unrealized gains (losses) on investments	1,539,207	972,743
Investment fees	<u>(89,311)</u>	<u>(55,996)</u>
<b>Total investment return</b>	<b>\$ <u>1,683,801</u></b>	<b>\$ <u>1,109,947</u></b>

### Note 3 - Fair Values of Financial Instruments

The following table presents financial assets at June 30, 2011 that UUSC measures at fair value on a recurring basis, by level, within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Money market instruments	\$ 4,475,227	\$ -	\$ -	\$ 4,475,227
Government issued securities and mutual funds of government securities	1,098,042	-	-	1,098,042
Common stocks	6,938,386	-	-	6,938,386
Debt service reserve fund	<u>78,977</u>	<u>-</u>	<u>-</u>	<u>78,977</u>
	<b>\$ <u>12,590,632</u></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ <u>12,590,632</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, 2010 that UUSC measures at fair value on a recurring basis, by level, within the fair value hierarchy:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Money market instruments	\$ 3,768,995	\$ -	\$ -	\$ 3,768,995
Government issued securities and mutual funds of government securities	1,153,592	-	-	1,153,592
Common stocks	3,616,465	-	-	3,616,465
Mutual funds	1,806,263	-	-	1,806,263
Other investment	-	-	1,000,000	1,000,000
Debt service reserve fund	<u>78,407</u>	<u>-</u>	<u>-</u>	<u>78,407</u>
	<b>\$ <u>10,423,722</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>1,000,000</u></b>	<b>\$ <u>11,423,722</u></b>

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

	<i>Level 3</i>
<b>Balance at June 30, 2010</b>	<b>\$ 1,000,000</b>
Unrealized loss	<u>-</u>
<b>Balance at June 30, 2010</b>	<b>1,000,000</b>
Net sales	(1,000,000)
Net realized losses	<u>-</u>
<b>Balance at June 30, 2011</b>	<b>\$ <u>-</u></b>



# 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:

	<i>2011</i>	<i>2010</i>
Due within one year	\$ 1,014,038	\$ 1,544,833
Due in one to five years	5,000	167,000
Bequests based upon validated wills	<u>-</u>	<u>21,000</u>
	1,019,038	1,732,833
Less: present value discount	9,691	1,873
Less: allowance for uncollectible pledges	<u>7,800</u>	<u>10,000</u>
<b>Total pledges receivable, net</b>	<b><u>\$ 1,001,547</u></b>	<b><u>\$ 1,720,960</u></b>

### Note 5 - Property and Equipment, Net

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

	<i>2011</i>	<i>2010</i>
Land	\$ 970,001	\$ 970,001
Property and improvements	5,266,143	5,261,243
Office and computer equipment	564,586	553,178
Construction in Progress	<u>42,323</u>	<u>-</u>
	6,843,053	6,784,422
Less: accumulated depreciation	<u>1,172,790</u>	<u>914,923</u>
<b>Total property and equipment, net</b>	<b><u>\$ 5,670,263</u></b>	<b><u>\$ 5,869,499</u></b>

Construction in progress relates to the installation of an elevator at UUSC's main office.

### Note 6 - Commitments and Contingencies

#### Employment Agreement

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





## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

#### ***Note 7 - Planned Giving Programs***

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

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

#### ***Note 8 - 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 and bears interest at a fixed rate of 5.06%. The principal and interest on the loan is payable in 120 monthly payments. Annual payments of principal and interest are approximately \$250,000 per year. UUSC is required to maintain certain financial covenants.

The annual principal payments for the next five years and thereafter as of June 30, 2011 are as follows:

2012	\$	87,092
2013		91,667
2014		96,482
2015		101,550
2016		106,884
Thereafter		<u>2,696,597</u>
	\$	<u><u>3,180,272</u></u>

#### ***Note 9 - Donor Advance - Promissory Notes***

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



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

***Note 10 - Net Assets and Endowment Matters***

Net assets were composed of the following at June 30:

***Unrestricted:***

	<b><i>2011</i></b>	<b><i>2010</i></b>
Operating - undesignated	\$ 452,216	\$ 340,923
Board designated	6,656,352	5,942,660
Plant	<u>2,568,969</u>	<u>2,684,921</u>
<b>Total unrestricted net assets</b>	<b>\$ <u>9,677,537</u></b>	<b>\$ <u>8,968,504</u></b>

***Temporarily Restricted:***

	<b><i>2011</i></b>	<b><i>2010</i></b>
Eleanor Clark French Library	\$ 100,000	\$ 100,000
Programs	42,485	61,027
Designated relief	1,337,973	2,106,781
Comprehensive campaign	148,826	99,497
Time	1,086,996	794,833
Accumulated appreciation on endowment	441,544	141,238
Charitable trusts	82,939	93,462
Pooled income	<u>274,319</u>	<u>237,508</u>
<b>Total temporarily restricted net assets</b>	<b>\$ <u>3,515,082</u></b>	<b>\$ <u>3,634,346</u></b>

***Permanently Restricted:***

	<b><i>2011</i></b>	<b><i>2010</i></b>
Charitable trusts	\$ 9,942	\$ 9,942
Comprehensive campaign	250,000	250,000
Pooled income	108,521	100,793
Endowment fund	<u>3,252,873</u>	<u>3,225,052</u>
<b>Total permanently restricted net assets</b>	<b>\$ <u>3,621,336</u></b>	<b>\$ <u>3,585,787</u></b>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

*Note 10 - 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, 2011:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 441,544	\$ 3,621,336	\$ 4,062,880
Board-designated endowment funds	<u>6,656,352</u>	<u>-</u>	<u>-</u>	<u>6,656,352</u>
<b>Total funds</b>	<b>\$ <u>6,656,352</u></b>	<b>\$ <u>441,544</u></b>	<b>\$ <u>3,621,336</u></b>	<b>\$ <u>10,719,232</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, 2010:

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



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Notes to Financial Statements

### Note 10 - 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:

	2011			
	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 5,942,660	\$ 141,238	\$ 3,585,787	\$ 9,669,685
Gifts and additions	1,363,368	-	27,820	1,391,188
Investment returns:				
Interest and dividends	150,969	64,554	-	215,523
Realized and unrealized gains	1,087,419	464,980	-	1,552,399
Total investment returns	1,238,388	529,534	-	1,767,922
Expenditures:				
Bequests appropriated for operations	(694,135)	-	-	(694,135)
Spending rate appropriated for operations	(368,187)	(157,436)	-	(525,623)
Other changes	(138,010)	(56,260)	-	(194,270)
Custodial fees	(36,325)	(15,532)	-	(51,857)
Replenishment of comprehensive camp expenditures	(616,155)	-	-	-
Other expenditures	(35,252)	-	-	(35,252)
Total expenditures	(1,888,064)	(229,228)	-	(1,501,137)
Change in endowment assets and those functioning as endowment assets	713,692	300,306	27,820	1,657,973
Other changes:				
Change in value and transfer upon demise	-	-	7,729	7,729
Total other changes	-	-	7,729	7,729
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ 6,656,352</b>	<b>\$ 441,544</b>	<b>\$ 3,621,336</b>	<b>\$ 11,335,387</b>



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Notes to Financial Statements

### Note 10 - Net Assets and Endowment Matters (Continued)

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



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

#### *Note 10 - 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% and 5.75% of the non-planned giving investments using the average of the previous twelve quarters using the end of the prior fiscal year as a starting point. Bequests appropriated for the year are calculated at the beginning of the year as 75% 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, 2011 and 2010 of \$195,000 and \$390,000, respectively, to help meet operating cash needs.

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



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

***Note 10 - 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 11 - 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><i>2011</i></b>	<b><i>2010</i></b>
Program services	\$ 111,075	\$ 51,817
Fundraising	<u>19,602</u>	<u>58,433</u>
<b>Total allocation of joint costs</b>	<b><u>\$ 130,677</u></b>	<b><u>\$ 110,250</u></b>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

***Note 11 - Allocation of Joint Costs (Continued)***

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

	<b>2011</b>	<b>2010</b>
Printing and publications	\$ 73,526	\$ 64,632
Postage and delivery	<u>57,151</u>	<u>45,618</u>
<b>Total</b>	<b>\$ <u>130,677</u></b>	<b>\$ <u>110,250</u></b>

***Note 12 - Contributed Services***

Contributed professional accounting, computer technology, and legal services in the amounts of \$12,487 and \$6,064 for the years ended June 30, 2011 and 2010, respectively, were recorded as unrestricted contributions and as expense. Extensive other services have been provided by volunteers that UUSC does not record in this manner as they do not meet the requirements established under generally accepted accounting principles.

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

Revenue for the years ended June 30, 2011 and 2010 includes \$775,000 and \$1,300,000, respectively, in contributions from a single donor, the Unitarian Universalist Veatch Program at Shelter Rock, which is located in Manhasset, New York. In addition, pledges receivable includes \$775,000 and \$1,000,000 at June 30, 2011 and 2010, respectively, from this same donor. The pledge from 2010 was collected, and based on experience, UUSC expects that the balance at June 30, 2011 will also be collected in full.

UUSC's workforce is composed primarily of members of UNITE Here! with whom there is a collective bargaining agreement. In June 2011, that agreement was extended for one year until June 2012.

UUSC's investments are managed by a firm associated with a trustee. Fees for such services were \$34,963 and \$33,422 for the years ended June 30, 2011 and 2010, respectively. The Board believes this transaction is favorable to UUSC, and such arrangement has been reviewed and approved by the remaining trustees.

***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. In addition, employees under the age of 50 may make elective salary reduction contributions of up to \$16,500, and employees aged 50 and over may make elective salary reduction contributions of up to \$22,000. All contributions to the plan are invested in a group annuity contract. Retirement plan expenses were \$184,395 and \$125,705 for the years ended June 30, 2011 and 2010, respectively.





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*Independent Auditors' Report*

Board of Trustees  
Unitarian Universalist Service Committee  
Cambridge, Massachusetts

We have audited the accompanying statements of financial position of Unitarian Universalist Service Committee ("UUSC") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of UUSC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unitarian Universalist Service Committee as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Mayer Hoffman McCann P.C.*

September 22, 2011  
Boston, Massachusetts