

Thursday, January 21, 2021

CLOSED SESSION (2 hours)

Pacific	Mountain	Central	Eastern	Item	Led By
				Vespers	
4:30	5:30	6:30	7:30	Extended Check-In	Meg Riley
				Sing	Carey McDonald

Friday, January 22, 2021

Pacific	Mountain	Central	Eastern	Item	Led By
8:00	9:00	10:00	11:00	Opening	
8:15	9:15	10:15	11:15	Consent Agenda	Charles Du Mond
8:20	9:20	10:20	11:20	Staff Reports <ul style="list-style-type: none"> • President's Reflections • COIC Implementation & Mission Alignment • Team Meeting • Financial Report • Additional Updates 	Susan Frederick-Gray Carey McDonald
9:20	10:20	11:20	12:20	Budget and Financial Planning	Kathy Burek
9:55	10:55	11:55	12:55	Ministerial Fellowship Committee Proposed Rule Change	Sherman Logan Patrick McLaughlin
10:25	11:25	12:25	1:25	Sing	Carey McDonald

••••• Break (60 minutes) •••••

Pacific	Mountain	Central	Eastern	Item	Led By
11:30	12:30	1:30	2:30	Audit and Risk Committee	Lucia Santini Field Chris Chepel
12:00	1:00	2:00	3:00	National and Regional Advisory Councils	Jessica York Mary Heafy Charles Du Mond
12:30	1:30	2:30	3:30	General Assembly Planning and Updates	Gregory Boyd Meg Riley
2:00	3:00	4:00	5:00	Hang Out and Socialize on Zoom (optional)	

Saturday, January 23, 2021

Pacific	Mountain	Central	Eastern	Item	Led By
8:00	9:00	10:00	11:00	Opening	
8:15	9:15	10:15	11:15	Article II Study Commission Update	Kathy Burek Gregory Boyd Meg Riley
8:30	9:30	10:30	11:30	Design Team Update	Suzanne Fast Leslie MacFadyen
9:00	10:00	11:00	12:00	Bylaws Update	Barbara de Leeuw
9:30	10:30	11:30	12:30	Issues That Arise During the Meeting	TBD
10:00	11:00	12:00	1:00	Items Removed from the Consent Agenda	TBD
10:25	11:25	12:25	1:25	Sing	Carey McDonald

••••• Break (60 minutes) •••••

CLOSED SESSION

Pacific	Mountain	Central	Eastern	Item	Led By
11:30	12:30	1:30	2:30	Presidential Search Committee	Charles Du Mond
12:00	1:00	2:00	3:00	Nominations and Appointments	Charles Du Mond
12:15	1:15	2:15	3:15	Awards	Meg Riley Bill Young Charles Du Mond
12:30	1:30	2:30	3:30	Disability Justice	Suzanne Fast Meg Riley
1:00	2:00	3:00	4:00	Board Covenant Development	Genevieve Baldwin Rebecca Throop
1:45	2:45	3:45	4:45	Closing	

Board of Trustees

MEETING: December 14, 2020, 7:45 pm, Eastern Time

Pursuant to notice duly given, this meeting of the Board of Trustees of the Unitarian Universalist Association was held via Zoom conferencing.

MEMBERS PRESENT: Genevieve Baldwin (youth trustee, Kathy Burek, Barbara de Leeuw, Charles Du Mond (Co-Moderator), Suzanne Fast, Susan Frederick-Gray (President), Sherman Logan, Leslie MacFadyen, Patrick McLaughlin, John Newhall, Lucia Santini Field (Financial Advisor), Meg Riley (Co-Moderator), Tom Schade, Rebecca Throop (youth trustee), Bill Young

ADDITIONAL PARTICIPANTS: Carey McDonald (Recording Secretary & Executive Vice President), Andrew McGeorge (Treasurer), Stephanie Carey Maron, Danielle Di Bona (chaplain), Marcus Fogliano, LaTonya Richardson, Sarah Gettie McNeill, Stevie Carmody, Sarah Lammert, Jackie Clement, Rebekah Savage, Sara Lewis, Larry Ladd, Debra Boyd, Cecelia Hayes, Mary Heafy, Stephanie Samson, Becky Brooks, Melissa Carvill-Ziemer

Meeting Minutes

Co-Moderator Meg Riley opened the meeting at 7:45 with a reading, and invited personal check-ins in breakout groups.

Consent Agenda

The Board approved the Consent Agenda without objections. The Consent Agenda included:

- Minutes from General Assembly 2020
- October and November Board meeting minutes
- Mutual expectations of the Board of Trustees and Article II Study Commission

Bylaw Working Group

Barbara de Leeuw reported from the Bylaws Working Group, noting they had met to discuss areas for bylaw changes to the Presidential nomination and election process, but that more conversation was needed before changes could be drafted or sent to the whole Board for review. A key question raised was what role or value competitive elections play relative to their cost in time and energy, and whether the UUA needs to require competitive elections for President.

The Bylaws Working Group had been charged to consider the possibility of suspending portions of the UUA Bylaws to allow for time to implement recommendations from the Commission on Institutional Change. They noted they still needed to discuss this possibility, and will bring questions and proposals to future Board meetings. Discussion noted that any possible bylaw suspension should address what happens to suspended functions in the mean time, and should not interfere with the UUA's status as an incorporated organization.



Professional Credentialing Committees

Leaders of the Ministerial Fellowship Committee (MFC) and Religious Education Credentialing Committee (RECC) joined the meeting to discuss their relationship with the Board. Co-Director of Ministries and Faith Development Sarah Lammert gave a brief overview of the MFC and RECC authority, composition and role in assessing competency of candidates for credentialing.

Participants discussed and finalized a new appointment process for the two committees, in which staff continue to recruit and vet potential members as they have done in the past, but then encourage candidates to apply through the standard process managed by the Appointments Committee, who will ultimately make recommendations to the Board for their appointment.

Rebekah Savage and Jackie Clement, MFC Co-Chairs, shared some outcomes of the ongoing “widening pathways to ministry conversation” among MFC members. In the past year, they have:

- Implemented a new co-leadership model, and used a sociocratic method for leadership selection;
- Expanded to three panels to make the process less rushed;
- Done internal work on white supremacy culture and issued a public apology, convened racial identity caucus groups, hosted power and privilege observers; and
- Supported the push across UU professional organizations for a joint ethics panel.

They also named a number of other Initiatives in process, with which they welcomed future dialogue with the Board. These included:

- A Widening the Path Working Group to consider big questions in the fellowshiping process and address recommendations put forward by the Commission on Institutional Change;
- Redefining the purpose of the interviews and basic competency;
- Reforming the categories of fellowship and preliminary fellowship (rule changes expected to come to be sent to the Board soon);
- Reviewing and streamlining the complaint process; and
- Move to more ongoing and accessible online interviews, even once it is safe to gather in person.

Design Team Update

Suzanne Fast and Leslie MacFadyen reported that they had met twice since the last Board meeting to plan for the accountability recommendations called for by the COIC. They described their approach embracing the big picture, that the design process itself needs to reflect the goals for culture transformation work, and that they did not want to remake something that has already because it is the path of least resistance. They noted nothing more was needed at this stage from the rest of the Board and that they will continue to report back at future meetings.

Article II Study Commission

Becky Brooks gave updates from the Article II Study Commission (A2SC), with appreciation for the support of Board liaisons Kathy Burek, Greg Boyd and Meg Riley, and said there would be a fuller report at a future Board meeting. Becky



noted that the A2SC Communications working group is creating educational pieces on what Article II is and the history of the UU principles and sources, working towards weekly engagements for the public, and is beginning planning for General Assembly. The A2SC members planned to begin conversations with stakeholders identified in the charge with a set of questions to identify support and concerns. The A2SC is planning for a virtual “Collaboratory” style event in the Spring where representatives from stakeholders can have conversations together.

Board members clarified that, per the bylaws requirements for a report to the Board within two years, the A2SC had until June/July of 2022 to complete their initial work based on the timing of appointments. If they took this full time, this would mean the Board would not be able to add the A2SC’s proposal for amendments to Article II to the GA business agenda until 2023.

Nominations and Appointments

Co-Moderator Riley noted there was an upcoming open house to advertise vacancies on UUA boards and committees. Co-Moderator Charles Du Mond reported that a joint taskforce of Nominating and Appointments Committees’ members has started meeting to put forth recommendations for the Presidential Search Committee, providing they have a strong enough pool of applicants.

COIC Implementation

Executive Vice President Carey McDonald reported on UUA staff work to create an internal system to track and implement recommendations from the COIC report. The system is being led by a cross-staff COIC Implementation and Mission Alignment Team (CIMAT). He said that staff are very engaged in the process, that they are already undertaking a range of projects that the CIMAT will work to ensure are coordinated and accountable, and that the CIMAT will give a more detailed update on current implementation work at the January Board meeting.

Executive Session

The Board moved to executive session at 9:15 to review and discuss its covenant.

Closing

The meeting ended at 10:00 pm.

Respectfully submitted,

/s/ Carey McDonald

Recording Secretary





UNITARIAN
UNIVERSALIST
ASSOCIATION

President and Staff Report to UUA Board of Trustees

January 22, 2021

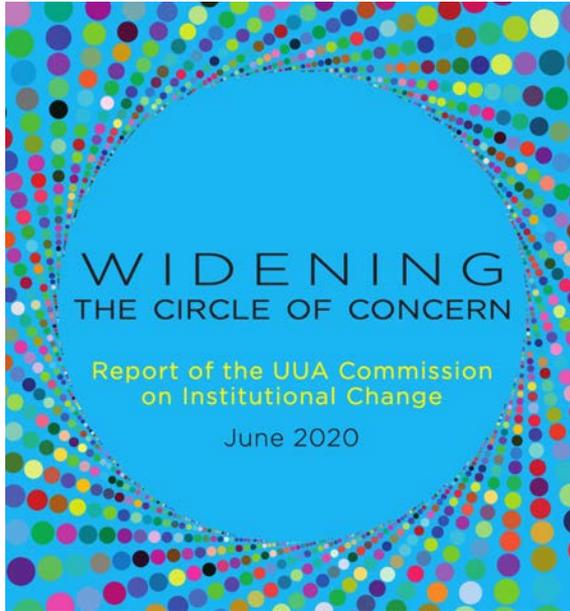
uua.org



PRESIDENT'S REFLECTION



COIC Implementation



COIC Implementation / Mission Alignment Team (CIMAT)

Members:

- Susan Frederick-Gray
- Carey McDonald, convener
- Marcus Fogliano, project manager
- Janice Marie Johnson, MFD
- Anna Bethea, MFD/LFE
- Lisa Gregory, Comms
- Suzanne Murray, StewDev
- Jessica York, CL
- Carlton Elliott Smith, CL
- Ashley Horan, OST
- Taquiena Boston, JEDI

UUA COIC Implementation Approach

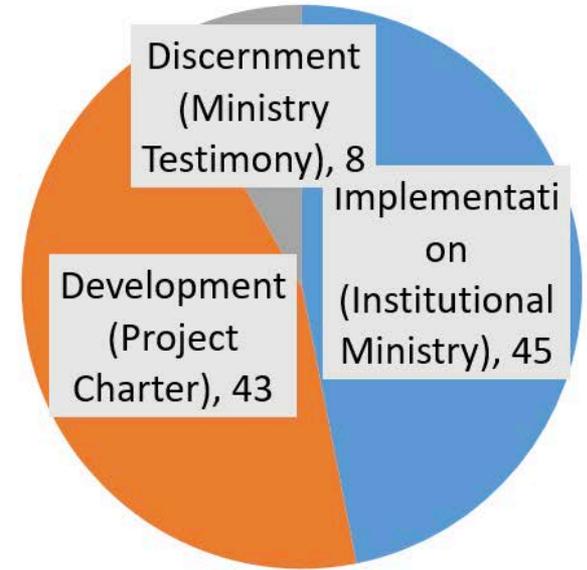




COIC Implementation Update

96 items submitted that are led or supported by UUA staff and Board:

- 8 in Discernment, 45 in Development, 43 Implemented
- Touch on all but two recommendations





Ministries by Recommendation Area





COIC Implementation Update

- Areas with many projects/commitments – religious professionals, living our values, congregations and communities, hospitality & inclusion, educating for liberation
- Areas with fewer projects/commitments – governance, restoration & reparations, accountability & resources



Discernment – UU Curricula on Imperialist Legacies

Ministry Testimony: I am an emerging adult who grew up in a Unitarian Universalist congregation... I learned through my church's religious education programs all about the history of Unitarian, Universalist, and Unitarian Universalist international involvement. Those programs gave me a strong understanding about U/U and American forbears' role in imperialism and its relevance to my daily life... I plan to bring this perspective into my work in the foreign service – my generation will earn a new reputation for American diplomats.



Development – New Day Rising Conference

New Day Rising National is a virtual conference that centers the stories of congregations doing racial justice work, and is accompanied by strong multicultural worship and a choice of workshops meant to address current impediments or questions in the work.



Implementation – Skinner House Equity and Accountability Panel

A new panel of advisors and reviewers who will review book proposals to help to ensure that Skinner House titles contribute to dismantling the culture of white supremacy and center the needs and perspectives of BIPOC UU's.



FINANCE UPDATE – FY21 Q2 FORECAST

**UUA Board of Trustees
Financial Secretary's Report
January 20, 2021**

Overall UUA Financial Health: Since our October 2020 meeting, the Values and Resources Alignment Working Group has continued to monitor the UUA's financial health. Due to ongoing restrictions on travel, our expenses continue to run well below revenues. We can expect to end the year with savings. The Treasurer will provide up-to-date figures as part of his report. I will not include "stale" numbers in my report.

It is anticipated that as congregations experience reductions in membership giving, APF contributions from our might also be reduced. The Working Group will continue to review the ongoing impact of the coronavirus pandemic on revenues for the remainder of the fiscal year.

Board FY 22 Budget: Budget requests for FY 21-22 were due on January 18. Travel expenses are the largest category of expense for the Board. I consulted with our Co-Moderators to put in a placeholder based on the assumption that we would have 3 in-person meetings, including General Assembly 2022 (scheduled for Portland, OR).

Board attendance at General Assembly is costly; total expenses for current and incoming board members, staff, conference room rental, etc. was ~\$91K for GA 2019. For GA 22, we will likely have a hybrid version of GA, rather than presuming that in-person attendance is the default. That makes estimating travel costs more challenging than "business as usual" budgeting.

During our upcoming meeting, we need to consider our responsibility to set an example of environmentally and fiscally responsible use of travel funds. Some questions we need to consider include:

- 2 of the Trustees elected this past June, plus our 2 Co-Moderators, have never met in person with the full Board. We will have 3 new Trustees joining the Board after GA 2021. How does this impact our decision-making about in-person meetings as to frequency and length?
- What parts (if any) of the Board's work would be more effectively done meeting in-person, rather than by videoconferencing?
- Should one Board meeting per year (other than GA) be in a location outside of Boston? (In some past years, the January meeting of the Board was held outside of Boston and the GA location, to give the Board an opportunity to meet with local congregations in their communities).
- What aspects of GA are enhanced by Board members being physically present?
- What aspects of GA do Board members need to attend in person as a courtesy or in support of worship leaders and other participants?
- Do all Board members need to attend all of GA?

- Do we wish to continue to hold Board meetings immediately before and after GA?

A copy of the Jan 20, 2021 budget estimate has been shared with all Board members via Slack.

Board Oversight of Committees and Commissions: The Working Group has been reviewing how the Board and the Administration can improve our support for the independently elected Committees and Commissions, as well as those Committees and Commissions established by the Board. We have agreed on the following:

- The Administration provides staff support to assist committees and commissions in managing their budgets. The support varies based on the size and complexity of the committee and commission budgets.
- The Administration provides incoming committee/commission chairs with an orientation to their budget and expense management.
- WG members will be reaching out to committees/commissions to build relationships and explore how these groups are aligning their activities with the recommendation of the Commission on Institutional Change.
- WG members will also provide guidance on prudent management of expenses, based on the Board's policies for itself, and the nature of the work of the committees/commissions themselves.

The WG remains committed to partnering with the Administration to work to implementation of the COIC recommendations.

Respectfully submitted,

Kathy Burek

Kathy Burek
Financial Secretary

	C	D	E	F	G	H	I
2	Unitarian Universalist Association	FY19	FY20	FY21	FY21	FY21	Percent
3	Overview	Results	Results	Budget	1Q21 Fcst	2Q21 Fcst	Inc/(Dec)
4	Current Operations						
5							
6	\$ in Thousands						
7	Income:						
8	Income for General Support						
9	Annual Program Fund	6,232	6,376	6,489	6,489	6,115	-5.8%
10	Annual Program Fund - Regional	1,617	1,500	1,649	1,609	1,609	0.0%
11	Unrestricted Gifts	1,020	1,051	1,050	1,050	1,050	0.0%
12	Leadership Annual Giving	329	301	425	425	300	-29.4%
13	Grants Income - Unrestricted	0	3,297	0	0	0	0.0%
14	Bequest Income	297	871	350	350	625	78.6%
15	Administrative Fees	2,161	2,222	2,427	2,428	2,407	-0.9%
16	Investment Income	2,644	2,498	2,419	2,419	2,419	0.0%
17	Publications Income	1,076	962	1,195	1,191	1,058	-11.2%
18	Net Lease Income	982	1,181	1,169	1,123	1,123	0.0%
19	Other Current Fund Income	725	591	547	575	581	1.0%
20	Total Income for General Support	17,083	20,848	17,720	17,659	17,287	-2.1%
21							
22	Income for Designated Purposes						
23	Campaign Income	879	1,514	1,011	1,011	1,005	-0.6%
24	UUCSR Veatch Grants	2,362	2,154	2,383	2,382	2,379	-0.1%
25	Grants and Scholarships	886	852	853	853	853	0.0%
26	Ministerial Aid Funds	520	482	443	443	443	0.0%
27	Holdeen and International Trusts	1,514	1,551	1,701	1,913	2,126	11.1%
28	Income for Other Purposes	3,533	4,738	2,168	1,690	1,437	-15.0%
29	Total Inc for Designated Purposes	9,695	11,291	8,559	8,293	8,244	-0.6%
30	Total Income	26,778	32,139	26,279	25,952	25,531	-1.6%
31							
32	Expenses:						
33	Board & Volunteer Leadership	748	304	437	331	278	-15.9%
34							
35	Programs:						
36	Organizing Strategy	633	742	807	845	1,053	24.6%
37	International Programs	1,910	1,822	1,663	1,853	2,032	9.7%
38	Congregational Life	4,839	4,766	5,408	4,746	4,517	-4.8%
39	Ministries and Faith Development	5,316	5,034	5,498	5,529	5,167	-6.5%
40	UU Funding Program	1,267	1,146	1,408	1,407	1,404	-0.2%
41	Crisis Relief & Misc. Programs	546	238	60	60	73	20.9%
42	Communications	2,770	2,511	2,699	2,509	2,521	0.5%
43							
44	Total Programs	17,279	16,260	17,543	16,949	16,767	-1.1%
45							
46	Administration	2,474	4,547	1,940	1,913	1,905	-0.4%
47	Contingency/Salary Increase	0	0	375	375	175	-53.3%
48							
49	Infrastructure						
50	Stewardship and Development	2,042	1,942	2,213	2,213	2,169	-2.0%
51	Information Technology Services	1,593	1,533	1,566	1,683	1,651	-1.9%
52	Internal Services	3,085	2,944	3,677	3,616	3,573	-1.2%
53	Total Infrastructure	6,720	6,418	7,456	7,512	7,393	-1.6%
54							
55	Total Expenses	27,221	27,530	27,752	27,079	26,518	-2.1%
56							
57	Depreciation Spending	0	0	600	600	600	
58	Church Staff Finances Reserve	0	0	126	126	126	
59	Beacon Press Transfer	0	0	500	500	261	
60							
61	Current Section Excess/(Deficit)	(443)	4,609	(247)	98	0	
62							

	D	E	F	G	H	I	J
1	Unitarian Universalist Association	FY19	FY20	FY21	FY21	FY21	Percent
2	Summary	Results	Results	Budget	1Q21 Fcst	2Q21 Fcst	Inc/(Dec)
3	Current Operations						
4							
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6	Income:						
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14	Administrative Fees	2,161	2,222	2,427	2,428	2,407	-0.9%
15	Endowment Income	2,644	2,498	2,419	2,419	2,419	0.0%
16	Publications Income	1,076	962	1,195	1,191	1,058	-11.2%
17	Net Lease Income	982	1,181	1,169	1,123	1,123	0.0%
18	Other Current Income	725	591	547	575	581	1.0%
19		17,083	20,848	17,720	17,659	17,287	-2.1%
20	Income for Designated Purposes						
21	Campaign Income	879	1,514	1,011	1,011	1,005	-0.6%
22	Veatch Grants	2,362	2,154	2,383	2,382	2,379	-0.1%
23	Grants and Scholarships	886	852	853	853	853	0.0%
24	Ministerial Aid Funds	520	482	443	443	443	0.0%
25	Holdeen & International Trusts	1,514	1,551	1,701	1,913	2,126	11.1%
26	Income for Other Purposes	3,533	4,738	2,168	1,690	1,437	-15.0%
27		9,695	11,291	8,559	8,293	8,244	-0.6%
28	Total Income	26,778	32,139	26,279	25,952	25,531	-1.6%
29							
30	Board & Volunteer Leadership						
31	Board of Trustees	402	149	165	115	116	1.2%
32	Board Committees	80	15	80	71	70	-1.4%
33	Board Task Forces	2	0	0	0	0	0.0%
34	Moderator	56	33	32	32	32	0.0%
35	Nominating Committee	32	4	13	13	13	0.0%
36	Commission on Appraisal	26	9	18	16	16	0.0%
37	Ministerial Fellowship Committee	117	87	111	65	21	-68.0%
38	Commission on Social Witness	33	6	19	19	10	-45.9%
39	Total Board & Volunteer Leadership	748	304	437	331	278	-15.9%
40							
41	Programs:						
42	Organizing Strategy	633	742	807	845	1,053	24.6%
43							
44	International Office	304	229	236	238	218	-8.6%
45	Holdeen International Partners	154	140	142	142	142	0.0%
46	Holdeen India Program	1,189	1,193	1,036	1,263	1,447	14.6%
47	UU-UNO	263	260	249	209	224	7.2%
48	Total International	1,910	1,822	1,663	1,853	2,032	9.7%
49							
50	Congregational Life						
51	Congregational Life	1,310	1,321	1,622	1,551	1,671	7.8%
52	Southern Region	951	837	967	810	683	-15.7%
53	New England Region	953	885	951	891	852	-4.3%
54	CL-Combined Staff Costs	0	436	355	354	260	-26.5%
55	Central East Region	1,587	1,263	1,480	1,108	1,020	-8.0%
56	Office of Congregational Stewardship Services	38	24	33	33	30	-9.1%
57	Total Congregational Life	4,839	4,766	5,408	4,746	4,517	-4.8%
58							
59	Ministries and Faith Development						
60	Resource Development Director	86	71	140	139	0	-100.0%
61	Resource Development Office	536	507	461	454	578	27.3%
62	Youth and Young Adult Ministries	625	500	641	637	620	-2.7%
63	Director of Ministries and Faith Development	711	789	639	604	558	-7.6%
64	Multicultural Programs	211	74	249	285	190	-33.3%
65	Director of Ministerial Credentialing	159	132	136	253	151	-40.2%
66	Director of Transitions	312	339	439	388	347	-10.6%
67	Office of Church Staff Finances	675	750	835	812	765	-5.8%
68	Office of UUA Health Plan	224	236	246	247	246	-0.4%
69	Director of Professional Development	201	180	234	225	205	-8.9%
70	Worship Arts	64	59	61	65	88	35.0%

	D	E	F	G	H	I	J
1	Unitarian Universalist Association	FY19	FY20	FY21	FY21	FY21	Percent
2	Summary	Results	Results	Budget	1Q21 Fcst	2Q21 Fcst	Inc/(Dec)
3	Current Operations						
71	Scholarships and Ministerial Ed Grants	293	314	302	302	302	0.0%
72	Continuing Education	86	43	104	104	104	0.0%
73	Aid Funds	572	528	508	508	508	0.0%
74	Panel on Theological Education	562	513	505	505	505	0.0%
75	Total Ministries and Faith Development	5,316	5,034	5,498	5,529	5,167	-6.5%
76							
77	UU Funding Program	1,267	1,146	1,408	1,407	1,404	-0.2%
78	Crisis Relief & Misc. Programs	546	238	60	60	73	20.9%
79							
80	Communications						
81	IPW Office	526	517	554	415	525	26.4%
82	Periodicals Office	856	835	772	745	717	-3.8%
83	Publications Administration	728	683	855	820	753	-8.2%
84	UUA Bookstore	659	475	518	529	527	-0.5%
85	Total Communications	2,770	2,511	2,699	2,509	2,521	0.5%
86							
87	Total Programs	17,279	16,260	17,543	16,949	16,767	-1.1%
88							
89	Administration						
90	Office of the President	514	476	532	483	483	0.1%
91	Office of the Executive Vice President	1,536	3,484	1,045	1,026	971	-5.3%
92	Contingency Expense	0	0	350	350	0	-100.0%
93	Salary Increase	0	0	25	25	175	600.0%
94	Human Resources	423	587	364	405	450	11.3%
95	Total Administration	2,474	4,547	2,315	2,288	2,080	-9.1%
96							
97	Infrastructure:						
98	Stewardship and Development						
99	Vice President, Development	618	703	695	678	683	0.8%
100	APF Campaign	398	363	535	461	453	-1.9%
101	Friends Campaign	303	312	340	340	335	-1.3%
102	Charitable Gift and Estate Planning	275	139	124	199	190	-4.3%
103	Comprehensive Campaign	449	425	518	535	507	-5.2%
104	Total Stewardship and Development	2,042	1,942	2,213	2,213	2,169	-2.0%
105							
106	Information Technology Services	1,593	1,533	1,566	1,683	1,651	-1.9%
107							
108	Internal Services:						
109	Finance						
110	Treasurer and Vice President of Finance	432	483	463	457	457	0.0%
111	Financial Services	743	776	778	779	787	1.1%
112	Total Finance	1,175	1,258	1,241	1,236	1,244	0.7%
113							
114	Facilities						
115	24 Farnworth Street	1,910	1,685	2,435	2,380	2,329	-2.1%
116	Total Operations Services	1,910	1,685	2,435	2,380	2,329	-2.1%
117							
118	Total Internal Services	3,085	2,944	3,677	3,616	3,573	-1.2%
119							
120	Total Infrastructure	6,720	6,418	7,456	7,512	7,393	-1.6%
121	Total Expenses	27,221	27,530	27,752	27,079	26,518	-2.1%
122							
123	Depreciation Spending	0	0	600	600	600	
124	Church Staff Finances Reserve	0	0	126	126	126	
125	Beacon Press Transfer	0	0	500	500	261	
126							
127	Current Section Excess/(Deficit)	(443)	4,609	(247)	98	0	

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Consolidated Financial Statements and Supplemental Schedules

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Independent Auditors' Report

The Board of Trustees
Unitarian Universalist Association and Subsidiary
Boston, Massachusetts

We have audited the accompanying consolidated financial statements of the Unitarian Universalist Association and Subsidiary (the "Association"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Unitarian Universalist Association as of June 30, 2020 and 2019, and the consolidated changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2020, the Association adopted Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our Opinion is not modified with respect to this matter.

Other Matters

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information included in Schedules I through III is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Maye Hoffman McCann P.C.

November 17, 2020
Boston, Massachusetts

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30,

(in thousands)

	2020	2019
Assets		
Cash and cash equivalents	\$ 17,501	\$ 15,271
Accounts receivable, net	6,211	2,407
Pledges receivable, net	798	1,186
Agency receivable	-	4,363
Inventories, net	1,757	1,508
Deferred charges	5,413	-
Other assets	1,538	1,356
Investments	86,828	90,469
Investment funds managed for others	111,919	108,494
Funds held in trust by others	44,075	46,110
Funds held in support of split-interest agreements	7,979	9,168
Loans to member congregations, net	3,082	3,246
Property and equipment, net	<u>33,693</u>	<u>33,941</u>
Total assets	\$ <u>320,794</u>	\$ <u>317,519</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 10,615	\$ 6,137
Agency liability	-	4,363
Annuity liabilities	1,576	1,814
Bank debt	4,942	5,879
Obligations under split-interest agreements	5,062	5,637
Accumulated postretirement benefit obligation	<u>1,330</u>	<u>1,422</u>
Total liabilities	<u>23,525</u>	<u>25,252</u>
Minority interest in UUCEF	<u>111,919</u>	<u>108,494</u>
Net assets:		
Without donor restrictions	61,952	58,035
With donor restrictions	<u>123,398</u>	<u>125,738</u>
Total net assets	<u>185,350</u>	<u>183,773</u>
Total liabilities and net assets	\$ <u>320,794</u>	\$ <u>317,519</u>

See accompanying notes to consolidated financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Activities

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

(in thousands)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Fundraising and gifts and bequests	\$ 16,471	\$ 5,483	\$ 21,954	\$ 16,984
Net sales from publishing activities	15,635	-	15,635	10,750
Sales and administrative services	1,442	-	1,442	1,777
Investment return authorized for operations	4,089	-	4,089	4,499
Distributions from Holdeen Trusts	1,357	224	1,581	1,352
Other investment income	178	-	178	206
Rental income	1,819	-	1,819	1,685
Other income	5,302	-	5,302	5,850
Net assets released from restriction	4,630	(4,630)	-	-
Total support and revenue	50,923	1,077	52,000	43,103
Expenditures:				
Programs	34,115	-	34,115	31,124
General and administration	5,844	-	5,844	6,194
Stewardship and development	2,056	-	2,056	2,169
Rental expense	642	-	642	703
Total expenditures	42,657	-	42,657	40,190
Changes in net assets from operations	8,266	1,077	9,343	2,913
Nonoperating income (expense):				
Investment return, net of amounts authorized for operations	(2,826)	(1,082)	(3,908)	5,855
Investment return - debt financing	939	-	939	906
Decrease in value of funds held in support of split-interest agreements and trusts	(75)	(2,335)	(2,410)	(250)
Postretirement benefit plan expense	29	-	29	201
Unfunded depreciation	(705)	-	(705)	(664)
Change in net assets from nonoperating activities	(2,638)	(3,417)	(6,055)	6,048
Minority interest in investment (earnings) of UUCEF	(1,711)	-	(1,711)	(6,018)
Change in net assets	3,917	(2,340)	1,577	2,943
Net assets, beginning of year	58,035	125,738	183,773	180,830
Net assets, end of year	\$ 61,952	\$ 123,398	\$ 185,350	\$ 183,773

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Activities

For the Year Ended June 30, 2019

(in thousands)

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:			
Fundraising and gifts and bequests	\$ 12,499	\$ 4,485	\$ 16,984
Net sales from publishing activities	10,750	-	10,750
Sales and administrative services	1,777	-	1,777
Investment return authorized for operations	4,499	-	4,499
Distributions from Holdeen Trusts	1,121	231	1,352
Other investment income	206	-	206
Rental income	1,685	-	1,685
Other income	5,850	-	5,850
Net assets released from restriction	2,921	(2,921)	-
Total support and revenue	<u>41,308</u>	<u>1,795</u>	<u>43,103</u>
Expenditures:			
Programs	31,124	-	31,124
General and administration	6,194	-	6,194
Stewardship and development	2,169	-	2,169
Rental expense	703	-	703
Total expenditures	<u>40,190</u>	<u>-</u>	<u>40,190</u>
Changes in net assets from operations	<u>1,118</u>	<u>1,795</u>	<u>2,913</u>
Nonoperating income (expense):			
Investment return, net of amounts authorized for operations	4,623	1,232	5,855
Investment return - debt financing	906	-	906
Decrease in value of funds held in support of split-interest agreements and trusts	(82)	(168)	(250)
Postretirement benefit plan expense	201	-	201
Unfunded depreciation	(664)	-	(664)
Change in net assets from nonoperating activities	<u>4,984</u>	<u>1,064</u>	<u>6,048</u>
Minority interest in investment (earnings) of UUCEF	<u>(6,018)</u>	<u>-</u>	<u>(6,018)</u>
Change in net assets	84	2,859	2,943
Net assets, beginning of year	<u>57,951</u>	<u>122,879</u>	<u>180,830</u>
Net assets, end of year	\$ <u>58,035</u>	\$ <u>125,738</u>	\$ <u>183,773</u>

See accompanying notes to consolidated financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Statement of Functional Expenses

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

(in thousands)

	2020				2019	
	Programs	General and Administration	Stewardship and Development	Rental Expense	Total	Total
Personnel						
Salary/benefits	\$ 10,497	\$ 3,968	\$ 1,487	\$ -	\$ 15,952	\$ 15,617
Other						
Cost of goods sold	11,878	-	-	-	11,878	9,104
Grants and scholarships	6,588	-	-	-	6,588	5,089
Insurance	1,455	20	-	114	1,589	1,214
Facilities						
Depreciation	272	133	45	244	694	691
Other	332	228	49	252	861	1,189
General operations	750	510	16	27	1,303	1,621
Travel/T&E non-staff	742	263	62	-	1,067	2,008
Publications/marketing	421	19	264	-	704	760
Consultants	466	95	38	-	599	767
Meetings/events/training	414	76	26	-	516	1,299
Professional fees	115	304	-	5	424	365
Software	64	167	49	-	280	209
Interest expense	121	61	20	-	202	257
Total functional expenses	\$ 34,115	\$ 5,844	\$ 2,056	\$ 642	\$ 42,657	\$ 40,190

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Statement of Functional Expenses

For the Year Ended June 30, 2019

(in thousands)

	Programs	General and Administration	Stewardship and Development	Rental Expense	Total
Personnel					
Salary/benefits	\$ 10,367	\$ 3,792	\$ 1,444	\$ 14	\$ 15,617
Other					
Cost of goods sold	9,104	-	-	-	9,104
Grants and scholarships	5,089	-	-	-	5,089
Travel/T&E non-staff	1,291	600	117	-	2,008
Facilities					
Depreciation	289	139	47	216	691
Other	539	293	56	301	1,189
General operations	1,070	484	12	55	1,621
Meetings/events/training	1,103	116	80	-	1,299
Insurance	1,074	28	-	112	1,214
Consultants	433	266	68	-	767
Publications/marketing	447	30	283	-	760
Professional fees	100	240	20	5	365
Interest expense	164	69	24	-	257
Software	54	137	18	-	209
Total functional expenses	\$ 31,124	\$ 6,194	\$ 2,169	\$ 703	\$ 40,190

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended June 30,

(in thousands)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,577	\$ 2,943
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,412	1,377
Change in allowance for uncollectible loans to member congregations	(6)	(27)
Net realized and unrealized gains on investments	(1,412)	(4,791)
Contributions restricted for long-term investment	(164)	(914)
Net change in value of funds held in support of split-interest agreements and trusts	2,410	250
Minority interest in investment earnings of UUCEF	1,711	6,018
Changes in assets and liabilities:		
Accounts receivable, net	(3,804)	(225)
Pledges receivable, net	388	(588)
Agency receivable	4,363	(1,307)
Inventories, net	(249)	(178)
Deferred rent	(5,413)	-
Other assets	(182)	(91)
Accounts payable and accrued expenses	4,221	1,127
Agency liability	(4,363)	1,307
Accumulated postretirement benefit obligation	(92)	(274)
	<u>397</u>	<u>4,627</u>
Net cash used in operating activities	397	4,627
Cash flows from investing activities:		
Cost of purchases of investments	(42,887)	(21,274)
Proceeds from sales of investments	44,516	17,678
Purchases of property and equipment	(907)	(836)
Additions to loans to member congregations	(75)	(99)
Repayments on loans to member congregations	245	869
	<u>892</u>	<u>(3,662)</u>
Net cash provided by investing activities	892	(3,662)
Cash flows from financing activities:		
Repayment of bank debt	(937)	(1,616)
Capital contributions by minority partners in UUCEF	10,126	8,387
Capital withdrawals by minority partners in UUCEF	(8,412)	(6,067)
Contributions restricted for long-term investment	164	914
	<u>941</u>	<u>1,618</u>
Net cash provided by financing activities	941	1,618
Change in cash and cash equivalents	2,230	2,583
Cash and cash equivalents as of beginning of year	15,271	12,688
	<u>15,271</u>	<u>12,688</u>
Cash and cash equivalents as of end of year	\$ 17,501	\$ 15,271

Supplementary disclosures of cash flow information:

During 2020, the Association had non-cash property and equipment addition of \$257 funded through accounts payable.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 1 - The Association's Background and History

The Unitarian Universalist Association (the "Association") was formed in 1961, when the American Unitarian Association and the Universalist Church of America merged to form one entity with the purpose of creating an association of congregations in support of liberal religion. The Association is governed by a board of trustees elected by the delegates of the General Assembly. An elected president, a board-appointed treasurer, a board-appointed executive vice president and nine other staff group directors form the leadership council, which manages the day-to-day business of the Association.

The consolidated financial statements include the results of the activities of the Unitarian Universalist Common Endowment Fund LLC "UUCEF" which is organized as a supporting organization to the Association under Section 501(c)(7) of the Internal Revenue Code. UUCEF serves as an endowment investment solution for the Association and member congregations. UUCEF provides access to professional investment management, administration and reporting. All investors share proportionately in the underlying money-management, operational and custody costs. UUCEF investors retain full ownership of their invested assets with access to their funds as outlined in the UUCEF subscription agreement. The Association's Board of Trustees appoints the investment committee who oversees UUCEF and its related investments. The Association is the largest owner and acts as the record keeper for UUCEF. The Association had a 43.6% and 45.4% ownership interest in UUCEF in 2020 and 2019, respectively. The interests owned by others are presented as minority interest in the consolidated financial statements.

The primary purposes of the Association are to serve the needs of its member congregations, organize new congregations, extend and strengthen Unitarian Universalist institutions, and implement its principles. These financial statements only include the activity of the Association and UUCEF, but not of its member congregations. The activities and assets of the Association are comprised of six business segments: Current Operations, General Assembly, Group Insurance Plans, Beacon Press, Congregational Properties and Loan Fund "CPLF", and UUCEF as outlined above. The Current Operations section manages the general operations of the Association including fundraising and program activities. Group Insurance Plans "GIP" operate group insurance plans for member congregations. General Assembly is the annual gathering of Association congregational delegates organized to conduct the business of the Association. Beacon Press is the Association's trade publishing group. CPLF provides loans and loan guarantees to member congregations.

Note 2 - Summary of Significant Accounting Policies

Basis of Consolidated Financial Statement Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany accounts and transactions have been eliminated in consolidation. Minority interest is presented below liabilities on the consolidated statements of financial position.

The accompanying consolidated financial statements are presented on the accrual basis of accounting and have been prepared to focus on the Association and UUCEF as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Consolidated Financial Statement Presentation (Continued)

Net Assets Without Donor Restrictions – represent those assets that the Association may use at its discretion not subject to donor restrictions. Net assets without donor restrictions also includes the investment in property and equipment, net of accumulated depreciation, loans to member congregations, net of related debt, quasi endowment funds, and other funds.

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.

Fundraising support, gifts and bequests are reported as increases in funds without donor restrictions unless use of the related assets is limited by donor-imposed time and/or purpose restrictions. If time and/or purpose restrictions are associated with support, these resources are accounted for as with donor restrictions. If a restriction on a gift is fulfilled in the same time period in which the contribution is received, the contribution is reported as without donor restrictions. Expenses are reported as decreases in funds without donor restrictions.

Amounts reported as nonoperating in the consolidated statements of activities include investment return net of amounts authorized for operations and other miscellaneous nonrecurring events or activities such as contributions of long-lived assets, contributions of cash or other assets that must be used to acquire long-lived assets, large one time donations, changes in value of certain split-interest agreements and trusts, postretirement benefit plan expense, gain on sale of real estate, unfunded depreciation, and other releases and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers highly liquid instruments with maturities of three months or less at the date of purchase to be cash equivalents. Such amounts are carried at cost plus accrued interest. Cash equivalents held by investment managers are considered part of investments given the expectation of near term reinvestment. Cash equivalents include treasury money market and money market mutual funds that are not Federally insured. The Association maintains its cash balances at several financial institutions, which, at times, may exceed federally insured limits. The Association monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible and recoveries of previously written off receivables are recorded as revenue when received. The reserve was \$6 and \$32 at June 30, 2020 and 2019, respectively.

Pledges Receivable

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the review of historical experience and a specific review of collection trends that differ from plans on individual accounts.

Inventory

Inventory consists of finished goods and outside prepublication costs. Finished goods inventories, consisting primarily of books, are stated at the lower of weighted average cost or market. Outside prepublication costs related to preparing a manuscript for printing are capitalized into finished goods at the time of first printing of the book. The Association reserves against finished goods based on a systematic approach as the inventories age. The reserve was \$28 and \$34 at June 30, 2020 and 2019, respectively.

Investments

Investments are reported at fair value. Fair value is determined as per the fair value policies described later in this section. Net investment return (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair Value Measurements

The Association 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 market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other 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 the Association's investment accounts and funds held in trust and in support of split-interest agreements. Nonrecurring fair values include items such as the initial recording for pledges receivable and obligations under split-interest agreements.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - 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 (but for those items valued at NAV) as follows:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the Association 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.

Funds Held in Trust by Others

The Association accounts for its beneficial interests in trusts as support upon notice of it being a beneficiary of such trusts. Support is recorded at the fair value of the underlying assets of the trust given the irrevocable right to receive income/benefits from the trust assets even though the Association will never receive the principal of these trusts. The fair value of the trust assets are recorded using a Level 3 fair value approach. Changes in the fair value of the trusts are reported as increases or decreases in the related net asset category. These trusts have various purpose restrictions.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Funds Held in Trust by Others (Continued)

A major portion of funds held in trust by others are charitable lead trusts established by Jonathan Holdeen (the Holdeen Trusts) in which the Association has an irrevocable right to the trust income for periods of 500 or 1,000 years after which the assets revert to the Commonwealth of Pennsylvania. Under the terms of the Holdeen Trusts' instruments, the income is to be used primarily for support of the Holdeen India Program and other charities designated by the Association's Board of Trustees. Given the long-term nature of this arrangement, the beneficial interest was determined to be equal to the fair value of the assets for reporting purposes.

Split-Interest Agreements

Split-interest agreements include contributions received which require payment of an annuity to a specified beneficiary and contributions received which require payment of income earned on the investment of such contribution to a specified beneficiary over their life. Assets and obligations to beneficiaries are recorded at fair value when initially arranged and are separately managed apart from other investments of the Association. Subsequent changes in fair value of funds held in support of split-interest agreements are reported as a change in fair value of funds held in support of split-interest agreements in the period of change of value of the underlying assets. Obligations are based on the present value of the annual distribution specified in the agreements and the estimated life expectancy of the beneficiaries. Subsequent changes in the recorded amount of obligations are impacted by changes in life expectancy; however, the present value discount rate remains the same over the life of the instrument. 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 measurements while the initial measurement of the related obligations are Level 2 measurements.

Loans to Member Congregations

The Association has receivables related to loans to member congregations. Interest income is recorded when received. Loans receivable are written off when deemed uncollectible. Recoveries of loans receivable previously written off are recorded as a reduction of bad debt expense. Loans receivable are considered past due if any portion of the balance due is outstanding for more than 30 days. Interest on past due amounts are recorded when received.

Property and Equipment

Property and equipment are recorded when the useful life is over one year at cost when such amounts exceed a management established capitalization threshold. In the case of donated property, such amounts are recorded at fair value at the date of gift which would normally entail a Level 3 fair value assessment as per the fair value standards elsewhere in this section. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets once placed into service.

With respect to its primary operating facility, the Association allocates costs to its activities based on operating expenses, estimated long-term funding for reserves for repair and replacement and debt service. Any excess costs of operating the facility is considered nonoperating. Such amounts represent unfunded depreciation which management has determined does not require funding given its long-term expected costs of operating this property.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Agency Receivable and Liability

Amounts received or expected to be received from donors that must be disbursed to a specific beneficiary are recorded as liabilities until paid by the Association.

Revenue Recognition and Other Support

The Association derives revenues primarily through fundraising, publishing activities, gifts, and bequests. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions as follows:

Gifts and bequests, 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.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with other barriers and providing progress reports before the next scheduled installment of grant receipt. Contributions received pending designation by the donor are considered with donor restrictions until known at which time such are reclassified if required.

The Association recognizes special events and fundraising revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

From time to time, the Association is named as a beneficiary under various wills and trust agreements, the total realizable amounts of which are not immediately determinable. Such bequests are recorded only when there is an irrevocable right to the bequest and the value of the proceeds are determinable. Distributions from these trusts received and spent in the same year for specific purposes are recorded as income without donor restrictions. Unspent income is recorded with donor restrictions.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Other Support (Continued)

Net sales from publishing activities is recorded upon shipment, net of commission expense, marketing and fulfillment costs charged by a third-party distributor, Penguin Random House ("the Distributor").

Beacon Press derives its revenue mainly from the sale of books via prints, e-books and audio downloads, which are recorded on a monthly basis through sales detail from the Distributor. Customers are invoiced and revenue is recognized upon shipment of prints and the download of e-books and audio downloads. Collections on all monthly sales from the Distributor are usually received 60 days following the monthly sales. Direct sales and collections from customers are handled by the Distributor.

Beacon Press also generates sales from the sale of prints through its website, licensing and royalty. Customers are invoiced and revenue is recognized upon shipment of prints. Licensing revenue is recognized as one-time performance obligations upon granting access rights to customers at which time the customer is invoiced. Revenue on royalty income is recognized on a monthly basis based on sales generated by licensees.

Sales and administrative services are fees from services provided to other member congregations for the administering of various programs and registration fees derived from the annual general assembly. Revenue is recognized when the performance obligation has been met.

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.

Rental income is recorded in association with the period of occupancy to which the payment relates. Payments received in advance are deferred until earned. Lease incentives, including free rent periods and buildout allowances, are considered deferred rent and amortized on a straight-line basis over the life of the lease.

Other income consists of revenue from group insurance plan, district share income, other publishing revenue, conference training fees and various other miscellaneous fee-based related revenue recognized as earned.

The Association procures various insurance products from third parties for the use of the Association and member congregations. Under this arrangement, the Association is centrally billed for insurance based on its needs and member congregations that elect to participate. The Association in turn invoices various participating member congregations. Billings are recorded as other income in the consolidated statements of activities. The Association does not assume insurance risk under these arrangements.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Royalty Advances from Publishing Activities

Royalty advances are negotiated on a contract-by-contract basis and are recorded as other assets when paid. Payments are made over three installments: 1) upon contract signing, 2) upon acceptance of the script; and 3) upon book publication. Royalty advances are reduced after earn out through book sales. After earn out period, royalty expenses are accrued for payout. Reserves are recorded for advances if it appears that advances are not expected to be recovered from future sales within two years from publication. The Association reserves against unrealizable advances based on a systematic approach as the related publications age. The reserve was \$3,010 and \$2,930 at June 30, 2020 and 2019, respectively, against royalty advances of \$4,057 and \$3,810 at June 30, 2020 and 2019, respectively, included in other assets.

Income Taxes

The Association is a tax-exempt church organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from income taxes pursuant to Section 501(a) of the Code. UUCEF is classified under the Code as a public charity Type I supporting organization under Section 509(a)(3) of the code. Certain activities of exempt organizations unrelated to their mission may generate income that is subject to federal and state taxation as unrelated business income. As the Association and UUCEF's unrelated business income is de minimis, management has concluded that disclosures related to tax provisions are not necessary.

Uncertain Tax Positions

The Association and UUCEF account 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. The Association and UUCEF have a number of tax positions, none of which result in an uncertainty requiring recognition. The Association and UUCEF are not currently under examination by any taxing jurisdiction. As a tax-exempt church related organization and supporting organization, the Association and UUCEF are exempt from filing certain non-profit filings. The Association and UUCEF do file a Form 990T which is a tax return associated with the non-profit.

Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated 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. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fundraising Expenditures

Fundraising costs are reported as stewardship and development expense in the consolidated statements of activities.

Newly Adopted Accounting Pronouncements

Effective July 1, 2019, the Association adopted Accounting Standards Update (“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 accounted for under other standards. 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 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 recorded as deferred revenue or a receivable as applicable.

The standard was applied to transactions that were not complete or had otherwise already been recognized as of July 1, 2019. The impact related to the adoption of the new standard did not impact 2020 results.

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

Accounting Pronouncements Effective in Future Years

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. 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 principles-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. The ASU is effective for fiscal year end June 30, 2021.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Effective in Future Years (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The new standard will not fundamentally change the lessor accounting. However, the standard includes a narrowed definition of initial direct costs whereas only incremental costs incurred that would not have been incurred if the lease had not been executed could be capitalized and amortized over the term of the lease. The ASU is effective for fiscal year end June 30, 2022 for the Association.

Management believes that other pending accounting standards would have limited impact on the Association and, accordingly, have not outlined those standards here.

Reclassifications

Certain reclassifications have been made to the 2019 consolidated financial statements in order to conform to the current presentation. Such reclassifications had no effect on the changes in net assets.

Note 3 - Liquidity and Availability

The Association strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

As a fundraising organization, the Association receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. The Association manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Association's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor, contractual or internal board designations. Amounts not available include certain investments with redemption limitations as more fully described in Note 6 and a board designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions under certain circumstances.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 3 - Liquidity and Availability (Continued)

	2020	2019
Financial assets at year end		
Cash and cash equivalents	\$ 17,501	\$ 15,271
Accounts receivable, net	6,211	2,407
Pledges receivable, net	798	1,186
Investments	86,828	90,469
Funds held in trust by others	44,075	46,110
Funds held in support of split-interest agreements, net	<u>2,917</u>	<u>3,531</u>
Total financial assets	\$ <u>158,330</u>	\$ <u>158,974</u>
Financial assets available to meet general expenditures at year end		
Cash and cash equivalents	\$ 17,501	\$ 15,271
Accounts receivable, net	6,211	2,407
Pledges receivable due within one year, net	543	1,085
Endowment spending rate distribution	<u>4,242</u>	<u>4,417</u>
Total financial assets available to meet general expenditures at year end	\$ <u>28,497</u>	\$ <u>23,180</u>

In addition to the financial assets available to meet general expenditures over the next 12 months, the Association operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Association is also beneficiary to several trusts which they have historically received annual distributions in an approximate amount of \$2M which are used to cover general expenditures, which management expect to also be available.

At June 30, 2020 and 2019, the Association's Board of Trustees has designated approximately \$19M and \$24M, respectively, of its unrestricted resources for endowment purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 4 - Pledges Receivable

Pledges receivable relates to amounts received as part of the campaign fundraising. The rate used to discount pledges receivable was 4% as of June 30, 2020 and 2019.

Pledges receivable consisted of the following as of June 30:

	2020	2019
Amounts due in:		
Less than one year	\$ 543	\$ 1,085
Two to five years	310	167
	853	1,252
Less allowance for uncollectible pledges and present value discount	(55)	(66)
Pledges receivable, net	\$ 798	\$ 1,186

At June 30, 2020, approximately \$193 of promised contributions have not been recognized in the accompanying consolidated statements of activities because the conditions on which they depend have not been met.

Note 5 - Investments

Investments are recorded in the consolidated statements of financial position as follows at June 30:

	2020	2019
Investments (UUA)	\$ 86,828	\$ 90,469
Investment funds managed for others (member congregations)	111,919	108,494
Total	\$ 198,747	\$ 198,963

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 6 - Fair Values of Financial Instruments

The following tables present financial assets that the Association measures fair value on a recurring basis, by level, within the fair value hierarchy at June 30:

<i>Investments</i>				
<i>2020</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Investments Measured at NAV</i>	<i>Total</i>
UUCEF investments				
Domestic equity	\$ 49,887	\$ 6,760	\$ -	\$ 56,647
International equity	20,768	34,119	-	54,887
Fixed income	29,257	21,857	12,008	63,122
Opportunistic	5,472	-	6,040	11,512
Private markets	-	-	9,292	9,292
Other	-	2,674	-	2,674
Total UUCEF investments	105,384	65,410	27,340	198,134
Short-term investments				
Cash and equivalents	613	-	-	613
Total investments	\$ 105,997	\$ 65,410	\$ 27,340	\$ 198,747

<i>Funds Held by Others and Split-interest Agreements</i>				
<i>2020</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Funds held by others:				
Holdeen Trusts	\$ -	\$ -	\$ 31,923	\$ 31,923
Other trusts	-	-	12,152	12,152
	-	-	44,075	44,075
Split-interest agreements:				
Charitable gift annuity	5,694	-	-	5,694
Charitable remainder trust	-	-	693	693
Pooled income funds	1,592	-	-	1,592
	7,286	-	693	7,979
Total funds held by others and split-interest agreements	\$ 7,286	\$ -	\$ 44,768	\$ 52,054

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 6 - Fair Values of Financial Instruments (Continued)

	<i>Investments</i>			
	<i>2019</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Investments Measured at NAV</i>	<i>Total</i>
UUCEF investments				
Domestic equity	\$ 54,908	\$ 8,548	\$ -	\$ 63,456
International equity	15,161	40,937	-	56,098
Fixed income	25,050	20,300	10,764	56,114
Opportunistic	6,107	-	6,583	12,690
Private markets	-	-	6,925	6,925
Other	-	1,704	-	1,704
Total UUCEF investments	101,226	71,489	24,272	196,987
Short-term investments				
Cash and equivalents	1,976	-	-	1,976
Total investments	\$ 103,202	\$ 71,489	\$ 24,272	\$ 198,963
<i>Funds Held by Others and Split-interest Agreements</i>				
<i>2019</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Funds held by others:				
Holdeen Trusts	\$ -	\$ -	\$ 34,220	\$ 34,220
Other trusts	-	-	11,890	11,890
	-	-	46,110	46,110
Split-interest agreements:				
Charitable gift annuity	6,582	-	-	6,582
Charitable remainder trust	-	-	715	715
Pooled income funds	1,871	-	-	1,871
	8,453	-	715	9,168
Total funds held by others and split-interest agreements	\$ 8,453	\$ -	\$ 46,825	\$ 55,278

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 6 - Fair Values of Financial Instruments (Continued)

<i>Level 3 Roll Forward 2020</i>				
	<i>Holdeen Trusts</i>	<i>Other Trusts</i>	<i>Charitable Remainder Trust</i>	<i>Total</i>
Beginning balance	\$ 34,220	\$ 11,890	\$ 715	\$ 46,825
Distributions	(1,645)	(455)	-	(2,100)
Sales/fees	(19)	83	-	64
Unrealized gain (loss)	(633)	634	(22)	(21)
Ending balance	\$ 31,923	\$ 12,152	\$ 693	\$ 44,768

<i>Level 3 Roll Forward 2019</i>				
	<i>Holdeen Trusts</i>	<i>Other Trusts</i>	<i>Charitable Remainder Trust</i>	<i>Total</i>
Beginning balance	\$ 34,396	\$ 11,852	\$ 710	\$ 46,958
Distributions	(1,690)	(456)	-	(2,146)
Sales/fees	906	518	-	1,424
Unrealized gain (loss)	608	(24)	5	589
Ending balance	\$ 34,220	\$ 11,890	\$ 715	\$ 46,825

All trusts are invested in a diversified portfolio of stocks, bonds and mutual funds both domestic and international.

Investments have the following redemption notice periods:

Daily	\$ 124,800
Monthly	41,484
Bi-Monthly	13,845
Quarterly	5,527
Illiquid	12,478
Total	\$ 198,134

Unfunded commitments to the investment vehicles amounted to \$5,675 and \$9,607 at June 30, 2020 and 2019, respectively. Funds allow for managers to limit normal redemptions under certain circumstances which could impact the ultimate availability of funds. In addition, funds in trust are controlled by outside organizations and thus are not redeemable.

Management has no intentions or plans to liquidate any net asset value per share practical expedient investments at other than net asset value per share.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 7 - Loans to Member Congregations

Loans to member congregations for capital purposes, primarily for buildings, are as follows at June 30:

	2020	2019
Mortgage loans to member congregations at interest rates from 0% to 5.81% due through 2026	\$ 3,370	\$ 3,540
Less allowance for uncollectible loans	<u>(288)</u>	<u>(294)</u>
Net loans to member congregations	\$ <u>3,082</u>	\$ <u>3,246</u>

Loans to member congregations are written for revolving terms ranging from 1 to 7 years, with the total amortization period ranging from 15 to 25 years. Expected payments for the mortgaged loans to member congregations, reflecting the full amortization period, are as follows for the years ending June 30:

2021	\$ 1,034
2022	239
2023	249
2024	256
2025	288
Thereafter	<u>1,304</u>
Total	\$ <u>3,370</u>

Only a small portion of the loans are non-interest bearing, and accordingly, management determined that applying a present value to such loans would not result in a material difference in reported amounts.

The percentage of total loans that are in default or past due are 6% and 5% at June 30, 2020 and 2019, respectively.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 8 - Property and Equipment

Property and equipment was composed of the following as of June 30:

	<i>Estimated Useful Lives</i>		2020		2019
Land, buildings and improvements	20-40 yrs	\$	37,963	\$	37,312
Computer equipment	4-7 yrs		2,201		2,094
Office furniture and fixtures	7 yrs		2,160		2,151
Construction in progress			397		-
			42,721		41,557
Less accumulated depreciation			(9,028)		(7,616)
Property and equipment, net		\$	33,693	\$	33,941

As more fully described in Note 9, the land, building and improvements serve as collateral under a mortgage note payable.

During 2020, the Association entered into an agreement with a third-party to conduct repairs to its boiler for a total cost of approximately \$728. At June 30, 2020, \$397 is included in construction in progress. \$331 is expected to be incurred in fiscal 2021 at which time the boiler will be placed into service.

Allocation of Depreciation Between Operating and Nonoperating

The Association periodically performs a facilities condition assessment to determine the annual replacement funding needed. The depreciation in excess of estimated replacement funding amounts to \$705 and \$664 in 2020 and 2019, respectively, and is considered unfunded and included in nonoperating expense on the consolidated statements of activities.

Note 9 - Mortgage Note Payable

The Association has a mortgage note payable which is due in monthly installments of \$95 including principal and interest at a fixed rate of 3.60% with a final balloon payment of \$3,216 due on April 1, 2022. The agreement contains certain financial and nonfinancial covenants and is collateralized by the Association's headquarters. At June 30, 2020 and 2019, the outstanding balance on the mortgage note payable was \$4,942 and \$5,879, respectively.

Expected payments for the bank debt are as follows for the years ending June 30:

2021		\$	972		
2022			3,970		
			4,942		
Total		\$	4,942		

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 9 - Mortgage Note Payable (Continued)

Interest expense was \$202 and \$257 for the years ended June 30, 2020 and 2019, respectively. Cash paid for interest was \$198 and \$253 for the years ended June 30, 2020 and 2019, respectively.

Note 10 - Lines of Credit

Member Lending Credit Line

The member lending credit line is a revolving line of credit with an aggregate borrowing limit of \$4,000. The line contains certain financial covenants of which the Association is in compliance. The line has been carried forward while the Association is currently in the process of renewing the line along with obtaining an additional line of credit for tenant improvement allowance, which is expected to be finalized in the near term. The term expiration and renewal apply to the unused balance of the credit line. Draws outstanding at term expiration date will remain outstanding and payable in accordance with current agreement terms. This line of credit is used to provide mortgage loan financing to member congregations according to the existing lending standards used by the Association (see Note 7). There are no current draws taken on the line of credit.

Line of Credit

The Association has a \$500 line of credit available with a bank of which no amounts were outstanding at June 30, 2020 and 2019. The line of credit bears interest at the bank's base lending rate with a floor of 3.99% during the draw period as defined by the agreement. The actual rate was 3.99% at June 30, 2020 and 2019. The line is collateralized by cash deposits. The line contains certain financial covenants of which the Association is in compliance. The line has been carried forward while the Association is currently in the process of renewing the line along with obtaining an additional line of credit for tenant improvement allowance, which is expected to be finalized in the near term.

Note 11 - Federal Loan Payable

The Association applied for and received a forgivable Paycheck Protection Loan of approximately \$3,603 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on April 16, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24 week period through September 30, 2020 and that certain employment levels are maintained. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due by April 15, 2022 and carries an interest rate of 1%.

Through June 30, 2020, the Association has used \$3,603 of the proceeds on qualified costs. \$3,297 of the amount has been reported as contribution in fundraising and gifts and bequests revenue and \$205 has been reported as other income and \$101 reported as accounts payable with an offsetting reduction to the federal loan payable on the statement of financial position. The \$205 and \$101 were used to cover payroll costs for UUA non-consolidated affiliates. The Association has used all of the proceeds for eligible costs and expects the entire loan to be forgiven. A formal request for forgiveness will be submitted in fiscal 2021.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 12 - Net Assets and Endowment Matters

Net Assets without Donor Restrictions

Net assets without donor restrictions consisted of the following as of June 30:

	2020	2019
Operating funds	\$ 14,313	\$ 6,409
Designated for specific purpose	-	504
Net investment in plant	28,751	28,062
Unrestricted-quasi endowment funds	<u>18,888</u>	<u>23,060</u>
Total net assets without donor restrictions	\$ <u>61,952</u>	\$ <u>58,035</u>

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 12 - Net Assets and Endowment Matters (Continued)

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30:

	2020	2019
Accumulated unspent gains:		
General operating	\$ 5,159	\$ 5,486
Scholarships for ministerial students	6,105	6,741
Ministerial aid	4,246	4,510
Other programs	1,950	2,060
Total accumulated unspent gains	17,460	18,797
Endowment corpus:		
General operating	27,447	27,447
Scholarships for ministerial students	12,767	12,767
Ministerial aid	3,716	3,716
Other programs	6,269	4,445
Total endowment corpus	50,199	48,375
Total endowment funds	67,659	67,172
Purpose restrictions:		
Building loan fund	4,613	4,613
Split-interest agreements	876	1,176
Total purpose restrictions	5,489	5,789
Time and purpose restrictions:		
Funds held in trust by others for restricted purposes	44,075	46,110
Amounts restricted by donors for purpose or time	6,120	6,612
Wilton Peace Prize Fund	55	55
Total time and purpose restrictions	50,250	52,777
Total net assets with donor restrictions	\$ 123,398	\$ 125,738

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 12 - Net Assets and Endowment Matters (Continued)

Net Assets with Donor Restrictions (Continued)

Net assets released from net assets with donor restrictions were as follows for the years ended June 30:

	2020	2019
General operating	\$ 501	\$ 352
Scholarships for ministerial students	63	125
Ministerial aid	174	202
Other programs	<u>3,892</u>	<u>2,242</u>
	<u>\$ 4,630</u>	<u>\$ 2,921</u>

From time to time on further review of donor restrictions, management may make net asset reclasses based on donor intent.

Endowment

The Association's endowment consists of a number of 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.

A significant portion of the endowment funds are held via trust that contains special provisions which provides for a member of management to be the trustee under the trust. The trust allows for investment return generated from the permanently restricted portion of the trusts to be considered unrestricted given the discretion provided to the trustee to utilize such funds as needed. Notwithstanding this flexibility, management has determined it would be prudent to label it as without donor restrictions within that category of stewardship that it believes is merited by these funds.

In addition, the trust contains provisions that if the Association declares bankruptcy, terminates or liquidates its existence or ceases to operate as a charitable or educational organization that such funds would no longer be available to the Association.

Interpretation of Relevant Law

The Board of Trustees of the Association follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted by the Commonwealth of Massachusetts. As such, management tracks the historic dollar value of the original gifts to donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Association retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. Collectively, these amounts are referred to as the historic dollar value of the fund.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 12 - Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law (Continued)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Association 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 the Association 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 the Association
- (7) The investment policies of the Association

Changes in endowment net assets and those functioning as endowment net assets for the fiscal year ended June 30, 2020 are as follows:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ <u>23,060</u>	\$ <u>67,245</u>	\$ <u>90,305</u>
Investment return:			
Investment income (net of expenses)	(38)	(49)	(87)
Net appreciation (realized and unrealized)	<u>637</u>	<u>775</u>	<u>1,412</u>
Total investment return	599	726	1,325
Contributions	555	1,825	2,380
Investment return authorized for operations (a)	<u>(5,326)</u>	<u>(2,137)</u>	<u>(7,463)</u>
Endowment net assets, end of year	\$ <u><u>18,888</u></u>	\$ <u><u>67,659</u></u>	\$ <u><u>86,547</u></u>

(a) Investment return authorized for operations includes \$255 of unspent income with donor restrictions, \$2,086 contribution to BLUU endowment, and \$94 due to the Association by UUCEF at year-end 2019.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 12 - Net Assets and Endowment Matters (Continued)

Changes in endowment net assets and those functioning as endowment net assets for the fiscal year ended June 30, 2019 are as follows:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ <u>24,335</u>	\$ <u>65,664</u>	\$ <u>89,999</u>
Investment return:			
Investment income (net of expenses)	126	143	269
Net appreciation (realized and unrealized)	<u>2,211</u>	<u>2,581</u>	<u>4,792</u>
Total investment return	2,337	2,724	5,061
Contributions	300	989	1,289
Investment return authorized for operations (b)	<u>(3,912)</u>	<u>(2,132)</u>	<u>(6,044)</u>
Endowment net assets, end of year	\$ <u>23,060</u>	\$ <u>67,245</u>	\$ <u>90,305</u>

(b) Investment return authorized for operations includes \$731 of unspent income with donor restrictions net of \$73 due to the Association which is eliminated on the Association's books.

Funds with Deficiencies

From time to time, certain donor-restricted funds may have fair values less than the amount required to be maintained by donors by law (underwater endowments). These deficits resulted from unfavorable market fluctuations that generally occurred shortly after the investment of newly established endowments, and authorized distributions that was deemed prudent. The Association has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under the law. There were no funds with deficiencies as of June 30, 2020 and 2019.

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that match or exceed a custom benchmark weighted by asset class while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return of approximately 5.7% annually. Actual returns in any given year may vary from this amount.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 12 - Net Assets and Endowment Matters (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association 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). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association's spending policy determines the amount made available for expenditure from the Association's endowment in a fiscal year using a calculation based on a weighted average of the prior year's spending adjusted for inflation (weighted at 70%), and 4.5% of the trailing four-quarter average market value of the endowment as of the previous December (weighted at 30%). However, the spending rate must be at least 4% and not more than 6% of the trailing four-quarter average market value of the endowment as of the previous December. Spending from new gifts will be calculated at the effective spending policy rate as approved by the Board of Trustees.

Authorized spending can be adjusted annually based on Board of Trustees determination for specific purpose.

In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expected the current spending policy to allow its endowment to maintain its value adjusted for inflation. This was consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.

Note 13 - Leases and Other Commitments and Contingencies

Leases as Lessor

A portion of the Association's headquarters facility is leased to unrelated entities under operating lease agreements that expire at various times through 2035. Such leases provide for various escalations for operating and real estate taxes. Rental income was \$1,819 and \$1,685 for the years ended June 30, 2020 and 2019, respectively. During 2020, the Association entered into two new separate lease agreements. The Association has agreed to fund tenant allowances of \$3,431 associated with the new leases, of which \$2,376 has been incurred and paid by June 30, 2020 through working capital. The tenant allowances are being amortized over the lease terms. Commission expenses of \$934 incurred to obtain tenants is being amortized over the lease terms as well. Both are reported as deferred charges on the consolidated statements of financial position. One of the leases has a letter of credit of \$458 with automatic renewal terms through the end of the lease term. The other lease has a letter of credit of \$2,000 with automatic renewal terms through January 13, 2023. Rental income from these new leases are reflected below in the rental income schedule.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 13 - Leases and Other Commitments and Contingencies (Continued)

Leases as Lessor (Continued)

Deferred charges consisted of the following at June 30, 2020:

Deferred commissions	\$	934
Deferred leasing incentives		3,431
Deferred rent		<u>1,048</u>
Total	\$	<u>5,413</u>

Future rental income under these non-cancelable leases is as follows for the years ending June 30:

2021	\$	1,995
2022		2,162
2023		2,200
2024		2,238
2025		2,277
Thereafter		<u>20,129</u>
Total	\$	<u>31,001</u>

Leases as Lessee

The Association leases certain office equipment under operating lease agreements. Future minimum rental payments required under operating leases are as follows as of June 30:

2021	\$	55
2022		24
2023		<u>1</u>
Total	\$	<u>80</u>

Rent expense was \$76 and \$87 for the years ended June 30, 2020 and 2019, respectively.

Guarantees

The Association guarantees certain loans extended by various lending institutions to member congregations. The outstanding guarantees were \$579 on loans totaling \$1,158 for June 30, 2020 and 2019. The loan guarantees were extended to the member congregations through the Association's loan guarantee program. The Association's policy is to guarantee 50% of the outstanding loan principal up to a maximum guarantee of \$450. The Association determined the value of these guarantees was not significant given its experience.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 13 - Leases and Other Commitments and Contingencies (Continued)

Insurance

The Association operates a self-funded medical health insurance program for Association employees and the employees of congregations and affiliates. The Association is administrator and sponsor of the plan. The Trustees of the plan determine premiums to be charged and use a service organization to process benefit payments. In the event that assets accumulated in the trust are insufficient to cover the expected benefit payments, the Association has provided the plan with a guarantee to satisfy any unfunded obligations of the trust. As of June 30, 2020 and 2019, the plan was sufficiently funded to cover all actuarially determined obligations. The Association maintains stop loss insurance coverage that will pay claims for an individual once a \$500 calendar year threshold is reached, up to an unlimited lifetime maximum. The Association has determined the value of this guarantee to not be a significant obligation given the funded status of the plan.

Employment Related Agreements

The Association has employment contracts with key employees, which extend over multiple fiscal years that contain provisions for payments when they retire.

Legal

The Association is subject to various claims and legal proceedings that may arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition of the Association.

Other Commitments

The Association acts as agent for certain donors that wish to donate funds to the Association for distribution to an outside organization. Occasionally, these funds are held at the Association pending final distribution determination by the donor and are accounted for in cash and accounts payable. Agency funds held at the Association as of June 30, 2020 and 2019 were \$0 and \$4, respectively.

Beacon Press has a sales and distribution agreement with Penguin Random House, which expires on June 30, 2022. The agreement gives Penguin Random House exclusive rights to sell and distribute Beacon Press titles into most markets on a global basis. Under the agreement, Beacon Press retains rights to sell its titles to retail customers and certain categories of special sales customers and has post audit rights relative to sales.

Black Lives UU (BLUU)

Black Lives UU is an organization for which the Association provided fiscal sponsorship and operating funding. During the fiscal years ended June 30, 2017, 2018 and 2019, activity related to the Association's fiscal sponsorship of the BLUU was recorded on the books and records of the Association. In the fiscal year ended June 30, 2019, BLUU received its nonprofit status and separated substantially all of its books and records from the Association.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 13 - Leases and Other Commitments and Contingencies (Continued)

Black Lives UU (BLUU) (Continued)

In October 2016, the Board of the Association approved a long-term \$5,300 funding commitment to BLUU. \$1,300 of the initial commitment was funded by the Association prior to June 30, 2019. As of the fiscal year ended June 30, 2019, the Association had raised \$2,712 for BLUU which was recorded with net assets with donor restrictions on the Association's books. During 2020, the remaining \$4,000 commitment was funded with \$1,914 of the amount raised and \$2,086 from the Association's endowment. An endowment fund was established in the Unitarian Universalist Common Endowment Fund (UUCEF) for the \$4,000. Subsequent to year end, the Association transferred \$753 to its endowment and expects to transfer the remaining \$163 when the funds are received.

Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Management is currently unable to accurately forecast the future financial impact on the Association resulting from the pandemic which, among other things, could impact donor contributions and rental income.

Note 14 - Agency Agreement

The Association, along with five other related organizations, entered into an agreement with the Unitarian Universalist Congregation at Shelter Rock ("UUCSR") whereby UUCSR will make \$4,500 in grants available as a match equal to the greater of \$1 or 10% of the gift pledge amount (maximum of \$10) for every new legacy gift pledge received from January 1, 2017 to June 30, 2020 to any UU member organization. Matching grants of \$137 and \$4,363 payable to the Association and related organizations, respectively, were paid out as of June 30, 2020.

Note 15 - Benefit Plans

The Association has a qualified defined contribution retirement plan covering all employees who have satisfied initial age and hour requirements. The Association makes a contribution of 11% of employee salary (plus housing allowance for ministers) for all employees who participate in the plan upon completing one year of employment. Employees may make additional voluntary contributions to the plan up to the established IRS limits. Contributions to the plan are fully vested immediately. Expenses under this plan were \$1,110 and \$1,064 for the years ended June 30, 2020 and 2019, respectively.

The Association provides a healthcare retirement plan (the Plan) to certain employees retired prior to 2002, as well as to certain active employees who were over age 45 on April 1, 2002. The measurement date used to determine benefit measures for the Plan is June 30.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 15 - Benefit Plans (Continued)

The following table presents the Plan's funded status at June 30:

	2020	2019
Changes in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,422	\$ 1,696
Service cost	-	2
Interest cost	41	35
Benefits paid	(133)	(152)
Actuarial loss	-	(159)
	<u>1,330</u>	<u>1,422</u>
Benefit obligation at end of year		
	<u>1,330</u>	<u>1,422</u>
Change in plan assets:		
Employer contribution	166	152
Benefits paid	(166)	(152)
	<u>-</u>	<u>-</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Accumulated postretirement benefit obligation	\$ 1,330	\$ 1,422

Assumptions used to determine the benefit obligation are as follows as of June 30:

	2020	2019
Discount rate	3.00%	3.00%
Rate of increase in healthcare costs	5.80%	5.70%

The ultimate healthcare cost trend rate assumption of 4.70% Pre-65 and 4.50% Post-65 used to calculate the benefit obligation is expected to be reached by 2091 for Pre-65 and 2083 for Post-65. In addition, updated mortality tables were used in 2020 to measure obligations.

A one-percentage-point change in assumed healthcare cost trend rates would have the following effects as of June 30, 2020:

	One- Percentage- Point Increase	One- Percentage- Point Decrease
Effects on total service and interest cost components for 2020	\$ 44	\$ 38
Effects on year-end 2020 accumulated postretirement benefit obligation	\$ 1,440	\$ 1,233

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 15 - Benefit Plans (Continued)

The expected future benefit payments are as follows for the years ending June 30:

2021	\$	130
2022		126
2023		122
2024		118
2025		112
2026-2030		<u>469</u>
Total	\$	<u><u>1,077</u></u>

The expected benefits are based on the same assumptions used to measure the Association's benefit obligation at June 30, 2020 and 2019.

Net periodic postretirement benefit cost reported as expense in the consolidated statements of activities included the following components for the years ended June 30:

	2020	2019
Service cost	\$ -	\$ 2
Interest cost	<u>41</u>	<u>35</u>
Net periodic benefit cost	\$ <u><u>41</u></u>	\$ <u><u>37</u></u>

The ultimate healthcare cost trend rate assumption of 4.50% used to calculate the net periodic postretirement benefit cost is expected to be reached by 2083.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 16 - Program Expenses

The Association's program expenses and costs were as follows for the years ended June 30:

	2020	2019
Costs of goods sold and publishing expenses	\$ 12,026	\$ 9,247
Ministries and faith development	9,328	7,445
Congregational life	5,626	5,889
Communications	2,305	2,559
Other programs	2,210	3,370
International programs	1,862	1,963
Justice Organizing Strategy	758	651
	<u> </u>	<u> </u>
Total	\$ 34,115	\$ 31,124

Note 17 - General Operations Expense

The Association has categorized certain expenses as general operations within the consolidated statement of functional expenses. The expense represents a large number of varied accounts which include BLUU general expenses, office supplies, IT services, equipment rental, warehousing, committee expense, etc. These accounts generally have relatively small individual balances which totaled \$1,303 and \$1,621 at June 30, 2020 and 2019, respectively, which represents 3% and 4% of total expenses, respectively.

Note 18 - Concentrations

For the years ended June 30, 2020 and 2019, Penguin Random House handled 98% and 97% of Beacon Press net sales, respectively. Of the total amount of receivables due Beacon Press of \$4,958 and \$1,255 at June 30, 2020 and 2019, respectively, Penguin Random House accounted for 100% and 99% of the balances, respectively. There is one Penguin Random House customer which accounted for 49% and 44% of net sales for the years ended June 30, 2020 and 2019, respectively.

Note 19 - Related Party

A member of the Board made a long-term pledge contribution of \$750 to the Association during the year ended June 30, 2020. \$250 was collected during 2020 with \$500 recorded in pledges receivable.

Note 20 - Subsequent Events

The Association has evaluated subsequent events through November 17, 2020, the date the consolidated financial statements were authorized to be issued.

Supplemental Schedules

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Supplemental Schedule of Assets by Business Segment

June 30, 2020

(in thousands)

	<i>Current</i>	<i>General Assembly</i>	<i>Group Insurance Plan</i>	<i>Beacon Press</i>	<i>CPLF</i>	<i>UUCEF</i>	<i>Eliminations</i>	<i>Total</i>
Assets:								
Cash and cash equivalents	\$ 10,225	\$ -	\$ 1,772	\$ 4,193	\$ 1,556	\$ -	\$ (245)	\$ 17,501
Accounts receivable, net	1,253	-	-	4,958	1,002	-	(1,002)	6,211
Pledges receivable, net	798	-	-	-	-	-	-	798
Inventories, net	534	-	-	1,223	-	-	-	1,757
Deferred charges	5,413	-	-	-	-	-	-	5,413
Other assets	234	-	-	1,278	-	26	-	1,538
Investment in UUCEF	84,245	-	-	2,305	-	198,689	(86,547)	198,692
Investments	55	-	-	-	-	-	-	55
Funds held in trust by others	44,075	-	-	-	-	-	-	44,075
Funds held in support of split-interest agreements	7,979	-	-	-	-	-	-	7,979
Loans to member congregations, net	-	-	-	-	3,082	-	-	3,082
Property and equipment, net	33,671	-	-	22	-	-	-	33,693
Amounts due from other business segments	288	-	-	-	-	-	(288)	-
Total assets	\$ 188,770	\$ -	\$ 1,772	\$ 13,979	\$ 5,640	\$ 198,715	\$ (88,082)	\$ 320,794

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Supplemental Schedule of Liabilities and Net Assets by Business Segment

June 30, 2020

(in thousands)

	Current	General Assembly	Group Insurance Plan	Beacon Press	CPLF	UUCEF	Eliminations	Total
Liabilities:								
Accounts payable and accrued expenses	\$ 7,270	\$ -	\$ -	\$ 3,806	\$ -	\$ 141	\$ (602)	\$ 10,615
Annuity liabilities	1,576	-	-	-	-	-	-	1,576
Bank debt	4,942	-	-	-	-	-	-	4,942
Obligations under split-interest agreements	5,062	-	-	-	-	-	-	5,062
Accumulated postretirement benefit obligation	1,330	-	-	-	-	-	-	1,330
Amounts due to (from) other business segments	387	245	-	288	(95)	108	(933)	-
Total liabilities	20,567	245	-	4,094	(95)	249	(1,535)	23,525
Minority interest in UUCEF	-	-	-	-	-	111,919	-	111,919
Net assets:								
Without donor restrictions	49,604	(245)	1,772	9,613	1,122	86,547	(86,461)	61,952
With donor restrictions	118,599	-	-	272	4,613	-	(86)	123,398
Total net assets	168,203	(245)	1,772	9,885	5,735	86,547	(86,547)	185,350
Total liabilities and net assets	\$ 188,770	\$ -	\$ 1,772	\$ 13,979	\$ 5,640	\$ 198,715	\$ (88,082)	\$ 320,794

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY
Supplemental Schedule of Unrestricted Activities by Business Segment

For the Year Ended June 30, 2020

(in thousands)

	Current	General Assembly	Group Insurance Plan	Beacon Press	CPLF	UUCEF	Eliminations	Total
Operating:								
Support and revenue:								
Fundraising and gifts and bequests	\$ 16,436	\$ -	\$ -	\$ 35	\$ -	\$ -	\$ -	\$ 16,471
Net sales from publishing activities	785	-	-	14,850	-	-	-	15,635
Sales and administrative services	1,515	796	-	-	-	-	(869)	1,442
Investment return authorized for operations	4,070	-	-	-	19	-	-	4,089
Distributions from Holdeen Trusts	1,357	-	-	-	-	-	-	1,357
Other investment income	-	-	-	27	151	-	-	178
Rental income	1,819	-	-	-	-	-	-	1,819
Other income	3,077	53	1,972	500	-	-	(300)	5,302
Net assets released from restriction	4,456	-	-	174	-	-	-	4,630
Total support and revenue	33,515	849	1,972	15,586	170	-	(1,169)	50,923
Expenses:								
Board and volunteer leadership	304	-	-	-	-	-	-	304
Organizing strategy	758	-	-	-	-	-	-	758
International	1,862	-	-	-	-	-	-	1,862
Congregational life	5,626	-	-	-	-	-	-	5,626
Ministry and faith development	7,884	-	1,982	-	-	-	(538)	9,328
UU Funding Program and Crisis Relief	1,414	-	-	-	-	-	-	1,414
Communications	2,305	-	-	-	-	-	-	2,305
Cost of goods sold and publishing expenses	515	-	-	11,811	-	-	(300)	12,026
Administration	1,841	-	-	-	-	-	-	1,841
Stewardship and development	2,056	-	-	-	-	-	-	2,056
Information technology services	1,533	-	-	-	-	-	-	1,533
Internal services	1,948	-	-	-	-	-	-	1,948
Rental expense	642	-	-	-	-	-	-	642
General assembly	-	796	-	-	-	-	-	796
Expenses associated with investment pools	-	-	-	-	176	-	(160)	16
Interest expense	202	-	-	-	-	-	-	202
Total expenses	28,890	796	1,982	11,811	176	-	(998)	42,657
Increase (decrease) in unrestricted net assets from operations	4,625	53	(10)	3,775	(6)	-	(171)	8,266
Nonoperating:								
Investment income	(3,040)	-	-	43	-	3,037	(2,866)	(2,826)
Increase in value of funds held in support of split-interest agreements and trusts	(75)	-	-	-	-	-	-	(75)
Postretirement benefit plan expense	29	-	-	-	-	-	-	29
Investment return - debt financing	939	-	-	-	-	-	-	939
Bequest income - Board restricted	-	-	-	-	-	-	-	-
Gain on sale of real estate	-	-	-	-	-	-	-	-
Other releases and changes in net assets	-	-	-	-	-	-	-	-
Unfunded depreciation	(705)	-	-	-	-	-	-	(705)
Total increase (decrease) in net assets from nonoperating activities	(2,852)	-	-	43	-	3,037	(2,866)	(2,638)
Minority interest in investment (earnings) of UUCEF	(1,711)	-	-	-	-	-	-	(1,711)
Increase (decrease) in unrestricted net assets	\$ 62	\$ 53	\$ (10)	\$ 3,818	\$ (6)	\$ 3,037	\$ (3,037)	\$ 3,917



Financial Statements

Unitarian Universalist Common Endowment Fund LLC

June 30, 2020 and 2019



UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Financial Statements

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Independent Auditors' Report

The Board of Trustees
Unitarian Universalist Common Endowment Fund LLC
Boston, Massachusetts

We have audited the accompanying financial statements of the Unitarian Universalist Common Endowment Fund LLC ("UUCEF"), which comprise the statements of net assets, including the schedules of investments, as of June 30, 2020 and 2019, and the related statements of operations, changes in net assets 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 UUCEF as of June 30, 2020 and 2019, and the operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maye Hoffman McCann P.C.

November 17, 2020
Boston, Massachusetts

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Net Assets

June 30,

(in thousands)

	2020	2019
Assets:		
Investments, at fair value		
(Cost \$170,236 in 2020 and \$162,462 in 2019)	\$ 198,134	\$ 196,987
Cash and cash equivalents	555	1,990
Other current assets	26	25
	198,715	199,002
Total assets	198,715	199,002
Liabilities:		
Accrued expenses and other liabilities	249	203
	249	203
Net assets	\$ 198,466	\$ 198,799

(in units and dollars)

Shares of beneficial interest outstanding	20,902,866.7096	21,270,431.2602
Net asset value per share	\$ 9.4947	\$ 9.3463

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Schedule of Investments

June 30, 2020

(in thousands)

Description	Security Type	Initial Investment Date	Cost Basis	Fair Value	% of Net Assets
Domestic Equity					
	Traded Equities	Various	\$ 41,548	\$ 49,887	25%
	Pooled Fund	4/1/2016	7,136	6,760	3%
			<u>48,684</u>	<u>56,647</u>	
International Equity					
	Traded Equities	5/1/2010	9,039	12,079	6%
	Mutual Fund	4/1/2013	9,247	13,845	7%
	Pooled Fund	Various	23,125	28,963	15%
			<u>41,411</u>	<u>54,887</u>	
Fixed Income					
	Traded Fixed Income	11/1/2014	11,845	13,290	7%
	Pooled Fund	Various	46,700	49,832	25%
			<u>58,545</u>	<u>63,122</u>	
Opportunistic					
	Northern European Focused Fund	4/1/2015	5,500	5,527	3%
	Hedge Fund of Funds	8/1/2009	604	513	0%
	Global Asset Allocation Mutual Fund	4/28/2020	5,000	5,472	3%
			<u>11,104</u>	<u>11,512</u>	
Private Markets					
	UK Sterling Pooled Real Estate Fund	8/1/2015	347	1,257	1%
	Private Investment Fund	6/1/2014	4,221	4,312	2%
	Opportunistic Expansion	Various	3,250	3,723	2%
			<u>7,818</u>	<u>9,292</u>	
Other					
	Loans and Depository Agreements	Various	<u>2,674</u>	<u>2,674</u>	1%
Total Investments			<u>\$ 170,236</u>	<u>\$ 198,134</u>	100%

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Schedule of Investments

June 30, 2019

(in thousands)

Description	Security Type	Initial Investment Date	Cost Basis	Fair Value	% of Net Assets
Domestic Equity					
	Traded Equities	Various	\$ 42,104	\$ 54,908	27%
	Pooled Fund	4/1/2016	6,985	8,548	4%
			<u>49,089</u>	<u>63,456</u>	
International Equity					
	Traded Equities	5/1/2010	12,349	15,161	8%
	Mutual Fund	4/1/2013	10,906	15,609	8%
	Pooled Fund	Various	18,425	25,328	12%
			<u>41,680</u>	<u>56,098</u>	
Fixed Income					
	Traded Fixed Income	11/1/2014	12,649	13,258	7%
	Mutual Fund	4/1/2013	11,759	11,792	6%
	Pooled Fund	Various	28,158	31,064	16%
			<u>52,566</u>	<u>56,114</u>	
Opportunistic					
	Northern European Focused Fund	4/1/2015	5,500	6,032	3%
	Hedge Fund of Funds	8/1/2009	604	551	0%
	Global Asset Allocation Mutual Fund	1/1/2008	6,151	6,107	3%
			<u>12,255</u>	<u>12,690</u>	
Private Markets					
	UK Sterling Pooled Real Estate Fund	8/1/2015	124	847	0%
	Private Investment Fund	6/1/2014	2,294	2,996	2%
	Opportunistic Expansion	Various	2,750	3,082	2%
			<u>5,168</u>	<u>6,925</u>	
Other					
	Loans and Depository Agreements	Various	<u>1,704</u>	<u>1,704</u>	1%
Total Investments			<u>\$ 162,462</u>	<u>\$ 196,987</u>	99%

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Operations

For the Years Ended June 30,

(in thousands)

	2020	2019
Investment income	\$ <u>1,934</u>	\$ <u>2,734</u>
Expenses:		
Investment manager fees	1,282	1,255
Consultant and other expenses	423	484
UUA administrative fees	388	375
Audit fees	<u>40</u>	<u>38</u>
Total expenses	<u>2,133</u>	<u>2,152</u>
Net investment income (loss)	<u>(199)</u>	<u>582</u>
Realized and unrealized gains from investments:		
Net realized gain from investments sold	9,862	5,933
Unrealized investment gains (losses)	<u>(6,627)</u>	<u>4,564</u>
Net realized and unrealized gains from investments	<u>3,235</u>	<u>10,497</u>
Net increase in net assets from operations	\$ <u><u>3,036</u></u>	\$ <u><u>11,079</u></u>

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Changes in Net Assets

For the Years Ended June 30, 2020 and 2019

(in thousands)

Net assets July 1, 2018	\$ <u>190,154</u>
Change in net assets from operations:	
Net investment gain	582
Net realized gains	5,933
Unrealized gains	<u>4,564</u>
Change in net investment return	11,079
Change in net assets from fund share transactions	<u>(2,434)</u>
Total change in net assets	<u>8,645</u>
Net assets June 30, 2019	<u>198,799</u>
Change in net assets from operations:	
Net investment loss	(199)
Net realized gains	9,862
Unrealized losses	<u>(6,627)</u>
Change in net investment return	3,036
Change in net assets from fund share transactions	<u>(3,369)</u>
Total change in net assets	<u>(333)</u>
Net assets June 30, 2020	\$ <u><u>198,466</u></u>

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Cash Flows

For the Years Ended June 30,

(in thousands)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 3,036	\$ 11,079
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in realized and unrealized gains from investments	(3,235)	(10,497)
Amortization	-	13
Purchase of investments	(42,428)	(15,033)
Proceeds from sales and maturities of investments	44,516	17,678
Changes in assets and liabilities:		
Other current assets	(1)	8
Accrued expenses and other liabilities	46	(205)
	1,934	3,043
Cash flows from financing activities:		
Capital contributions	12,506	9,676
Capital withdrawals	(15,875)	(12,110)
	(3,369)	(2,434)
Net change in cash and cash equivalents	(1,435)	609
Cash and cash equivalents as of beginning of year	1,990	1,381
Cash and cash equivalents as of end of year	\$ 555	\$ 1,990

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 1 - Business and Organization

The Unitarian Universalist Common Endowment Fund LLC (“UUCEF”) is a Massachusetts limited liability company formed pursuant to a Limited Liability Operating Agreement (“Agreement”) dated October 11, 2012. The purpose of the entity is to provide a centralized investment vehicle for the Unitarian Universalist Association (the “Association”), its member congregations, and certain other qualified entities. The Association provides oversight and management of UUCEF and its investments.

UUCEF provides an opportunity for member congregations to invest their funds utilizing professional investment management, administration and reporting capabilities. The funds are operated much like a mutual fund with the investments of UUCEF and member congregations being co-mingled such that each participant will share in the returns on the funds in pro-rata relationship to their units of ownership. New units are issued when new monies are to be invested, while redemptions reduce units outstanding. The net asset value per unit is adjusted monthly based on underlying changes in the fair value of investments. UUCEF net assets are without donor restrictions, but some of the underlying funds have restrictions at their respective reporting entity level.

The investments of UUCEF are deployed under the general direction of an Investment Committee appointed by the Association’s Board of Trustees. The Investment Committee has contracted with an outside consultant to assist in the selection and oversight of professional investment management firms, an asset allocation policy and guidelines for rebalancing asset classes. The professional investment management firm, under the oversight of the Investment Committee, manages the investment portfolio.

Note 2 - Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America. UUCEF is considered a non-profit entity that follows investment type company accounting and reporting guidance in accordance with Financial Accounting Standards Board (“FASB”) ASC No. 946, *Financial Services - Investment Companies*. The significant accounting policies followed by UUCEF are as follows:

Cash and Cash Equivalents

UUCEF considers highly liquid instruments with maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are stated at cost plus accrued interest. Cash equivalents held by investment managers are considered part of investments given the expectation of near term reinvestment. Cash equivalents include treasury money market and money market mutual funds which are not insured. UUCEF maintains its cash balances at several financial institutions, which, at times, may exceed federally insured limits. UUCEF monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments

Investments are stated at fair value, as determined by quoted market prices, where available. Where quoted market prices are not available, fair value is determined either by reference to similar investments or to values established by the managers of such investments. Certain investments are not readily marketable (alternative investments) and are recorded at fair value based on UUCEF's proportionate share of the fair value of underlying investments. The fair value of investments is determined by the individual investment manager.

UUCEF estimates that this valuation method most fairly presents the amount that would have been realized had the investment been sold to a willing buyer as of the date of the financial statements. Because of the inherent uncertainty of valuations, and changes in valuations over time, the estimated values may differ from the realized values at the point of sale. The estimated amounts may differ from the values that would have been available had a ready market existed. Increases or decreases in fair value are recorded in the accompanying statements of operations.

UUCEF has implemented policies and procedures to assess the reasonableness of the fair values provided and it believes that the reported fair values are reasonable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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 the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the financial statements relate to the valuation of portfolio investments and accruals. Actual results could differ from those estimates.

Investment Transactions and Investment Income, Realized and Unrealized Gains and Losses

Investment transactions are recorded on a trade-date basis. The identified cost method is used in determining realized gains and losses. Current market value measured against historical value is used in determining unrealized gains and losses. Dividend income is recognized on the ex-dividend date, and interest income is recognized on the accrual basis. Withholding taxes on foreign dividends have been provided for in accordance with UUCEF's understanding of the applicable country's tax rules and rates.

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

UUCEF 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 market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other 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.

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 (but for those items valued at NAV) as follows:

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

Level 2 – inputs other than quoted prices included in Level I 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 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.

Income Taxes

UUCEF has been determined to be exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). UUCEF is classified under the Code as a public charity Type I supporting organization under Section 509(a)(3).

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

UUCEF 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. UUCEF has a number of tax positions, none of which result in an uncertainty requiring recognition. UUCEF is not currently under examination by any taxing jurisdiction. As a tax-exempt church related organization, UUCEF is exempt from filing certain non-profit filings. UUCEF does file a Form 990T.

Note 3 - Investments and Fair Value

The fair value of investments within the fair value hierarchy was as follows at June 30:

	2020			
	Level 1	Level 2	Investments Measured at NAV	Total
Domestic Equity	\$ 49,887	\$ 6,760	\$ -	\$ 56,647
International Equity	20,768	34,119	-	54,887
Fixed Income	29,257	21,857	12,008	63,122
Opportunistic	5,472	-	6,040	11,512
Private Markets	-	-	9,292	9,292
Other	-	2,674	-	2,674
	-	2,674	-	2,674
Total investments	\$ <u>105,384</u>	\$ <u>65,410</u>	\$ <u>27,340</u>	\$ <u>198,134</u>

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 3 - Investments and Fair Value (Continued)

	2019			
	<i>Level 1</i>	<i>Level 2</i>	<i>Investments Measured at NAV</i>	<i>Total</i>
Domestic Equity	\$ 54,908	\$ 8,548	\$ -	\$ 63,456
International Equity	15,161	40,937	-	56,098
Fixed Income	25,050	20,300	10,764	56,114
Opportunistic	6,107	-	6,583	12,690
Private Markets	-	-	6,925	6,925
Other	-	1,704	-	1,704
	-	1,704	-	1,704
Total investments	\$ 101,226	\$ 71,489	\$ 24,272	\$ 196,987

Investments have the following redemption notice periods at June 30, 2020:

Daily	\$ 124,800
Monthly	41,484
Bi-Monthly	13,845
Quarterly	5,527
Illiquid	12,478
Total	\$ 198,134

Unfunded commitments to the investment vehicles amounted to \$5,675 and \$9,607 at June 30, 2020 and 2019, respectively. Funds allow for managers to limit normal redemptions under certain circumstances which could impact the ultimate availability of funds.

Management has no intentions or plans to liquidate any net asset value per share practical expedient investments at other than net asset value per share.

Note 4 - Membership Interest and Related Party Transactions

The beneficial interests in UUCEF for the Association, affiliated member congregations and other qualified entities is represented by units without par value. Each unit represents an equal beneficial interest in the net assets of UUCEF. The Association, as manager of UUCEF, has full power and authority to issue additional units, redeem or cause the redemption of units, or take such other action with respect to the units as provided for under the Operating Agreement.

The net increase (decrease) in net assets resulting from operations is allocated to each member on a monthly basis in proportion to the number of units held by them as of the valuation date.

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 4 - Membership Interest and Related Party Transactions (Continued)

The Association's endowment owned 43.6% and 45.4% of the units outstanding as of June 30, 2020 and 2019, respectively. Association administered trusts for the benefit of affiliated congregations and qualified entities accounted for 7.9% and 8.3% of the units outstanding as of June 30, 2020 and 2019, respectively.

The Association earned administrative fees of \$388 and \$375 to manage UUCEF during the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the amount due to the Association was \$108 and \$73, respectively.

Note 5 - Financial Highlights (in per share amounts)

Per unit operating performance (for a participating unit outstanding) for years the ended June 30, 2020 and 2019:

Net asset value at July 1, 2018	\$	8.8197
Net investment income		0.0274
Net realized and unrealized gain		0.4992
Net asset value at June 30, 2019		9.3463
Net investment loss		(0.0094)
Net realized and unrealized gain		0.1578
Net asset value at June 30, 2020	\$	<u>9.4947</u>
	2020	2019
Total return (a)	1.60%	6.00%
Ratio of expenses to net assets	1.07%	1.08%
Ratio of net investment return	1.53%	5.57%

(a) UUCEF's rate of return is calculated by the Association's investment consultant in accordance with the Global Investment Performance Standards (GIPS) which take into account intra-period cash flows, distributions and the relative weighting of asset classes.

Financial highlights are calculated for members taken as a whole. A member's return and ratio may vary based on timing of capital transactions. The net investment income ratio does not reflect the income and expenses incurred by underlying private investment companies.

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 5 - Financial Highlights (in per share amounts) (Continued)

Rollforward of number of beneficial shares in units outstanding for the years ended June 30, 2020 and 2019:

Beneficial shares in units outstanding at July 1, 2018	21,560,160
Units issued	999,347
Units redeemed	(1,373,055)
Pending issuance	<u>83,979</u>
Beneficial shares in units outstanding at June 30, 2019	21,270,431
Units issued	1,322,985
Units redeemed	(1,700,989)
Pending issuance	<u>10,440</u>
Beneficial shares in units outstanding at June 30, 2020	<u><u>20,902,867</u></u>

Note 6 - Subsequent Events

UUCEF has evaluated subsequent events through November 17, 2020, the date the financial statements were authorized to be issued.

Formal Proposal for MFC Category Reform

Last revised December 2020

Introduction

We propose to replace the central question of the MFC interview.

Since the MFC came into its modern form in the 1920s, our interviews have asked: *Is this candidate competent for ministry?* We are no longer certain this is the right question to center in our interviews. It is a question steeped in a history of racial bias, gender exclusion, and elite protection. In practice, we affirm that it is impossible to separate competence from normative biases and culturally narrow ideals of ministry, especially in a short interaction. So long as the interview primarily measures competence, oppressive practices in assessing it will remain, no matter how we revise our guidelines for basic competence or “name” our biases in interviews.

We instead propose the following questions be central to the MFC’s decision regarding a candidate’s entry into ministerial fellowship:

- Has the candidate embodied a call to the Unitarian Universalist ministry, including their identity as a Unitarian Universalist, during their formation?
- Does the candidate have the support they need to carry out their call?
- Will the candidate assume their ministry in accountable covenant with the Association and other professional ministers?
- Does the candidate show commitment to lifespan learning and growth in ministry?

We propose to replace the category system with a simpler decision, coupled with deeper feedback.

Our category system, which ranks candidates 1-5, was created in the 1980s to replace a pass/fail approach to entering fellowship. Its principle was to demand greater discernment and preparation from candidates not yet competent for ministry, but showing promise.

Categories are perceived by candidates as ordinal rankings, and it is difficult to convey the fullness of our feedback through a single number. For the panel, categories are fuzzy (“1 or 3?”). For candidates, categories are perilous. Meeting the requirements of Categories 2, 3, or 4 requires candidates to have financial resources to spare for significant periods of time before being allowed to apply for settled ministries, as well as the means to travel to see the committee again (if one day we resume in-person meetings). Opportunities for learning are instead dominated by a high-stakes classification exercise.

We imagine MFC decisions that bring the fullness of our interview into the candidate's formation, and decisions that create a less rigid, perilous moment at the end of candidacy. We are proposing that the numbered categories be replaced with three possible decisions, the first two of which could come with specific required steps before being admitted to the next stage of ministerial fellowship. This allows the Committee to uphold expectations of candidates without always imposing professional penalties and puts greater weight on preliminary fellowship as a time to grow in ministry.

- **Affirmed in Fellowship: Qualified for Unitarian Universalist ministry.**

A candidate affirmed in fellowship is given counsel always. When needed, candidates are given professional development requirements that must be completed during preliminary fellowship, which would be reported as part of the renewal process. Preliminary fellowship renewal paperwork will require updates on specifically addressing these requirements.

- **Continued in Candidacy: Qualified for Unitarian Universalist ministry with contingencies that must be satisfied before entering preliminary fellowship.**

A candidate continued in candidacy is given specific contingencies to satisfy before entering preliminary fellowship. These contingencies must be ones that the committee feels cannot be adequately addressed in preliminary fellowship or that the committee feels must be addressed to avoid doing harm to people in future ministry settings. Contingencies for any candidate could include a return visit to the committee if the committee felt strongly that they needed to witness evidence of the candidate having met the contingency.

- **Discontinued from Candidacy: The Committee has serious doubt about the individual's suitability for Unitarian Universalist ministry, based at least in part on evaluations and feedback presented in the candidate's packet.**

A candidate discontinued from candidacy is not immediately eligible to return for an interview. Candidates would be advised about what concerns would need to be addressed before a return is possible. The candidate would be able to apply to the MFC Executive Committee for a return and would be expected to have shown significant progress towards meeting the concerns of the committee before a return visit is approved.

Rule Change Requested of the UUA Board

We ask the UUA Board to approve the following changes to Rule 9:

9. Interview Procedure

No applicant shall receive Ministerial Fellowship without being interviewed at least once by the Ministerial Fellowship Committee.

Following the interview the candidate will be informed by the Committee of its decision.

Candidates receiving either a Category I or a Category II for Preliminary Fellowship **affirmed in fellowship with professional development requirements** shall be required to satisfy all contingencies **requirements before being granted full fellowship.** within three years of the Committee's decision. Failure to do so will result in nullifying the original decision.

A. Decision Categories

Affirmed in Fellowship: Qualified for Unitarian Universalist ministry.

Continued in Candidacy: Qualified for Unitarian Universalist ministry with contingencies that must be satisfied before entering preliminary fellowship. The Committee may, in some cases, require a return interview.

Discontinued from Candidacy: The Committee has considerable doubt about the individual's suitability for Unitarian Universalist ministry, based at least in part on evaluations and feedback presented in the candidate's packet.

Category I

~~Qualified for Unitarian Universalist ministry with no contingencies other than satisfactory completion of degree, internship, and Clinical Pastoral Education (CPE).~~

Category II

~~Qualified for Unitarian Universalist ministry provided specific contingencies are met satisfactorily.~~

Category III

~~Encouraging progress for Unitarian Universalist ministry, but with issues to be addressed, (i.e., academic, personal, institutional understanding, etc.) so that the MFC requires a return visit. If specific work has been outlined, it must be completed before a return visit.~~

Category IV

~~Considerable doubt as to whether the candidate meets the general qualifications for Unitarian Universalist ministry.~~

~~Category V~~

~~The MFC sees no potential for the candidate in Unitarian Universalist ministry, and discourages the candidate from further preparation.~~

B. Return Interviews

Applications to appear before the Committee from candidates who have **been discontinued from candidacy** ~~previously received a Category IV or V~~ shall be reviewed and approved by the Executive Committee at its discretion.

Implementation Timeline

These categories will go into effect for the Fall 2021 meeting or 9 months after the rule change is approved by the UUA Board, whichever is later.

Policy Changes for MFC to Pass

We propose the following changes to MFC policies:

7. Scheduling of Interviews

B. Return Interviews

~~Candidates who received a Category III may meet with the Committee again a year (or later) after the initial interview. Candidates who received a Category IV or V decision by the MFC~~ **have been discontinued from candidacy by the MFC** must receive MFC Executive Committee approval before scheduling a return interview.

No changes to other sections of policy 7.

10. Length of Candidate Status and Removal of Candidate Files

Candidate Status is limited to seven years from the date that candidacy was granted. Any Candidate file which has been inactive for seven years may be destroyed by the Ministerial Credentialing Office.

~~A Candidate who receives a Category IV will be removed from Candidate Status after four years following the date of their MFC interview.~~

~~A Candidate who receives a Category V will be removed from candidate status.~~

No changes to other sections of policy 10.

13. Progress towards Full Fellowship and Ministry Eligible for Renewal

Full Fellowship will be awarded when three successful renewals of Preliminary Fellowship are completed **and all professional development requirements given at the time of the minister's interview with the MFC have been satisfied.**

No changes to other sections of policy 13.

Unitarian Universalist Association
National Advisory Council

Connecting Congregations and our Association

We are grateful to have this opportunity
to serve our life saving, life giving faith.

UUA National Advisory Council

The National Advisory Council currently includes members from all 5 regions and Jessica York, UUA Director of Congregational Life.

New England Region: Mary Heafy, Michael Greenwood

Central East Region: Laura Conkle

Southern Region: Scott May

MidAmerica Region: Rae Jane Araujo

Pacific Western Region: Susan Howlett, Rev. Dr. Catherine Ishida

- Regional Advisory Council volunteers in each area collaborate with UUA staff to facilitate and sustain relationships between congregations and our UUA. We tend relationship.
- We are pleased to share the results of our faithful service with you.

Where did the UUA National Advisory Council come from?

Before regionalization, the District Presidents Association (DPA) was comprised of the presidents of all 19 districts.

- The DPA worked on projects with our UUA Director of Congregational Life and our UUA Moderator, as well as other groups within our UUA.
- The DPA was very involved in researching, planning, and leading regionalization across the country.
- A DPA working group and Scott Taylor, former Director of Congregational Life, designed our Congregational Life Advisory Council structure in 2014.
 - The original design included a deep dive in the Fall, when volunteers would have specific conversations about topics of interest with a select few congregations. The Spring effort included a survey that invited all congregations to participate.

In 2016, the DPA began doing business as (dba) the Regional Leaders Group (RLG) and welcoming Congregational Life Advisory Council volunteers as members to reflect the change regionalization was creating in the landscape of UU leadership across the US.

Where did the UUA National Advisory Council come from?

In October 2018, the DPA dba RLG and our UUA Administration and UUA Co-Moderators agreed to dissolve the DPA dba RLG and create a new team called the National Advisory Council (NAC). This agreement also renamed Regional Congregational Life Advisory Councils as Regional Advisory Councils, in recognition of their collaboration with and accountability to our UUA Administration and Board of Trustees.

- The NAC design/agreement created a conduit between and among our congregations and our UUA, centering the values of inclusion, anti-oppression, and mutuality.
- The NAC agreement created 2 independent liaisons from historically marginalized communities, who were to be engaging other UU's from historically marginalized communities without regard to congregational leadership or membership. 1 independent liaison from each region was included as a member of the NAC.
- The NAC was designed to include folx from all 5 Regional Advisory Councils and work collaboratively with our UUA Administration and Board of Trustees.

Where did the UUA National Advisory Council come from?

Also in 2018 the Regional Advisory Councils changed how they tended relationships from the Fall and Spring outreach to having one on one conversations year round.

There has been decreased participation since the the National Advisory Council design/agreement, because of the lack of clarity around implementation, charge, and accountability.

The NAC has not been successfully embodied. Nonetheless all 5 regions currently send volunteers to serve on the NAC.

What is the National Advisory Council reporting?

All five UUA regions participated in creating conversations as ministry and in service to our faithful UU relationships.

Conversations were shaped by multiple sets of questions or no questions. Two methods of engaging conversation were employed. The majority of conversations were one to one, (mostly verbal with several occurring in email) and the rest occurred in small group meetings.

- September 2019 through October 2020
- 31 Advisory Council volunteers across all five regions
- 79 congregational lay leader volunteers, 7 congregational professional leaders, and 1 UU national organization professional leader

The full report is 26 pages long, and includes a 2-page synopsis, analysis summary narrative, a compilation of all of the Advisory Council conversations, and the question sets used.

A Few Key Takeaways from NAC Conversations

Large congregations shifted to online congregational life relatively easily – many smaller congregations still struggling with technology, loss of in-person contact

Most congregations have initiated conversations about racial justice and white supremacy culture – robust participation in some; significant push-back in others.

Congregations who've had direct contact with regional or national UUA staff feel grateful, supported, connected to UUA. Others didn't understand or appreciate relationship with larger movement beyond their congregation, longed for resources some of which already exist.

Jessica York
UUA Director of Congregational Life

Report on the National Advisory Council

Questions members of the National Advisory Council wish to live through in relationship with our UUA Board of Trustees

- Is the National Advisory Council charge created by our predecessors (Regional Leader Group) and our UUA Administration and Board of Trustees in 2018 still active?
- Does our UUA board wish to contribute to creating our question sets?
- Does our UUA board wish to receive information like that which is included in the confidential draft report we present today?
- Is the ministry of the National Advisory Council serving to support the interconnectedness of our UUA board and our congregations?

We believe our conversations can create and support a powerful ministry of inclusion, anti-oppression, and mutuality.

- What is the best way our UUA can be in relationship with congregations in a proactive way?
- What role can the National Advisory Council play that provides the greatest benefit to our Unitarian Universalist Association?
- How can the National Advisory Council be in more faithful relationship with our UUA Board?

Approval for Budget Increase – UU the Vote

Submitted 1.22.21

The UUA Administration requests approval to increase spending by \$180,000 for UU the Vote in FY21. In the approved FY21 budget, UU the Vote new expenditures were projected to be \$210,000 (and in addition to roughly \$200,000 in FY20), based on a fundraising estimate of \$800,000. Overall funds raised for UU the Vote equally supported new expenditures, like organizing staff and grants to state action networks, as well as the work of existing staff that had been redirected to UU the Vote. To date, total fundraising has exceeded \$1.1 million, and to follow through on the original budget framework we need to increase new expenses. This new \$180,000 for this year will cover outstanding expenses related to work in the Georgia run-off, and provide for transitional programs to move towards an ongoing national organizing structure that will take effect in FY22.

Bylaws 2021

Deep Divers

WHAT ARE BYLAWS?

Basic governance document
"The Bones"

- ▶ Name and Purpose
- ▶ Elections
- ▶ Roles and Terms of BOT members and officers
- ▶ Membership categories and responsibilities
- ▶ Meeting guidelines (frequency, quorum)
- ▶ Board structure (size, standing ctes.)
- ▶ Compensation and Indemnification of Board Members
- ▶ Role of Chief Executive
- ▶ Conflict of Interest Policy
- ▶ Amendment of Bylaws
- ▶ Dissolution of the Organization.

OUR HISTORY

1847 AMERICAN UNITARIAN Association CHARTERED

1866 FIRST UNIVERSALIST of AMERICA CHARTERED

1963 Unitarian - Universalist MERGE

1993 COMMISSION ON GOVERNANCE*

2014 STRENGTHENING GOVERNANCE*

2020 COMMISSION ON INSTITUTIONAL CHANGE*

* Each document RECOMMENDED:

- ▶ Restructured roles of the President and Moderator
- ▶ Dedicated Presidential Search Committee
- ▶ Board hired Senior Executive
- ▶ Reevaluation kind and number of working groups and committees
- ▶ Smaller Board of Trustees
- ▶ Direct representation v delegates
- ▶ Alternative cycles of GA:

(business, theological, business, justice...
repeat)

IMAGINE

The year is 2035...

The UUA Board is eagerly preparing for the next (UUA) President / Senior Executive election cycle. The national leadership pipeline is active, abundant and diverse. There are also dynamic, younger individuals on the horizon with strong national leadership potential. Many have taken the 'First Executive' program started a decade ago. As the denomination faithfully aligns values and actions, we are closing the door to White supremacy. Each life and relationship in our "Beloved Community" is thriving and inclusive.

The UUA has grown 35% in the intervening years drawing the full spectrum of younger and middle-aged persons, as well as, self-defined families and Pods attracted by our life affirming values, and strong anti-oppressive message and actions.

The 2035 board deeply appreciates the gifts create by the 2021.

- **OUR WORK...**
- The year is 2021...
- How will the 2021 BOT contribute to the 2035 scenario?

- ▶ Which values should the current board prioritize as we envision the next UUA presidential election? (short term)
- ▶ What Presidential election behaviors should be encouraged? Or discouraged?
- ▶ Which values are foundational to future successful presidential cycles? (long term)

- ▶ What will be our gift to the 2035 UUA board?

YOUR THOUGHTS

DEEP DIVERS THOUGHTS

Broad range of topics focused on positive and support election environment:

- How best to strengthen and unify our movement?
- How does competition serve the movement?
- Competitive Race v Single Slate
- Continuity of vision vs independent President Search cte.
- Accessibility & inclusive v Cost demands of campaigning
(income, accessibility, fund raising etc.)
- Flexibility structure of Senior Leadership v. multiple candidate visions for association