



**UUSC**

# Financial Statements for the Year Ended June 30, 2014



**Unitarian Universalist Service Committee**

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**UNITARIAN UNIVERSALIST SERVICE COMMITTEE**

***Financial Statements***

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# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Statements of Financial Position*

	<i>June 30,</i>	
	<i>2014</i>	<i>2013</i>
<b>Assets</b>		
Cash and cash equivalents:		
Cash	\$ 1,083,982	\$ 973,727
Money market funds and certificates of deposit	<u>3,757,253</u>	<u>2,042,419</u>
<b>Total cash and cash equivalents</b>	<b>4,841,235</b>	<b>3,016,146</b>
Investments	13,885,068	13,062,075
Accounts and interest receivable	204,959	138,930
Prepaid expenses and other assets	214,358	168,450
Pledges and grants receivable, net	4,817,081	2,152,512
Debt service reserve fund	118,926	78,791
Property and equipment, net	<u>5,931,926</u>	<u>5,965,750</u>
<b>Total assets</b>	<b>\$ <u>30,013,553</u></b>	<b>\$ <u>24,582,654</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 381,900	\$ 581,271
Accrued compensation	256,085	250,832
Pooled income deferred revenue	126,679	162,698
Bond payable	2,932,639	3,014,545
Donor advance - promissory notes	375,000	375,000
Planned giving obligations:		
Gift annuities	829,660	894,257
Trust agreements	56,718	61,089
Pooled income	<u>2,483</u>	<u>1</u>
<b>Total liabilities</b>	<b><u>4,961,164</u></b>	<b><u>5,339,693</u></b>
Net assets:		
Unrestricted	13,129,794	11,066,691
Temporarily restricted	8,195,077	4,553,184
Permanently restricted	<u>3,727,518</u>	<u>3,623,086</u>
<b>Total net assets</b>	<b><u>25,052,389</u></b>	<b><u>19,242,961</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>30,013,553</u></b>	<b>\$ <u>24,582,654</u></b>

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



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Statements of Activities

	Years Ended June 30,		
	Unrestricted	Temporarily Restricted	Permanently Restricted
			2014
			Total
			2013
			Total
<b>Operating support and revenue</b>			
Public support:			
Contributions	\$ 4,603,226	\$ 910,529	\$ 5,515,455
Matching grant	-	825,000	825,000
Foundations	97,142	225,000	322,142
Bequests appropriated	653,465	-	653,465
	<b>5,353,833</b>	<b>1,960,529</b>	<b>7,316,062</b>
Revenue:			
Sales of merchandise, net	39,238	-	39,238
Rental income and other	555,647	-	555,647
Investment income and gains appropriated	553,276	-	553,276
	<b>1,148,161</b>	<b>-</b>	<b>1,148,161</b>
<b>Total operating support and revenue</b>	<b>6,501,994</b>	<b>1,960,529</b>	<b>8,464,223</b>
<b>Net assets released from restrictions</b>			
Satisfaction of program restrictions and donor redesignations	884,690	(984,690)	-
Passage of time	1,465,614	(1,465,614)	-
	<b>2,350,304</b>	<b>(2,450,304)</b>	<b>-</b>
<b>Total operating support and revenue and net assets released from restrictions</b>	<b>8,852,298</b>	<b>(489,775)</b>	<b>8,464,223</b>
<b>Expenses</b>			
Program services	6,163,284	-	6,163,284
Office space rental	337,901	-	337,901
Fundraising	753,340	-	753,340
Management	726,821	-	726,821
	<b>7,981,346</b>	<b>-</b>	<b>7,981,346</b>
<b>Income (loss) from operations</b>	<b>870,952</b>	<b>(489,775)</b>	<b>482,877</b>
<b>Non-operating activity</b>			
Bequests in excess of amount appropriated	217,724	-	220,456
Special initiative campaign support	47,240	4,127,997	4,175,237
Special initiative campaign expenses	(63,286)	-	(63,286)
Investment income and gains net of amounts appropriated and investment fees	1,035,633	16,947	1,052,580
Change in value of split-interest gifts and transfer upon demise	(51,216)	(13,276)	(64,492)
Other non-operating activity	6,056	-	6,056
	<b>1,192,151</b>	<b>4,131,668</b>	<b>5,326,551</b>
<b>Total net non-operating activity</b>	<b>2,063,103</b>	<b>3,641,893</b>	<b>5,809,428</b>
<b>Change in net assets</b>	<b>11,066,691</b>	<b>4,553,184</b>	<b>19,242,961</b>
Net assets, beginning of year			17,380,303
<b>Net assets, end of year</b>	<b>\$ 13,129,794</b>	<b>\$ 8,195,077</b>	<b>\$ 25,052,389</b>
			<b>\$ 19,242,961</b>

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



**UNITARIAN UNIVERSALIST SERVICE COMMITTEE**  
*Statement of Activities*  
Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating support and revenue</b>				
Public support:				
Contributions	\$ 4,026,587	\$ 781,779	\$ 1,200	\$ 4,809,566
Matching grant	-	800,000	-	800,000
Foundations	56,649	116,749	-	173,398
Bequests appropriated	513,399	-	-	513,399
	<u>4,596,635</u>	<u>1,698,528</u>	<u>1,200</u>	<u>6,296,363</u>
Revenue:				
Sales of merchandise, net	48,989	-	-	48,989
Rental income and other	519,067	-	-	519,067
Investment income and gains appropriated	487,938	-	-	487,938
	<u>1,055,994</u>	<u>-</u>	<u>-</u>	<u>1,055,994</u>
<b>Total operating support and revenue</b>	<u>5,652,629</u>	<u>1,698,528</u>	<u>1,200</u>	<u>7,352,357</u>
<b>Net assets released from restrictions</b>				
Satisfaction of program restrictions and donor redesignations	663,617	(663,617)	-	-
Passage of time	2,257,899	(2,257,899)	-	-
	<u>2,921,516</u>	<u>(2,921,516)</u>	<u>-</u>	<u>-</u>
<b>Total operating support and revenue and net assets released from restrictions</b>	<u>8,574,145</u>	<u>(1,222,988)</u>	<u>1,200</u>	<u>7,352,357</u>
<b>Expenses</b>				
Program services	5,566,384	-	-	5,566,384
Office space rental	317,544	-	-	317,544
Fundraising	532,313	-	-	532,313
Management	793,914	-	-	793,914
	<u>7,210,155</u>	<u>-</u>	<u>-</u>	<u>7,210,155</u>
<b>Total expenses</b>	<u>7,210,155</u>	<u>-</u>	<u>-</u>	<u>7,210,155</u>
<b>Income (loss) from operations</b>	<u>1,363,990</u>	<u>(1,222,988)</u>	<u>1,200</u>	<u>142,202</u>
<b>Non-operating activity</b>				
Bequests in excess of amount appropriated	163,516	707,210	-	870,726
Investment income and gains net of amounts appropriated and investment fees	434,732	193,595	-	628,327
Change in value of split-interest gifts and transfer upon demise	211,158	10,245	-	221,403
	<u>809,406</u>	<u>911,050</u>	<u>-</u>	<u>1,720,456</u>
<b>Total net non-operating activity</b>	<u>809,406</u>	<u>911,050</u>	<u>-</u>	<u>1,720,456</u>
<b>Change in net assets</b>	<u>2,173,396</u>	<u>(311,938)</u>	<u>1,200</u>	<u>1,862,658</u>
Net assets, beginning of year	8,893,295	4,865,122	3,621,886	17,380,303
	<u>\$ 11,066,691</u>	<u>\$ 4,553,184</u>	<u>\$ 3,623,086</u>	<u>\$ 19,242,961</u>

**Net assets, end of year**

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	2014 Total	2013 Total
	Environmental Justice	Economic Justice	Civil Liberties	Humanitarian Crisis	College of Social Justice				
Salaries and fringe	\$ 546,592	\$ 256,191	\$ 329,468	\$ 1,522,816	\$ 382,954	\$ 3,038,021	\$ 135,484	\$ 4,066,936	\$ 4,060,646
Program grants	162,526	142,850	105,685	288,882	49,824	749,767	-	749,767	600,853
Designated/emergency relief grants	-	-	-	577,080	-	577,080	-	577,080	145,292
Professional fees	102,037	29,340	32,694	216,912	42,656	423,639	-	604,967	479,421
Printing and publication	48,218	25,378	27,916	156,780	4,711	263,003	70	314,802	272,631
Travel	55,314	27,249	34,438	188,022	158,047	463,070	150	514,451	498,396
Depreciation and amortization	21,689	11,415	12,557	52,075	3,642	101,378	90,584	261,915	240,107
Postage and delivery	27,376	14,418	15,847	91,311	388	149,340	480	173,571	151,668
Occupancy	16,636	8,756	9,632	58,761	12,551	106,336	62,713	211,790	199,303
Supplies	3,148	1,228	1,328	9,435	8,674	23,813	2,723	31,822	42,348
Cost of sales	12,788	6,730	7,403	40,382	-	67,303	-	67,303	55,496
Communication	3,362	1,842	1,955	12,955	8,248	28,362	3,824	40,499	56,664
Technology	2,280	1,200	1,320	4,800	2,003	11,603	-	23,272	25,307
Staff development	1,881	990	1,089	5,939	4,135	14,034	-	20,429	19,737
Rent	3,092	1,628	1,790	9,765	2,354	18,629	3,076	30,327	25,618
Memberships and subscription	14,607	8,153	9,317	48,580	3,925	84,582	26	133,377	92,886
Insurance	2,651	1,395	1,535	6,152	10,522	22,255	11,071	42,086	42,719
Investment fees	-	-	-	-	-	-	-	63,863	59,023
Interest - mortgage	6,522	3,432	3,776	20,595	25,887	60,212	27,237	103,546	106,338
Lock box and bank fees	940	188	275	8,964	697	11,064	-	116,402	103,941
Awards	398	210	231	1,257	-	2,096	-	2,096	2,080
Miscellaneous	1,227	646	710	9,025	3,392	15,000	463	25,497	44,200
	1,033,284	543,239	598,966	3,330,488	724,610	6,230,587	337,901	8,175,798	7,324,674
Less:									
Cost of sales	(12,788)	(6,730)	(7,403)	(40,382)	-	(67,303)	-	(67,303)	(55,496)
Special Initiative Campaign - UUSC Rising	-	-	-	-	-	(63,286)	-	(63,286)	-
Investment fees	-	-	-	-	-	(63,863)	-	(63,863)	(59,023)
	\$ 1,020,496	\$ 536,509	\$ 591,563	\$ 3,290,106	\$ 724,610	\$ 6,163,284	\$ 337,901	\$ 7,981,346	\$ 7,210,155

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



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Statement of Functional Expenses  
Year Ended June 30, 2013

	Program Services					Supporting Services			Total
	Environmental Justice	Economic Justice	Civil Liberties	Rights in Humanitarian		College of Social Justice	Office Space Rental	Fundraising	Management
				Crisis	Total				
Salaries and fringe	\$ 630,509	\$ 611,150	\$ 406,707	\$ 1,121,412	\$ 3,148,932	\$ 111,738	\$ 187,991	\$ 611,985	\$ 4,060,646
Program grants	156,094	161,238	98,283	145,701	600,853	-	-	-	600,853
Designated/emergency relief grants	-	-	-	145,292	145,292	-	-	-	145,292
Professional fees	51,233	63,831	35,330	124,852	335,661	-	70,823	72,937	479,421
Printing and publication	51,140	53,172	33,370	95,520	240,809	-	31,719	103	272,631
Travel	61,681	72,045	46,584	132,644	470,773	-	20,473	7,150	498,396
Depreciation and amortization	21,832	22,090	14,246	40,779	98,947	85,500	24,737	30,923	240,107
Postage and delivery	28,662	29,173	18,780	53,468	130,545	-	20,104	1,019	151,668
Occupancy	17,537	17,744	11,444	32,755	93,267	63,717	18,592	23,727	199,303
Supplies	3,378	3,561	2,152	9,233	31,034	2,641	6,177	2,496	42,348
Cost of sales	-	-	-	-	-	-	55,496	-	55,496
Communication	6,912	6,621	4,395	18,277	43,249	-	6,803	6,612	56,664
Technology	3,089	3,125	2,016	5,769	18,023	-	1,378	5,906	25,307
Staff development	2,735	2,767	1,785	5,108	17,574	-	2,013	150	19,737
Rent	4,675	4,905	3,051	8,732	21,363	-	1,787	2,468	25,618
Memberships and subscription	15,779	16,240	10,397	29,586	72,739	-	14,115	6,032	92,886
Insurance	3,884	3,930	2,535	7,255	17,604	15,212	4,401	5,502	42,719
Investment fees	-	-	-	-	-	-	59,023	-	59,023
Interest - mortgage	9,669	9,783	6,309	18,060	43,821	37,866	10,955	13,696	106,338
Lock box and bank fees	392	396	256	1,132	2,386	-	101,555	-	103,941
Awards	459	464	299	858	2,080	-	-	-	2,080
Miscellaneous	5,370	5,466	3,524	11,610	31,432	870	8,690	3,208	44,200
	1,075,030	1,087,701	701,463	2,008,043	5,566,384	317,544	646,832	793,914	7,324,674
Less:									
Cost of sales	-	-	-	-	-	-	(55,496)	-	(55,496)
Investment fees	-	-	-	-	-	-	(59,023)	-	(59,023)
	<u>\$ 1,075,030</u>	<u>\$ 1,087,701</u>	<u>\$ 701,463</u>	<u>\$ 2,008,043</u>	<u>\$ 694,147</u>	<u>\$ 317,544</u>	<u>\$ 532,313</u>	<u>\$ 793,914</u>	<u>\$ 7,210,155</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>2014</i>	<i>2013</i>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 5,809,428	\$ 1,862,658
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Interest and dividends, reinvested	(285,014)	(198,691)
Depreciation and amortization	261,915	240,106
Realized and unrealized gains on investments	(1,384,705)	(934,126)
Net contributions to endowments	(104,432)	(1,200)
Gain on disposal of property and equipment	(4,624)	-
Changes in:		
Accounts and interest receivable	(66,029)	(28,385)
Pledges and grants receivable, net	(2,664,569)	622,602
Prepaid expenses and other assets	(45,908)	(44,804)
Accounts payable and accrued expenses	(215,421)	66,260
Accrued compensation	5,253	28,127
Pooled income deferred revenue	(36,019)	(19,885)
Gift annuities obligations	(64,597)	(370,407)
Trust agreement obligations	(4,371)	(8,507)
Pooled income	2,482	(3,817)
Total adjustments	(4,606,039)	(652,727)
<b>Net cash provided by operating activities</b>	<b>1,203,389</b>	<b>1,209,931</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(207,417)	(628,016)
Source of debt service reserve fund	(40,135)	(147)
Purchase of investments	(479,679)	-
Proceeds from the sale of investments	1,326,404	290,995
<b>Net cash provided by (used in) investing activities</b>	<b>599,173</b>	<b>(337,168)</b>
<b>Cash flows from financing activities:</b>		
Net contributions to endowments	104,432	1,200
Repayment of bond payable	(81,905)	(79,113)
<b>Net cash provided by (used in) financing activities</b>	<b>22,527</b>	<b>(77,913)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,825,089</b>	<b>794,850</b>
Cash and cash equivalents, beginning of year	3,016,146	2,221,296
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,841,235</b>	<b>\$ 3,016,146</b>
<b>Supplemental disclosure:</b>		
Cash paid for interest	\$ 103,546	\$ 106,338

### Disclosure of non-cash activity:

During the year ended June 30, 2013, UUSC acquired \$16,050 of fixed asset additions that are included in accounts payable at year end.





## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

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

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

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

#### ***Basis of Accounting***

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

#### ***Classification of Net Assets***

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

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

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

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

#### ***Operations***

The statement of activities reports the changes in unrestricted, temporarily restricted and permanently restricted assets from operating and non-operating activities. Non-operating activities consist of investment income and gains net of amounts appropriated and investment fees, bequests in excess of amount appropriated, capital campaign support and expenses, 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 allowance for pledges receivable, fair value disclosures of certain investments, validity and completeness of satisfaction of donor restrictions, capitalization, disposal, and useful lives of property and equipment, valuation interest in and obligations under split-interest agreements, and the allocation of common expenses over program functions.

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

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

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

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

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

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



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

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

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

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

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

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

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

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

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

##### ***Split-Interest Agreements***

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

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

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

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



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

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

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

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

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

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

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

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

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

Contributions for large-scale natural disasters and the humanitarian crises that follow require a wide variety of aid, immediately and over the mid and long-term. UUSC's disaster response focuses on those groups of people who are at risk of being overlooked by mainstream disaster responses. UUSC seeks to maximize donations to assist such people.



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

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

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

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

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

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

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

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

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

UUSC reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include UUSC's investments, assets related to pooled income funds, assets related to charitable trust funds and assets held for the debt service reserve fund. Non-recurring measurements include pledges receivable and liabilities for split-interest agreements.

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

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

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

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

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



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

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

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

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

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

#### *Reclassifications*

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

#### *Subsequent Events*

UUSC has evaluated subsequent events through September 18, 2014, the date the financial statements were authorized to be issued.

### *Note 2 - Investments*

Certain investments specifically support UUSC's planned giving obligations. These assets amounted to \$568,068 and \$664,862 at June 30, 2014 and 2013, respectively.

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

	<b>2014</b>	<b>2013</b>
Investment income and gains appropriated	\$ 553,276	\$ 487,938
Investment income and gains (losses), net of amounts appropriated and investment fees	<u>1,052,580</u>	<u>628,327</u>
<b>Total investment return</b>	<b>\$ <u>1,605,856</u></b>	<b>\$ <u>1,116,265</u></b>





# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## Notes to Financial Statements

### Note 2 - Investments (Continued)

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

	2014	2013
Interest and dividend income	\$ 285,014	\$ 241,162
Realized and unrealized gains on investments	1,384,705	934,126
Investment fees	<u>(63,863)</u>	<u>(59,023)</u>
<b>Total investment return</b>	<b>\$ <u>1,605,856</u></b>	<b>\$ <u>1,116,265</u></b>

### Note 3 - Fair Values of Financial Instruments

The following table presents financial assets at June 30, 2014 that UUSC measures at fair value on a recurring basis, by level, within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<b>Investments:</b>				
Money market instruments	\$ 817,400	\$ -	\$ -	\$ 817,400
Government issued securities and mutual funds of government securities	-	2,701,642	-	2,701,642
Common stocks:				
Utilities	16,613	-	-	16,613
Financials	966,714	-	-	966,714
Consumer products	1,068,708	-	-	1,068,708
Industrial products	1,266,482	-	-	1,266,482
Technology	1,213,515	-	-	1,213,515
Healthcare	618,847	-	-	618,847
Energy	321,088	-	-	321,088
International securities	3,348,464	-	-	3,348,464
Corporate bonds	-	977,527	-	977,527
Assets related to pooled income funds and charitable trust funds	<u>-</u>	<u>-</u>	<u>568,068</u>	<u>568,068</u>
<b>Total investments</b>	<b>9,637,831</b>	<b>3,679,169</b>	<b>568,068</b>	<b>13,885,068</b>
Debt service reserve fund	<u>118,926</u>	<u>-</u>	<u>-</u>	<u>118,926</u>
<b>Total fair value of financial instruments</b>	<b>\$ <u>9,756,757</u></b>	<b>\$ <u>3,679,169</u></b>	<b>\$ <u>568,068</u></b>	<b>\$ <u>14,003,994</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, 2013 that UUSC measures at fair value on a recurring basis, by level, within the fair value hierarchy:

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

The fair value of the planned giving assets is based on the fair market value of the planned giving assets. Due to the planned giving provisions, UUSC does not have the ability to redeem the investments as net asset value per share. Therefore, the assets have been recorded as Level 3.



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:

	<b>2014</b>	<b>2013</b>
<b>Pledges receivable</b>		
Due within one year	\$ 1,436,000	\$ 554,367
Due in one to five years	2,439,500	256,000
Bequests based upon validated wills	<u>40,000</u>	<u>522,101</u>
	3,915,500	1,332,468
Less: present value discount	145,419	21,104
Less: allowance for uncollectible pledges	<u>2,400</u>	<u>108,852</u>
<b>Grants receivable</b>	<u>1,049,400</u>	<u>950,000</u>
<b>Total pledges and grants receivable, net</b>	<b>\$ <u>4,817,081</u></b>	<b>\$ <u>2,152,512</u></b>

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

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

	<b>2014</b>	<b>2013</b>
Land	\$ 970,001	\$ 970,001
Property and improvements	5,940,985	5,399,910
Office and computer equipment	563,453	666,820
Construction in progress	<u>-</u>	<u>596,700</u>
	7,474,439	7,633,431
Less: accumulated depreciation	<u>1,542,513</u>	<u>1,667,681</u>
<b>Total property and equipment, net</b>	<b>\$ <u>5,931,926</u></b>	<b>\$ <u>5,965,750</u></b>

Construction in progress at June 30, 2013 related to a renovation project at UUSC's main office. The work was completed and placed in service in September 2013.



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

#### ***Note 6 - Commitments and Contingencies***

##### ***Employment Agreement***

As is common at many organizations, UUSC has an employment agreement with its CEO. The contract extends through January 31, 2016 and contains a number of provisions relative to the terms of employment, which in the event of involuntary termination would create a liability to UUSC. In addition, UUSC also pays certain benefits of the former CEO. The anticipated costs of these agreements are included in accrued compensation at June 30, 2014 and 2013.

UUSC's Board of Trustees approved a combined appropriation of \$1,168,449 in support of operations for the year ending June 30, 2015, pursuant to the Investment and Bequest Spending Policy.

#### ***Note 7 - Bond Payable***

UUSC has a tax exempt bond outstanding, which was used to finance the purchase of its primary operating facility. The bond was privately placed with a bank and is secured by the related building. The bond bears interest at a fixed rate of 3.43%. The principal and interest on the loan is payable in 120 monthly payments. The annual payments of principal and interest are approximately \$185,000 per year. UUSC is required to maintain certain financial covenants.

The annual principal payments for the next five years and thereafter as of June 30, 2014 are as follows:

2015	\$	84,803
2016		87,531
2017		90,893
2018		94,104
2019		97,430
Thereafter		<u>2,477,878</u>
	\$	<u><u>2,932,639</u></u>

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

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



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

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

Net assets were composed of the following at June 30:

***Unrestricted:***

	<b><i>2014</i></b>	<b><i>2013</i></b>
Operating - undesignated	\$ 2,934,695	\$ 1,620,084
Board designated	7,076,886	6,416,611
Plant	<u>3,118,213</u>	<u>3,029,996</u>
<b>Total unrestricted net assets</b>	<b><u>\$ 13,129,794</u></b>	<b><u>\$ 11,066,691</u></b>

***Temporarily Restricted:***

	<b><i>2014</i></b>	<b><i>2013</i></b>
Eleanor Clark French Library	\$ 90,125	\$ 100,000
Programs	34,948	57,483
Designated relief	940,621	284,773
Special Initiative/Comprehensive campaign	4,153,877	81,825
Time	2,235,316	3,256,948
Accumulated appreciation on endowment	476,914	459,969
Charitable trusts	49,139	62,801
Pooled income	<u>214,137</u>	<u>249,385</u>
<b>Total temporarily restricted net assets</b>	<b><u>\$ 8,195,077</u></b>	<b><u>\$ 4,553,184</u></b>

***Permanently Restricted:***

	<b><i>2014</i></b>	<b><i>2013</i></b>
Charitable trusts	\$ 9,942	\$ 9,942
Comprehensive campaign	250,000	250,000
Pooled income	108,521	108,521
Endowment fund	<u>3,359,055</u>	<u>3,254,623</u>
<b>Total permanently restricted net assets</b>	<b><u>\$ 3,727,518</u></b>	<b><u>\$ 3,623,086</u></b>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

***Note 9 - 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 active phase of the campaign will be conducted over three years, with funds raised from FY14 through FY16. Fiscal Years 14 and 15 will comprise the "quiet" phase of the campaign, with FY 16 marking the public phase.

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 following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2014:

	<b><i>Unrestricted</i></b>	<b><i>Temporarily Restricted</i></b>	<b><i>Permanently Restricted</i></b>	<b><i>Total</i></b>
Donor-restricted endowment funds	\$ -	\$ 476,914	\$ 3,727,518	\$ 4,204,432
Board-designated endowment funds	<u>7,076,886</u>	<u>-</u>	<u>-</u>	<u>7,076,886</u>
<b>Total funds</b>	<b><u>\$ 7,076,886</u></b>	<b><u>\$ 476,914</u></b>	<b><u>\$ 3,727,518</u></b>	<b><u>\$ 11,281,318</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, 2013:

	<b><i>Unrestricted</i></b>	<b><i>Temporarily Restricted</i></b>	<b><i>Permanently Restricted</i></b>	<b><i>Total</i></b>
Donor-restricted endowment funds	\$ -	\$ 459,969	\$ 3,623,086	\$ 4,083,055
Board-designated endowment funds	<u>6,416,611</u>	<u>-</u>	<u>-</u>	<u>6,416,611</u>
<b>Total funds</b>	<b><u>\$ 6,416,611</u></b>	<b><u>\$ 459,969</u></b>	<b><u>\$ 3,623,086</u></b>	<b><u>\$ 10,499,666</u></b>





UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

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

The following represents required disclosure relating to the composition of endowment assets and those functioning as endowment assets at June 30:

	<b>2014</b>			
	<b><i>Unrestricted Net Assets</i></b>	<b><i>Temporarily Restricted Net Assets</i></b>	<b><i>Permanently Restricted Net Assets</i></b>	<b><i>Total</i></b>
Endowment assets and those functioning as endowment assets, beginning of year	\$ <u>6,416,611</u>	\$ <u>459,969</u>	\$ <u>3,623,086</u>	\$ <u>10,499,666</u>
Gifts and additions	<u>871,189</u>	<u>-</u>	<u>104,432</u>	<u>975,621</u>
Investment returns:				
Interest and dividends	199,330	85,684	-	285,014
Realized and unrealized gains	<u>968,687</u>	<u>416,018</u>	<u>-</u>	<u>1,384,705</u>
Total investment returns	<u>1,168,017</u>	<u>501,702</u>	<u>-</u>	<u>1,669,719</u>
Expenditures:				
Bequests appropriated for operations	(653,465)	-	-	(653,465)
Spending rate appropriated for operations	(86,938)	(466,338)	-	(553,276)
Custodial fees	(45,444)	(18,419)	-	(63,863)
Other expenditures	<u>(593,084)</u>	<u>-</u>	<u>-</u>	<u>(593,084)</u>
Total expenditures	<u>(1,378,931)</u>	<u>(484,757)</u>	<u>-</u>	<u>(1,863,688)</u>
Change in endowment assets and those functioning as endowment assets	<u>660,275</u>	<u>16,945</u>	<u>104,432</u>	<u>781,652</u>
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ <u>7,076,886</u></b>	<b>\$ <u>476,914</u></b>	<b>\$ <u>3,727,518</u></b>	<b>\$ <u>11,281,318</u></b>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

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

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



## UNITARIAN UNIVERSALIST SERVICE COMMITTEE

### *Notes to Financial Statements*

#### *Note 9 - 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 60% and 65% of the last three years' total average bequests in 2014 and 2013, respectively. In addition to these spending rates, the Board of Trustees approved additional draw downs during the years ended June 30, 2014 and 2013 of \$24,375 and \$48,750, respectively, to help meet operating cash needs.

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



# UNITARIAN UNIVERSALIST SERVICE COMMITTEE

## *Notes to Financial Statements*

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

#### ***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, 2014 or 2013.

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

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

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

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

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

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

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

	<b><i>2014</i></b>	<b><i>2013</i></b>
Program services	\$ 323,671	\$ 259,566
Fundraising	<u>57,118</u>	<u>45,806</u>
<b>Total allocation of joint costs</b>	<b><u>\$ 380,789</u></b>	<b><u>\$ 305,372</u></b>



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

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

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

	<b>2014</b>	<b>2013</b>
Printing and publications	\$ 226,852	\$ 175,904
Postage and delivery	<u>153,937</u>	<u>129,468</u>
<b>Total</b>	<b>\$ <u>380,789</u></b>	<b>\$ <u>305,372</u></b>

***Note 11 - Rental Leases***

UUSC, as a landlord, rents office space located at 689 Massachusetts Avenue, Cambridge, Massachusetts, under operating leases. UUSC occupies a portion of the building. Rental income and related expenses are included in the operating activities on the accompanying statement of activities. The leases expire at various dates through 2020.

The approximate minimum revenues from future rentals to be received under operating leases for each of the next five years and thereafter as of June 30, 2014 are as follows:

2015	\$ 352,000
2016	310,300
2017	211,800
2018	116,500
2019	119,700
Thereafter	<u>864,200</u>
	<b>\$ <u>1,974,500</u></b>

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

Revenue for the years ended June 30, 2014 and 2013 includes \$1,307,861 and \$1,447,899, respectively, from two donors including the Unitarian Universalist Veatch Program at Shelter Rock ("Shelter Rock"). During the years ended June 30, 2014 and 2013, Shelter Rock committed grant revenue of \$825,000 and \$800,000 respectively. In addition to this, UUSC received \$500,000 in pledge commitments during the year ended June 30, 2014 from one donor. The pledges and grants from 2013 were largely collected, and based on experience, UUSC expects that the balance at June 30, 2014 from Shelter Rock will also be collected in full.

A significant portion of UUSC's investments are managed by a firm associated with a trustee who is a managing director of the firm and who regularly recuses herself from all investment related decisions. Fees for such services were \$40,554 and \$30,333 for the years ended June 30, 2014 and 2013, respectively. The Board believes this transaction is favorable to UUSC, and such arrangement has been reviewed and approved by the remaining trustees.



UNITARIAN UNIVERSALIST SERVICE COMMITTEE

*Notes to Financial Statements*

***Note 13 - Retirement Plan***

UUSC maintains a qualified defined contribution retirement plan for the benefit of all employees who have completed one year of service working a minimum of twenty hours a week. The present employer contribution rate is 9% of an employee's base salary plus employee elective deferrals up to specified qualified plan limits. All contributions to the plan are invested in a group annuity contract. Retirement plan expenses were \$243,174 and \$239,795 for the years ended June 30, 2014 and 2013, 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 June 2012, that agreement was extended for five years until June 2017.





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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 (the "Organization"), which comprise the statements of financial position as of June 30, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mayer Hoffman McCann P.C.*

September 18, 2014  
Boston, Massachusetts