



Financial Statements for the year ending June 30, 2020



Unitarian Universalist Service Committee

689 Massachusetts Avenue | Cambridge, MA 02139

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

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Financial Statements

Table of Contents

Financial Statements:

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-28



Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

Independent Auditors' Report

The Board of Trustees
Unitarian Universalist Service Committee
Cambridge, Massachusetts

We have audited the accompanying financial statements of the Unitarian Universalist Service Committee ("UUSC"), which comprise the statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis of Matters

As discussed in Note 1 to the financial statements, effective July 1, 2019, UUSC adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash*. Our opinion is not modified with respect to these matters.

Mayer Hoffman McCann P.C.

October 3, 2020
Boston, Massachusetts

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Statements of Financial Position

	June 30, 2020	2019
Assets		
Cash and cash equivalents:		
Cash	\$ 2,559,510	\$ 1,353,307
Money market funds	<u>4,564,958</u>	<u>3,467,102</u>
Total cash and cash equivalents	7,124,468	4,820,409
Accounts and interest receivable, net	144,010	391,398
Prepaid expenses and other assets	383,524	169,611
Pledges and grants receivable, net	536,297	1,490,187
Mission related loan receivable	105,570	124,961
Investments	16,252,272	15,888,204
Property and equipment, net	<u>5,606,983</u>	<u>5,879,839</u>
Total assets	\$ <u>30,153,124</u>	\$ <u>28,764,609</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 455,498	\$ 370,775
Accrued compensation	351,910	323,728
Paycheck Protection Program advance	207,412	-
Pooled income deferred revenue	59,135	62,480
Donor advance - promissory notes	125,000	125,000
Bond payable	2,377,255	2,477,894
Gift annuities and trust agreements	<u>522,116</u>	<u>581,028</u>
Total liabilities	<u>4,098,326</u>	<u>3,940,905</u>
Net assets:		
Without donor restrictions	16,490,318	15,391,134
With donor restrictions	<u>9,564,480</u>	<u>9,432,570</u>
Total net assets	<u>26,054,798</u>	<u>24,823,704</u>
Total liabilities and net assets	\$ <u>30,153,124</u>	\$ <u>28,764,609</u>

See the accompanying Notes to Financial Statements.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Statement of Activities

Year Ended June 30, 2020
(with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating support and revenue				
Public support:				
Contributions	\$ 5,209,881	\$ 430,689	\$ 5,640,570	\$ 5,159,945
Matching grant	-	-	-	850,000
Foundations	119,530	75,000	194,530	200,065
Bequests appropriated	467,422	-	467,422	505,015
	5,796,833	505,689	6,302,522	6,715,025
Revenue:				
Sales of merchandise, net	-	-	-	7,878
Rental income and other	615,751	-	615,751	617,274
Investment return appropriated	664,053	-	664,053	627,915
	1,279,804	-	1,279,804	1,253,067
Total operating support and revenue	7,076,637	505,689	7,582,326	7,968,092
Net assets released from restrictions				
Satisfaction of program restrictions	209,522	(209,522)	-	-
Passage of time	1,332,746	(1,332,746)	-	-
	1,542,268	(1,542,268)	-	-
Total operating support and revenue and net assets released from restrictions	8,618,905	(1,036,579)	7,582,326	7,968,092
Expenses				
Program services	7,112,229	-	7,112,229	7,430,054
Office space rental	387,148	-	387,148	379,983
Fundraising	711,998	-	711,998	727,857
Management	894,635	-	894,635	922,378
Total expenses	9,106,010	-	9,106,010	9,460,272
Loss from operations	(487,105)	(1,036,579)	(1,523,684)	(1,492,180)
Non-operating activity				
Bequests in excess of amount appropriated	1,093,666	-	1,093,666	61,515
Grant-Paycheck Protection Program	685,388	-	685,388	-
New initiatives campaign	-	1,329,539	1,329,539	143,500
Special initiative campaign support	-	-	-	39,735
Special initiative campaign expenses	-	(33,397)	(33,397)	(15,630)
Investment return net of amounts appropriated and investment fees	(166,429)	(130,998)	(297,427)	744,214
Change in value of split-interest gifts and transfer upon demise	(26,336)	3,345	(22,991)	(32,510)
Total net non-operating activity	1,586,289	1,168,489	2,754,778	940,824
Change in net assets	1,099,184	131,910	1,231,094	(551,356)
Net assets, beginning of year	15,391,134	9,432,570	24,823,704	25,375,060
Net assets, end of year	\$ 16,490,318	\$ 9,564,480	\$ 26,054,798	\$ 24,823,704

See the accompanying Notes to Financial Statements.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Statement of Activities

Year Ended June 30, 2019

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Operating support and revenue			
Public support:			
Contributions	\$ 4,968,025	\$ 191,920	\$ 5,159,945
Matching grant	-	850,000	850,000
Foundations	125,065	75,000	200,065
Bequests appropriated	505,015	-	505,015
	5,598,105	1,116,920	6,715,025
Revenue:			
Sales of merchandise, net	7,878	-	7,878
Rental income and other	617,274	-	617,274
Investment return appropriated	627,915	-	627,915
	1,253,067	-	1,253,067
Total operating support and revenue	6,851,172	1,116,920	7,968,092
Net assets released from restrictions			
Satisfaction of program restrictions	295,031	(295,031)	-
Passage of time	2,486,712	(2,486,712)	-
	2,781,743	(2,781,743)	-
Total operating support and revenue and net assets released from restrictions	9,632,915	(1,664,823)	7,968,092
Expenses			
Program services	7,430,054	-	7,430,054
Office space rental	379,983	-	379,983
Fundraising	727,857	-	727,857
Management	922,378	-	922,378
Total expenses	9,460,272	-	9,460,272
Income (loss) from operations	172,643	(1,664,823)	(1,492,180)
Non-operating activity			
Bequests in excess of amount appropriated	61,515	-	61,515
New initiatives campaign	-	143,500	143,500
Special initiative campaign support	-	39,735	39,735
Special initiative campaign expenses	-	(15,630)	(15,630)
Investment return net of amounts appropriated and investment fees	415,271	328,943	744,214
Change in value of split-interest gifts and transfer upon demise	(30,590)	(1,920)	(32,510)
Total net non-operating activity	446,196	494,628	940,824
Change in net assets	618,839	(1,170,195)	(551,356)
Net assets, beginning of year	14,772,295	10,602,765	25,375,060
Net assets, end of year	\$ 15,391,134	\$ 9,432,570	\$ 24,823,704

See the accompanying Notes to Financial Statements.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Statement of Functional Expenses

*Year Ended June 30, 2020
(with comparative totals for 2019)*

	Program Services					Supporting Services			2020 Total	2019 Total
	Climate Justice/ Environmental Justice	Migrant Justice	Crisis Response	College of Social Justice	Total	Office Space Rental	Fundraising	Management		
Salaries and fringe	\$ 1,310,980	\$ 1,614,279	\$ 705,260	\$ 393,933	\$ 4,024,452	\$ 141,149	\$ 179,305	\$ 662,300	\$ 5,007,206	\$ 4,895,114
Program grants	390,868	481,296	227,773	-	1,099,937	-	-	-	1,099,937	1,075,231
Designated/emergency relief grants	-	-	74,190	-	74,190	-	-	-	74,190	222,113
Professional fees	160,740	197,929	91,986	92,768	543,423	-	158,046	67,300	768,769	843,466
Printing and publication	101,901	125,476	55,919	1,723	285,019	-	47,689	2	332,710	352,037
Travel	86,779	106,856	62,555	33,723	289,913	-	11,098	4,075	305,086	574,633
Depreciation and amortization	45,146	55,591	24,287	25,497	150,521	104,944	25,799	47,628	328,892	336,387
Postage and delivery	89,907	110,707	48,367	31	249,012	-	43,853	665	293,530	269,429
Occupancy	33,990	41,853	18,285	7,917	102,045	79,003	19,421	23,629	224,098	265,931
Supplies	3,943	4,855	2,488	1,606	12,892	-	8,701	4,925	26,518	25,926
Cost of sales	-	-	-	-	-	-	-	-	-	27,346
Communication	4,654	5,731	2,504	2,637	15,526	9,603	3,100	5,140	33,369	33,456
Technology	-	-	-	137	137	-	-	-	137	4,505
Staff development	7,525	9,266	4,048	302	21,141	-	3,645	15,921	40,707	28,381
Rent	628	773	338	-	1,739	-	101	186	2,026	19,969
Memberships and subscription	51,580	63,513	27,748	2,117	144,958	-	19,867	36,150	200,975	234,507
Insurance	10,859	13,372	5,842	8,747	38,820	25,220	6,200	11,446	81,686	81,825
Interest - mortgage	11,713	14,423	6,301	9,383	41,820	27,229	6,694	9,069	84,812	88,023
Lock box and bank fees	1,031	1,269	1,422	-	3,722	-	90,866	1,700	96,288	76,152
Awards	-	-	-	-	-	-	-	-	-	5,084
Bad debt	-	-	-	-	-	-	59,563	-	59,563	-
Miscellaneous	4,535	5,584	2,439	404	12,962	-	61,447	4,499	78,908	43,733
	2,316,779	2,852,773	1,361,752	580,925	7,112,229	387,148	745,395	894,635	9,139,407	9,503,248
Less:										
Cost of sales	-	-	-	-	-	-	-	-	-	(27,346)
Special Initiative Campaign - UUSC Rising	-	-	-	-	-	-	(33,397)	-	(33,397)	(15,630)
	<u>\$ 2,316,779</u>	<u>\$ 2,852,773</u>	<u>\$ 1,361,752</u>	<u>\$ 580,925</u>	<u>\$ 7,112,229</u>	<u>\$ 387,148</u>	<u>\$ 711,998</u>	<u>\$ 894,635</u>	<u>\$ 9,106,010</u>	<u>\$ 9,460,272</u>

See the accompanying Notes to Financial Statements.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services					Supporting Services			Total
	Climate Justice / Environmental Justice	Migrant Justice	Crisis Response	College of Social Justice	Total	Office Space Rental	Fundraising	Management	
Salaries and fringe	\$ 893,172	\$ 1,733,264	\$ 777,125	\$ 529,192	\$ 3,932,753	\$ 134,863	\$ 175,062	\$ 652,436	\$ 4,895,114
Program grants	279,326	545,478	244,607	5,820	1,075,231	-	-	-	1,075,231
Designated/emergency relief grants	-	152,236	69,877	-	222,113	-	-	-	222,113
Professional fees	108,627	214,018	95,991	103,092	521,728	-	256,498	65,240	843,466
Printing and publication	79,364	154,012	69,052	2,407	304,835	-	47,202	-	352,037
Travel	124,004	241,550	108,310	73,512	547,376	-	25,478	1,779	574,633
Depreciation and amortization	36,377	70,592	31,651	-	138,620	116,356	28,604	52,807	336,387
Postage and delivery	60,134	116,695	52,321	103	229,253	-	39,465	711	269,429
Occupancy	24,558	47,657	21,368	30,549	124,132	71,918	17,680	52,201	265,931
Supplies	2,447	4,747	2,129	4,912	14,235	1,298	3,895	6,498	25,926
Cost of sales	7,176	13,926	6,244	-	27,346	-	-	-	27,346
Communication	3,126	6,066	2,720	6,657	18,569	7,417	3,291	4,179	33,456
Technology	1,182	2,294	1,029	-	4,505	-	-	-	4,505
Staff development	2,047	3,972	1,781	60	7,860	-	1,006	19,515	28,381
Rent	2,265	4,395	1,971	4,103	12,734	-	6,331	904	19,969
Memberships and subscription	38,843	75,378	33,796	3,630	151,647	-	47,989	34,871	234,507
Insurance	8,890	17,250	7,735	31	33,906	28,182	6,928	12,809	81,825
Interest - mortgage	6,237	12,103	5,427	30,349	54,116	19,949	4,904	9,054	88,023
Lock box and bank fees	632	1,370	616	90	2,708	-	71,768	1,676	76,152
Awards	547	1,061	476	-	2,084	-	3,000	-	5,084
Miscellaneous	8,278	16,059	7,201	111	31,649	-	4,386	7,698	43,733
	1,687,232	3,434,123	1,541,427	794,618	7,457,400	379,983	743,487	922,378	9,503,248
Less:									
Cost of sales	(7,176)	(13,926)	(6,244)	-	(27,346)	-	-	-	(27,346)
Special Initiative Campaign - UUSC Rising	-	-	-	-	-	-	(15,630)	-	(15,630)
	<u>\$ 1,680,056</u>	<u>\$ 3,420,197</u>	<u>\$ 1,535,183</u>	<u>\$ 794,618</u>	<u>\$ 7,430,054</u>	<u>\$ 379,983</u>	<u>\$ 727,857</u>	<u>\$ 922,378</u>	<u>\$ 9,460,272</u>

See the accompanying Notes to Financial Statements.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Statements of Cash Flows

	Years Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Changes in net assets	\$ 1,231,094	\$ (551,356)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Interest and dividends, reinvested	(269,890)	(270,328)
Depreciation and amortization	328,892	336,387
Bad debt	59,563	-
Realized and unrealized gains on investments	(185,576)	(1,182,349)
Net contributions to endowments	(202,000)	(101,900)
Changes in:		
Accounts and interest receivable	247,388	(94,197)
Mission related loan receivable	19,391	15,093
Prepaid expenses and other assets	(213,913)	30,432
Pledges and grants receivable, net	894,327	497,623
Accounts payable and accrued expenses	84,723	(147,822)
Accrued compensation	28,182	(38,373)
Paycheck Protection Program advance	207,412	-
Pooled income deferred revenue	(3,345)	(3,892)
Gift annuities and trust agreement obligations	(58,912)	(63,893)
Total adjustments	936,242	(1,023,219)
Net cash provided by (used in) operating activities	2,167,336	(1,574,575)
Cash flows from investing activities:		
Purchase of property and equipment	(56,036)	(162,752)
Loss on disposal of property and equipment	-	(1,000)
Purchase of investments	(7,342)	(405,330)
Proceeds from the sale of investments	98,740	1,152,583
Net cash provided by investing activities	35,362	583,501
Cash flows from financing activities:		
Net contributions to endowments	202,000	101,900
Repayment of bond payable	(100,639)	(97,429)
Net cash provided by financing activities	101,361	4,471
Net increase (decrease) in cash and cash equivalents	2,304,059	(986,603)
Cash and cash equivalents, beginning of year	4,820,409	5,807,012
Cash and cash equivalents, end of year	\$ 7,124,468	\$ 4,820,409
Supplemental disclosure:		
Cash paid for interest	\$ 84,812	\$ 88,023
Property and equipment purchase included in accounts payable	\$ -	\$ 17,267

See 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

UUSC reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. Included in net assets without donor restrictions 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. Net assets without donor restrictions also include UUSC’s investment in plant, which represents the portion of expendable funds invested in UUSC’s property and equipment, net of accumulated depreciation and related debt, used in its operations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the income earned on these investments is available for program operations unless restricted by the donor.

Operations

The statement of activities reports the changes in net assets without donor restrictions and net assets with donor restrictions from operating and non-operating activities. Non-operating activities consist of investment return net of amounts appropriated and investment fees, bequests in excess of amount appropriated, Paycheck Protection Program grant, special initiative campaign support and expenses, new initiatives campaign, 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)

Cash and Cash Equivalents

Cash and cash equivalents represent highly liquid debt instruments, bank deposits and other such accounts with original maturities of three months or less. Such accounts are carried at cost plus accrued interest. 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. Included in cash and cash equivalents is monies with donor restrictions. As of June 30, 2020 and 2019, UUSC has \$3,751,522 and \$2,475,225, respectively, in cash and cash equivalents with donor restrictions.

Investments

Investments are carried at fair market value consistent with the fair value policies described elsewhere in these policies. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Mission Related Loan Receivable

UUSC has a loan receivable from a program partner in Guatemala, accruing interest at 6% annually. The loan is secured by the partner's administrative building with repayment over a 10 year period. The loan is scheduled to be paid off in May 2024.

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 UUSC's net assets without donor restrictions, unless the donor has designated these funds for a restricted purpose.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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

Split-Interest Agreements (Continued)

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

Gift annuity funds - Gift annuity funds generally entail a donor transferring assets to UUSC in return for a promise to pay a specific annuity to a designated beneficiary (or beneficiaries) for their lifetime. Under this arrangement, the obligation to make annuity payments is guaranteed by UUSC. Upon the last beneficiary's death, the annuity payment obligation ceases, and the residual balance is transferred to the net assets without donor restrictions of UUSC, unless the donor has designated these funds for a restricted purpose.

Pledges and Grants Receivable

Pledges receivable represent contributions verifiably committed by donors that are scheduled for payment in the future. They are initially recorded at fair value using Level 2 inputs as described in fair value measurement policies later in this section. An allowance is provided for uncollectable amounts based upon management's estimates including factors such as historical experience, specific review of circumstances relative to major pledges and other factors.

Property and Equipment

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

Fair Value Measurements

UUSC reports required types of financial instruments in accordance with the fair value standards of accounting. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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. The fair value standards also provide for a practical expedient of fair value allowing for the use of net asset value per share ("NAV") when certain requirements are met. Items reported at fair value on a recurring basis include short-term investments, long-term investments and deposits with bond trustees. Non-recurring fair values include items such as the initial recording of pledges.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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

Fair Value Measurements (Continued)

The fair value standards require that for each item carried at fair value that such be disclosed in accordance with the valuation methods used which fall into three categories (except those items valued at NAV) as follows:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that UUSC has the ability to access at measurement date.

Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.

Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. 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 observable inputs 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 statements, see Note 3 - Investments and Fair Value Measurements.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment returns are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Under accounting standards, revenue may be earned under exchange transactions or contribution transactions, which include grants as well as various types of contributed support. Exchange transactions are measured via a principles based process that requires the entities: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. Contributed support follows different standards. A summary of each of the revenue and support flows are as follows:

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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

Revenue Recognition (Continued)

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes 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 without donor restriction contributions.

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

Rental income consists of payments collected from tenants. Revenue is recorded associated with the period of occupancy to which the payment relates. Payments received in advance are deferred until earned.

Investment returns are reported as revenue based on the fair value of such investments at year end. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in such category until appropriated by the board under the board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

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. Without donor restriction bequests are held in board designated endowment until appropriated for use.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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

Functional Reporting

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

Advertising Expense

UUSC expenses all advertising costs as they are incurred and they are included in printing and publication expenses. Advertising expense totaled \$16,712 and \$23,663 in 2020 and 2019, respectively.

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.

Income Tax Status

UUSC is recognized by the Internal Revenue Service as a not-for-profit 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.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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

Newly Adopted Accounting Pronouncements

Effective July 1, 2019, UUSC adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, associated with revenue recognition. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard addresses inconsistency in revenue recognition by outlining a principle based system which requires that there be a contract with a customer, that performance obligations be identified, that transaction price be determined, that transaction price is allocated to performance obligations and that revenue be recorded when or as the performance obligations are satisfied over the contract term. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract.

Rental income consists of fees collected from tenants. Revenue is recorded associated with the period of occupancy to which the payment relates. Payments received in advance are deferred until earned.

Associated with the adoption of this standard, consideration was given to the accounting treatment of certain costs to obtain and fulfill a contract. Certain incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer, that are not in the scope of other existing guidance, should be analyzed for capitalization. There were no costs incurred to obtain and fulfill contracts and, accordingly, no change was made to this accounting.

Effective July 1, 2019, UUSC also adopted ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using the modified retrospective method.

The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction. Exchanges would be accounted for using the revenue recognition standards above. It also provides guidance as to when a contribution should be considered conditional which, for example, the case is often when funds are received under federal and state grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred or a receivable as applicable.

The adoption of these standards did not impact reported revenue in the period. Revenue recognition measurement practices were determined to be the same as under prior standards. In evaluating the effects of the change, transactions in process as of July 1, 2019 were considered.

In addition, certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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

Newly Adopted Accounting Pronouncements (Continued)

During 2020, UUSC also adopted ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash*. The update requires entities to include restricted cash or restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

Reclassifications

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

Subsequent Events

UUSC has evaluated subsequent events through October 3, 2020, the date the financial statements were authorized to be issued.

Note 2 - Available Resources and Liquidity

UUSC regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. UUSC has various sources of liquidity at its disposal, including cash and cash equivalents, marketable securities, appropriations per the investment and bequest spending policies and payments due within 12 months or longer for its Special Initiatives Campaign pledges.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, UUSC considers all expenditures related to its ongoing programs, advocacy and research, as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, UUSC operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2020 and 2019, the following table shows the amounts held by UUSC that could readily be made available within one year of the balance sheet date to meet general expenditures:

	2020	2019
Cash and equivalents (without restrictions)	\$ 3,372,946	\$ 2,345,184
Accounts and interest receivable, net	144,010	391,398
Pledges/grants receivable, net (due within one year)	431,297	1,475,187
Appropriation of donor-restricted endowments for use over the next 12 months	708,299	664,053
Appropriation of bequest for use over the next 12 months	514,645	467,422
Investments not encumbered by donor or board restrictions	-	422,579
	<u>\$ 5,171,197</u>	<u>\$ 5,765,823</u>

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 3 - Investments and Fair Value Measurements

The following tables summarize financial assets of UUSC measured at fair value on a recurring basis, by level, within the fair value hierarchy at June 30:

2020				
	Level 1	Level 2	Level 3	Total
Investments:				
Money market instruments	\$ 231,537	\$ -	\$ -	\$ 231,537
Mutual fund - International	3,689,632	-	-	3,689,632
Government issued securities	-	2,846,807	-	2,846,807
Common stocks:				
Financials	862,513	-	-	862,513
Consumer products	1,421,416	-	-	1,421,416
Industrial products	1,329,327	-	-	1,329,327
Technology	1,838,843	-	-	1,838,843
Healthcare	1,171,389	-	-	1,171,389
Energy	39,421	-	-	39,421
International securities	251,747	-	-	251,747
Corporate bonds	-	2,393,694	-	2,393,694
Assets related to pooled income funds and charitable trust funds	-	-	175,946	175,946
Total fair value of financial instruments	\$ 10,835,825	\$ 5,240,501	\$ 175,946	\$ 16,252,272

2019				
	Level 1	Level 2	Level 3	Total
Investments:				
Money market instruments	\$ 115,122	\$ -	\$ -	\$ 115,122
Mutual fund - International	3,622,542	-	-	3,622,542
Government issued securities	-	3,007,602	-	3,007,602
Common stocks:				
Financials	1,201,755	-	-	1,201,755
Consumer products	1,497,151	-	-	1,497,151
Industrial products	1,418,589	-	-	1,418,589
Technology	1,597,327	-	-	1,597,327
Healthcare	1,045,771	-	-	1,045,771
Energy	75,685	-	-	75,685
International securities	263,716	-	-	263,716
Corporate bonds	-	1,864,169	-	1,864,169
Assets related to pooled income funds and charitable trust funds	-	-	178,775	178,775
Total fair value of financial instruments	\$ 10,837,658	\$ 4,871,771	\$ 178,775	\$ 15,888,204

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 3 - Investments and Fair Value Measurements (Continued)

The fair value of the assets related to pooled income funds and charitable trust funds is based on the market value of the related assets. Due to the planned giving provisions, UUSC does not have the ability to redeem the investments. Therefore, the assets have been recorded as Level 3.

Certain investments specifically support UUSC's planned giving obligations. These assets amounted to \$175,946 and \$178,775 at June 30, 2020 and 2019, respectively.

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

	2020	2019
Investment income and gains appropriated	\$ 664,053	\$ 627,915
Investment income and gains, net of amounts appropriated and investment fees	<u>(297,427)</u>	<u>744,214</u>
Total investment return	\$ <u>366,626</u>	\$ <u>1,372,129</u>

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

	2020	2019
Interest and dividend income	\$ 269,890	\$ 270,327
Realized and unrealized gains on investments	185,576	1,182,349
Investment fees	<u>(88,840)</u>	<u>(80,547)</u>
Total investment return	\$ <u>366,626</u>	\$ <u>1,372,129</u>

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:

	2020	2019
Pledges receivable		
Due within one year	\$ 276,234	\$ 451,534
Due in one to five years	<u>105,000</u>	<u>15,000</u>
	381,234	466,534
Less: present value discount (ranging from 3.00% to 6.00%)	6,814	2,172
Less: allowance for uncollectible pledges	<u>38,123</u>	<u>24,175</u>
Pledges receivable, net	336,297	440,187
Grants receivable	<u>200,000</u>	<u>1,050,000</u>
Total pledges and grants receivable, net	<u><u>\$ 536,297</u></u>	<u><u>\$ 1,490,187</u></u>

Note 5 - Property and Equipment, Net

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

	2020	2019
Land	\$ 970,001	\$ 970,001
Property and improvements	7,016,472	6,712,861
Office and computer equipment	1,034,953	989,537
Construction in progress	<u>-</u>	<u>292,992</u>
	9,021,426	8,965,391
Less: accumulated depreciation	<u>3,414,443</u>	<u>3,085,552</u>
Total property and equipment, net	<u><u>\$ 5,606,983</u></u>	<u><u>\$ 5,879,839</u></u>

Construction in progress at June 30, 2019 related to a Leadership in Energy and Environmental Design ("LEED") certification project related to the building at 689 Massachusetts Ave, Cambridge. The LEED certification project was completed during FY20 at the level of platinum certification. The cost to complete the project was \$295,800.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 6 - Donor Advance - Promissory Notes

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

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% and matures on May 1, 2022. The principal and interest on the loan is payable in 120 monthly payments. The annual payments of principal and interest are approximately \$185,000 per year. The bond requires certain financial covenant conditions to be maintained.

The annual principal payments are as follows for the years ending June 30:

2021	\$	104,431
2022		<u>2,272,824</u>
	\$	<u><u>2,377,255</u></u>

Note 8 - Paycheck Protection Program Advance

UUSC applied for and received a Paycheck Protection Program conditional grant of approximately \$893,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on April 27, 2020. Under the terms of the grant, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24 week period through September 2020 and that certain employment levels are maintained. As a forgivable grant, management determined the proper accounting for such was under the contribution accounting standards for conditional grants. Accordingly, management has reflected grant revenue for \$685,388 as costs were incurred as of June 30, 2020 along with a like reduction of the advance amount given that all material barriers to entitlement have been met. Management intends to use the remaining advanced proceeds for qualified costs in fiscal year 2021. A formal request for forgiveness was submitted subsequent to year end.

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:

Without Donor Restrictions

	2020	2019
Operating - undesignated	\$ 3,922,748	\$ 3,483,956
Board designated	9,287,964	8,455,674
Net investment in property and equipment	<u>3,279,606</u>	<u>3,451,504</u>
Total net assets without donor restrictions	\$ <u>16,490,318</u>	\$ <u>15,391,134</u>

With Donor Restrictions

	2020	2019
Spendable funds with time and purpose restrictions:		
Special Initiative/Comprehensive campaign	\$ 430,860	\$ 1,034,449
New campaign	1,524,012	228,870
Time restrictions	236,635	1,138,254
Designated relief	115,200	40,324
Pooled income	109,329	105,983
Eleanor Clark French Library	12,282	19,729
Programs	33,784	33,784
Endowment funds (*):		
Accumulated appreciation on endowment	1,023,945	1,154,943
Endowment fund restricted in perpetuity	4,229,654	4,027,454
Special initiative campaign	1,534,072	1,334,072
Comprehensive campaign	250,000	250,000
Pooled income	<u>64,707</u>	<u>64,708</u>
Total net assets with donor restrictions	\$ <u>9,564,480</u>	\$ <u>9,432,570</u>

(*) Total endowment funds amounted to \$7,102,378 and \$6,831,177 in FY 2020 and FY 2019, respectively.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

Special Initiative Campaign - Hope. Courage. Action: Putting Justice on the Move

Hope. Courage. Action: Putting Justice on the Move is a special gifts campaign established to raise funds in support of UUSC's programmatic work through the organization's eye-to-eye partnership model, to help grow the activism and membership, and increase UUSC's reserves. This campaign will provide UUSC with an opportunity to consolidate the significant growth experienced over past campaign's and from the increase in support from individual donors, who support the campaign's efforts through pledged cash donations and planned gifts, to help secure UUSC's financial future the next several years.

The campaign, which began in fall 2019, will be conducted over five years, with funds actively raised from FY 2020 through FY 2025. Fiscal years 2020 and early 2021 will comprise the "quiet" phase of the campaign, with the public phase beginning in later FY 2021.

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

	2020		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 7,102,378	\$ 7,102,378
Board-designated endowment funds	9,287,964	-	9,287,964
Total funds	\$ 9,287,964	\$ 7,102,378	\$ 16,390,342

	2019		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 6,831,177	\$ 6,831,177
Board-designated endowment funds	8,455,674	-	8,455,674
Total funds	\$ 8,455,674	\$ 6,831,177	\$ 15,286,851

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:

	2020		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 8,455,674	\$ 6,831,177	\$ 15,286,851
Gifts and additions	1,561,088	402,200	1,963,288
Investment returns	199,465	167,161	366,626
Expenditures:			
Bequests appropriated for operations	(467,422)	-	(467,422)
Spending rate appropriated for operations	(365,893)	(298,160)	(664,053)
Other expenditures	(94,948)	-	(94,948)
Total expenditures	(928,263)	(298,160)	(1,226,423)
Change in endowment assets and those functioning as endowment assets	832,290	271,201	1,103,491
Endowment assets and those functioning as endowment assets, end of year	\$ 9,287,964	\$ 7,102,378	\$ 16,390,342
	2019		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ 8,138,898	\$ 6,400,334	\$ 14,539,232
Gifts and additions	566,530	101,900	668,430
Investment returns	765,649	606,481	1,372,130
Expenditures:			
Bequests appropriated for operations	(505,015)	-	(505,015)
Spending rate appropriated for operations	(350,377)	(277,538)	(627,915)
Other expenditures	(160,011)	-	(160,011)
Total expenditures	(1,015,403)	(277,538)	(1,292,941)
Change in endowment assets and those functioning as endowment assets	316,776	430,843	747,619
Endowment assets and those functioning as endowment assets, end of year	\$ 8,455,674	\$ 6,831,177	\$ 15,286,851

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

Endowment

UUSC's endowment consists of 34 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.

UUSC accepts endowment gifts and has an Endowment Gift Policy that enables donors giving \$50,000 or more to establish a named endowment fund that will support the Organization's work throughout the future. The following are UUSC's current named endowment funds as of June 30, 2020:

\$1,000,000 and over

Bradburd Endowment for Youth and Young Adult Activists
Bert & Val Harrop Family Fund
Charles Mason Jr. Endowment

\$500,000 - \$999,999

50th Anniversary Program Endowment
Doyle & Alba Bortner Endowment
Dr. Richard S. Scobie Endowment

\$100,000 - \$499,999

Martha Sharp Cogan Children's Endowment Fund
Mary Trumpler Empowerment Endowment
Mildred K. Bickel Fund
Dorothy Baker Johnson Endowment
John W. Cyrus Endowment

\$50,000 - \$99,999

Johanna Henn Endowment
William Emerson Endowment
Beverley Baxter Endowment
Katherine L. Morningstar Endowment
Mary-Ella Holst and Guy C. Quinland Endowment
Domatila Barrios de Chungara Endowment
Carolyn Owen-Towle Endowment

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law and Spending Policy

UUSC classifies as net assets with donor restrictions (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. In addition, the remaining portion of the donor-restricted endowment fund that is appropriated for expenditure by UUSC in a manner consistent with the standard of prudence prescribed by state law is included as accumulated appreciation on endowment. 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 thirteen quarters using the end of the prior calendar year as a starting point. Bequests appropriated for the year are calculated at the beginning of the year as 50% of the last three years' total average bequests in FY 2020 and FY 2019.

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

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, 2020 or 2019.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Note 10 - Allocation of Joint Costs

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

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

	2020	2019
Program services	\$ 511,502	\$ 483,825
Fundraising	<u>90,265</u>	<u>85,381</u>
Total allocation of joint costs	\$ <u>601,767</u>	\$ <u>569,206</u>

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

	2020	2019
Printing and publications	\$ 310,013	\$ 306,366
Postage and delivery	<u>291,754</u>	<u>262,840</u>
Total	\$ <u>601,767</u>	\$ <u>569,206</u>

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

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. UUSC leases property owned in Utah to the operator of wind turbine generators under a 40-year lease. Rental income and related expenses are included in the operating activities on the accompanying statements of activities. The leases expire at various dates through 2048.

The approximate minimum revenues from future rentals to be received under operating leases for each of the next five years as of June 30, 2020 are as follows:

2021	\$ 368,295
2022	183,843
2023	25,000
2024	25,000
2025	25,000
Thereafter	<u>587,500</u>
	<u>\$ 1,214,638</u>

Note 12 - Commitments and Contingencies

Employment Agreement

As is common in many organizations, UUSC has employment agreements with key management personnel, including the CEO whose agreement commenced on June 13, 2018 and contains a number of provisions relative to the terms of employment. Additionally, UUSC also pays certain benefits of two prior CEOs and the associated costs of these agreements are included in accrued compensation at June 30, 2020 and 2019.

Appropriation

UUSC's Board of Trustees approved a combined appropriation of \$1,222,944 in support of operations for the year ending June 30, 2021, pursuant to the Investment and Bequest Spending Policy.

Coronavirus (COVID-19) Pandemic

Management is currently unable to accurately forecast the future impact on contribution patterns resulting from the Coronavirus (COVID-19) pandemic which could impact the quantity of donors and the dollar size of contributions. The effects of these matters could impact the future results of operations. Based on information available through the date of this report, management has noted an estimate of uncollectible accounts of \$83,871 and an expectation of increased volatility of endowment returns, as well as a potentially significant decline in endowment value. UUSC applied and was granted a Paycheck Protection Program conditional grant of approximately \$893,000 on April 24, 2020. The portion of funds spent for payroll and other costs through June 30, 2020 amounted to \$685,388 and was recorded as grant revenue (non-operating), due to the expectation of loan forgiveness from the SBA.

UNITARIAN UNIVERSALIST SERVICE COMMITTEE

Notes to Financial Statements

Note 13 - Concentrations and Related Party Matters

Unrestricted revenue for the years ended June 30, 2020 and 2019 includes \$75,000 and \$925,000, respectively, from one donor, the Unitarian Universalist Veatch Program at Shelter Rock ("Shelter Rock"). During the year ended June 30, 2019, Shelter Rock committed grant revenue of \$850,000. However, final approval of an \$850,000 matching grant for fiscal year 2021 occurred in July of 2020. Shelter Rock paid \$925,000 in donations for the years ended June 30, 2020 and 2019. Based on experience, UUSC expects that the balance at June 30, 2020 from Shelter Rock will be collected in full.

There were no related party transactions in the current year.

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, presently with an employer contribution rate at 9% of an employee's base salary for up to 5 years of service and 10% for more than 5 years of service. To supplement the retirement plan, UUSC offers a Tax-Deferred Annuity plan to all employees with elective deferrals up to specified qualified plan limits. After 5 years of service, UUSC will match half of the eligible employee's contributions up to 1% of the employee's base salary. Retirement plan expenses were \$326,161 and \$294,069 for the years ended June 30, 2020 and 2019, respectively.

Note 15 - Collective Bargaining Agreement

UUSC's workforce is composed primarily of members of UNITE Here! with whom there is a collective bargaining agreement. The latest agreement took effect in July 2018 and remains in force through June 2023.