



**Consolidated Financial Statements  
and Supplemental Schedules**

**Unitarian Universalist Association  
and Subsidiary**

**June 30, 2021 and 2020**



# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Consolidated Financial Statements and Supplemental Schedules*

### *Table of Contents*

#### ***Consolidated Financial Statements:***

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-38

#### ***Supplemental Schedules:***

Schedule I - Assets by Business Segment	39
Schedule II - Liabilities and Net Assets by Business Segment	40
Schedule III - Unrestricted Activities by Business Segment	41



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

## *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, 2021 and 2020, 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 and Subsidiary as of June 30, 2021 and 2020, 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, effective July 1, 2020, the Association adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. 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 22, 2021  
Boston, Massachusetts

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Consolidated Statements of Financial Position*

*June 30,*

*(in thousands)*

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 18,527	\$ 17,501
Accounts receivable, net	3,829	6,211
Pledges receivable, net	270	798
Inventories, net	2,364	1,757
Deferred charges	5,655	5,413
Other assets	1,511	1,538
Investments	117,602	86,828
Investment funds managed for others	152,668	111,919
Funds held in trust by others	53,688	44,075
Funds held in support of split-interest agreements	9,859	7,979
Loans to member congregations, net	2,928	3,082
Property and equipment, net	<u>33,198</u>	<u>33,693</u>
<b>Total assets</b>	<b>\$ <u>402,099</u></b>	<b>\$ <u>320,794</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,751	\$ 10,615
Annuity liabilities	1,866	1,576
Bank debt	4,273	4,942
Obligations under split-interest agreements	6,244	5,062
Accumulated postretirement benefit obligation	<u>1,229</u>	<u>1,330</u>
<b>Total liabilities</b>	<b><u>21,363</u></b>	<b><u>23,525</u></b>
<b>Minority interest in UUCEF</b>	<b><u>152,668</u></b>	<b><u>111,919</u></b>
Net assets:		
Without donor restrictions	83,786	61,952
With donor restrictions	<u>144,282</u>	<u>123,398</u>
<b>Total net assets</b>	<b><u>228,068</u></b>	<b><u>185,350</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>402,099</u></b>	<b>\$ <u>320,794</u></b>

See accompanying notes to consolidated financial statements.

**UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY**

**Consolidated Statement of Activities**

*For the Year Ended June 30, 2021  
(with comparative totals for 2020)*

*(in thousands)*

	<b>2021</b>			<b>2020</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
Support and revenue:				
Fundraising and gifts and bequests	\$ 13,482	\$ 2,654	\$ 16,136	\$ 21,954
Net sales from publishing activities	27,119	-	27,119	15,635
Sales and administrative services	1,629	-	1,629	1,442
Investment return authorized for operations	3,856	-	3,856	4,089
Distributions from Holdeen Trusts	1,183	401	1,584	1,581
Other investment income	263	-	263	178
Rental income	1,897	-	1,897	1,819
Other income	5,484	-	5,484	5,302
Net assets released from restriction	2,896	(2,896)	-	-
Total support and revenue	57,809	159	57,968	52,000
Expenditures:				
Programs	38,141	-	38,141	34,115
General and administration	5,443	-	5,443	5,844
Stewardship and development	2,138	-	2,138	2,056
Rental expense	662	-	662	642
Total expenditures	46,384	-	46,384	42,657
Changes in net assets from operations	11,425	159	11,584	9,343
Nonoperating income (expense):				
Investment return, net of amounts authorized for operations	40,462	10,932	51,394	(3,908)
Investment return - debt financing	974	-	974	939
Increase (decrease) in value of funds held in support of split-interest agreements and trusts	227	9,793	10,020	(2,410)
Postretirement benefit plan expense	30	-	30	29
Unfunded depreciation	(609)	-	(609)	(705)
Change in net assets from nonoperating activities	41,084	20,725	61,809	(6,055)
Minority interest in investment (earnings) of UUCEF	(30,675)	-	(30,675)	(1,711)
<b>Change in net assets</b>	<b>21,834</b>	<b>20,884</b>	<b>42,718</b>	<b>1,577</b>
Net assets, beginning of year	61,952	123,398	185,350	183,773
<b>Net assets, end of year</b>	<b>\$ 83,786</b>	<b>\$ 144,282</b>	<b>\$ 228,068</b>	<b>\$ 185,350</b>

See accompanying notes to consolidated financial statements.

**UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY**

***Consolidated Statement of Activities***

*For the Year Ended June 30, 2020*

*(in thousands)*

	<b><i>Without Donor Restrictions</i></b>	<b><i>With Donor Restrictions</i></b>	<b><i>Total</i></b>
Support and revenue:			
Fundraising and gifts and bequests	\$ 16,471	\$ 5,483	\$ 21,954
Net sales from publishing activities	15,635	-	15,635
Sales and administrative services	1,442	-	1,442
Investment return authorized for operations	4,089	-	4,089
Distributions from Holdeen Trusts	1,357	224	1,581
Other investment income	178	-	178
Rental income	1,819	-	1,819
Other income	5,302	-	5,302
Net assets released from restriction	4,630	(4,630)	-
Total support and revenue	<u>50,923</u>	<u>1,077</u>	<u>52,000</u>
Expenditures:			
Programs	34,115	-	34,115
General and administration	5,844	-	5,844
Stewardship and development	2,056	-	2,056
Rental expense	642	-	642
Total expenditures	<u>42,657</u>	<u>-</u>	<u>42,657</u>
Changes in net assets from operations	<u>8,266</u>	<u>1,077</u>	<u>9,343</u>
Nonoperating income (expense):			
Investment return, net of amounts authorized for operations	(2,826)	(1,082)	(3,908)
Investment return - debt financing	939	-	939
Decrease in value of funds held in support of split-interest agreements and trusts	(75)	(2,335)	(2,410)
Postretirement benefit plan expense	29	-	29
Unfunded depreciation	(705)	-	(705)
Change in net assets from nonoperating activities	<u>(2,638)</u>	<u>(3,417)</u>	<u>(6,055)</u>
Minority interest in investment (earnings) of UUCEF	(1,711)	-	(1,711)
<b>Change in net assets</b>	<b>3,917</b>	<b>(2,340)</b>	<b>1,577</b>
Net assets, beginning of year	<u>58,035</u>	<u>125,738</u>	<u>183,773</u>
<b>Net assets, end of year</b>	<b>\$ <u>61,952</u></b>	<b>\$ <u>123,398</u></b>	<b>\$ <u>185,350</u></b>

**UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses**

*For the Year Ended June 30, 2021  
(with comparative totals for 2020)*

*(in thousands)*

	2021				2020	
	Programs	General and Administration	Stewardship and Development	Rental Expense	Total	Total
Personnel						
Salary/benefits	\$ 10,983	\$ 3,951	\$ 1,532	\$ -	\$ 16,466	\$ 15,952
Other						
Cost of goods sold	17,687	-	-	-	17,687	11,878
Grants and scholarships	4,945	-	-	-	4,945	6,588
Insurance	1,488	8	-	98	1,594	1,589
General operations	738	365	30	24	1,157	1,303
Facilities						
Other	602	205	50	265	1,122	861
Depreciation	255	127	43	270	695	694
Consultants	637	114	74	-	825	599
Publications/marketing	269	25	278	-	572	704
Software	114	274	103	-	491	280
Professional fees	92	282	-	5	379	424
Interest expense	107	54	18	-	179	202
Meetings/events/training	149	14	6	-	169	516
Travel/T&E non-staff	75	24	4	-	103	1,067
<b>Total functional expenses</b>	<b>\$ 38,141</b>	<b>\$ 5,443</b>	<b>\$ 2,138</b>	<b>\$ 662</b>	<b>\$ 46,384</b>	<b>\$ 42,657</b>



**UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses**

*For the Year Ended June 30, 2020*

*(in thousands)*

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

**UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY**

**Consolidated Statements of Cash Flows**

*For the Years Ended June 30,*

*(in thousands)*

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 42,718	\$ 1,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,323	1,412
Change in allowance for uncollectible loans to member congregations	(6)	(6)
Net realized and unrealized gains on investments	(24,734)	(1,412)
Contributions restricted for long-term investment	(753)	(164)
Net change in value of funds held in support of split-interest agreements and trusts	(10,020)	2,410
Minority interest in investment earnings of UUCEF	30,675	1,711
Changes in assets and liabilities:		
Accounts receivable, net	2,382	(3,804)
Pledges receivable, net	528	388
Agency receivable	-	4,363
Inventories, net	(607)	(249)
Deferred rent	(242)	(5,413)
Other assets	27	(182)
Accounts payable and accrued expenses	(2,864)	4,221
Agency liability	-	(4,363)
Accumulated postretirement benefit obligation	(101)	(92)
	<u><b>38,326</b></u>	<u><b>397</b></u>
<b>Net cash provided in operating activities</b>		
<b>Cash flows from investing activities:</b>		
Cost of purchases of investments	(85,121)	(42,887)
Proceeds from sales of investments	38,330	44,516
Purchases of property and equipment	(828)	(907)
Additions to loans to member congregations	-	(75)
Repayments on loans to member congregations	160	245
	<u><b>(47,459)</b></u>	<u><b>892</b></u>
<b>Net cash provided by (used in) investing activities</b>		
<b>Cash flows from financing activities:</b>		
Repayment of bank debt	(669)	(937)
Proceeds from bank debt	-	-
Capital contributions by minority partners in UUCEF	16,879	10,126
Capital withdrawals by minority partners in UUCEF	(6,804)	(8,412)
Contributions restricted for long-term investment	753	164
	<u><b>10,159</b></u>	<u><b>941</b></u>
<b>Net cash provided by financing activities</b>		
<b>Change in cash and cash equivalents</b>	<b>1,026</b>	<b>2,230</b>
Cash and cash equivalents as of beginning of year	<u>17,501</u>	<u>15,271</u>
<b>Cash and cash equivalents as of end of year</b>	<u><b>\$ 18,527</b></u>	<u><b>\$ 17,501</b></u>

**Supplementary disclosures of cash flow information:**

During 2021, the Association had non-cash transaction for the settlement of debt with new proceeds for a total of \$4,273.

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

See accompanying notes to consolidated financial statements.

# 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, which is the annual meeting of the Unitarian Universalists across the country where participants meet to make policy for the Association. 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 is a Massachusetts limited liability company formed pursuant to a Limited Liability Operating Agreement (the "Agreement") dated October 11, 2012. The purpose of the entity is to provide a centralized investment vehicle for 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.

The Association is the largest owner and acts as the record keeper for UUCEF having a 43.4% and 43.6% ownership interest in UUCEF in 2021 and 2020, respectively. In addition, the Association also administers trusts for the benefit of affiliated congregations and qualified entities which accounted for 7.1% and 7.9% of the units outstanding as of June 30, 2021 and 2020, respectively. Management has determined that collectively this represents control and economic interest for purposes of consolidated reporting. 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.

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### **Note 1 - The Association's Background and History (Continued)**

The Current Operations section manages the general operations of the Association including fundraising and program activities. General Assembly is the annual gathering of Association congregational delegates organized to conduct the business of the Association. Group Insurance Plans "GIP" operate group insurance plans for member congregations. 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 in 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 as follows:

*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, net investment return for debt financing 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 and unfunded depreciation.

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***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.

#### ***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 \$7 and \$6 at June 30, 2021 and 2020, respectively.

#### ***Pledges Receivable***

Pledges receivable represent unconditional promises to give to the Association that remain unpaid at year end. Pledges expected to be paid over terms greater than one year are discounted to present value using risk adjusted discount rates.

Amounts due 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. The Association provides reserves against capitalizable costs on a systematic approach as the inventories age over a 5 year period given the expected timing of utility of these upfront costs. The reserve was \$54 and \$28 at June 30, 2021 and 2020, respectively.

#### ***Investments***

Investments are stated at fair value as per the fair value policies outlined later in these accounting policies.

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

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

The Association follows fair value standards of accounting with respect to its investments. 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 following a categorization system based on the approach to determination of fair values as follows:

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

Level 2 – inputs other than quoted prices in active markets 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.

# 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***

Funds held in trust by others are reported at fair value of the underlying investments of the trust as per the fair value policies above. These assets are recorded as though they are directly owned by the Association when the agreement and distribution policies in effect provide the full economic benefit of these assets to the Association. The fair value of the trust assets are recorded using a Level 3 fair value approach.

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, 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 represent resources received that correspondingly require the payment of an annuity to a specified beneficiary over their life. The difference between the resources received and the obligation incurred represent contributions. Assets and obligations to beneficiaries are recorded at fair value as per the fair value policies as earlier in this section. The investments are separately managed apart from other investments of the Association. 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***

Loans to member congregations represent amounts due from affiliated congregations less an allowance for doubtful accounts. Allowances are provided based on historical experience and specific factors relevant to each balance. Interest income is recorded when earned. 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 earlier in this section. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets once placed into service.

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***Property and Equipment (Continued)***

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.

#### ***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 \$3,060 and \$3,010 at June 30, 2021 and 2020, respectively, against royalty advances of \$4,065 and \$4,057 at June 30, 2021 and 2020, respectively, included in other assets.

#### ***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 Operations***

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purposes have been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions between the classes of net assets.

The Association has both earned revenues and contributed revenues which follow different accounting standards. A summary of the standards followed for each major element of earned and contributed revenues is as follows:

#### ***Earned Revenues***

Revenue from contracts with customers occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the providing entity expects to be entitled in exchange for those goods or services. Earned revenues are recorded using a principles-based process that requires the entities 1) identify the contract with the customer; 2) identify the



# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***Earned Revenues (Continued)***

performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. Earned revenues include publishing activities, sales and administrative services and rental income.

Net sales from publishing activities are primarily handled 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. The Distributor directly handles print fulfillment, invoicing to customers, and cash collection from customers. Customer base includes independent bookstores, bookstore chains, and online booksellers. Customers are invoiced and revenue is recognized upon shipment of prints and the download of e-books and audio downloads at the end of each month. Beacon Press also generates sales from the sale of retail prints through its website, licensing and royalty. Retail customers are invoiced and revenue is recognized upon shipment of prints. Licensing revenue is recognized as one-time performance obligations upon granting non-refundable access rights to customers at which time the customer is invoiced. Any licensing income earned in excess of initial advance is recognized as income 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.

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***

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)**

#### ***Contributed Support***

The Association derives contributed support primarily through fundraising, 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.

Consistent with the above, the Association also receives contributed support recording such as revenue 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. 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.

Split-interest agreements represent resources received that correspondingly require the payment of an annuity to a specified beneficiary over their life. The difference between the resources received and the obligation incurred represent contribution revenue. 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. 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.

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.

The Association recognizes special events and fundraising revenue equal to the fair value of direct benefits to donors, and contribution revenue 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)**

#### ***Investment Income (Loss) and Realized and Unrealized Gains and Losses***

Interest income is recorded as earned. Dividend income is recognized on the ex-dividend date net of any withholding taxes on foreign dividends when applicable. Interest and dividend income is offset by operating expenses of the fund in arriving at net investment income (loss).

Realized gains and losses are recorded based on the trade date of the sale of the underlying security compared to its cost of acquisition. Unrealized gains and losses are determined by comparing current fair market value to the cost of acquisition at the opening date of the year or when acquired.

#### ***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.

#### ***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.

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***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.

#### ***Fundraising Expenditures***

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

#### ***Newly Adopted Accounting Pronouncements***

Effective July 1, 2020, the Association adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, associated with revenue recognition. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The Organization adopted this standard using the modified retrospective approach on July 1, 2020.

The adoption of this standard did not impact reported revenue as the prior measurement methods were found to result in the same requirements as under the new standards.

Associated with the adoption of this standard, consideration was given to the accounting treatment of certain costs to obtain and fulfill a contract. There were no costs incurred to obtain and fulfill contracts and, accordingly, no change was made to this accounting.

#### ***Accounting Pronouncements Effective in Future Years***

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

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### **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, 2021 and 2020, 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.

	<b>2021</b>	<b>2020</b>
<b>Financial assets at year end</b>		
Cash and cash equivalents	\$ 18,527	\$ 17,501
Accounts receivable, net	3,829	6,211
Pledges receivable, net	270	798
Investments	117,602	86,828
Funds held in trust by others	53,688	44,075
Funds held in support of split-interest agreements, net	9,859	2,917
<b>Total financial assets</b>	<b>\$ 203,775</b>	<b>\$ 158,330</b>
<b>Financial assets available to meet general expenditures at year end</b>		
Cash and cash equivalents	\$ 18,527	\$ 17,501
Accounts receivable, net	3,829	6,211
Pledges receivable due within one year, net	256	543
Endowment spending rate distribution	4,248	4,242
<b>Total financial assets available to meet general expenditures at year end</b>	<b>\$ 26,860</b>	<b>\$ 28,497</b>

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## Notes to Consolidated Financial Statements (in thousands)

### Note 3 - Liquidity and Availability (Continued)

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.

The Association's Board of Trustees has designated approximately \$36M and \$19M as of June 30, 2021 and 2020, 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.

### 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, 2021 and 2020.

Pledges receivable consisted of the following as of June 30:

	<b>2021</b>	<b>2020</b>
Amounts due in:		
Less than one year	\$ 256	\$ 543
Two to five years	<u>30</u>	<u>310</u>
	286	853
Less allowance for uncollectible pledges and present value discount	<u>(16)</u>	<u>(55)</u>
<b>Pledges receivable, net</b>	<b><u>\$ 270</u></b>	<b><u>\$ 798</u></b>

Conditional promises of \$30 and \$193 at June 30, 2021 and 2020, respectively, have not been recognized in the accompanying consolidated statements of activities because the conditions on which they depend have not been met. The Association recognizes revenue when it has met the barrier to entitlement such as meeting service delivery and reporting requirements.

### Note 5 - Investments

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

	<b>2021</b>	<b>2020</b>
Investments (UUA)	\$ 117,602	\$ 86,828
Investment funds managed for others (member congregations)	<u>152,668</u>	<u>111,919</u>
<b>Total</b>	<b><u>\$ 270,270</u></b>	<b><u>\$ 198,747</u></b>

# 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:

<b>Investments</b>				
<b>2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Investments Measured at NAV</b>	<b>Total</b>
<b>UUCEF investments</b>				
Domestic equity	\$ 61,521	\$ 9,884	\$ -	\$ 71,405
International equity	27,171	41,097	-	68,268
Global equity	-	25,568	-	25,568
Fixed income	31,630	21,248	12,292	65,170
Opportunistic	16,861	-	512	17,373
Private markets	-	-	12,522	12,522
Other	-	2,766	-	2,766
<b>Total UUCEF investments</b>	<b>137,183</b>	<b>100,563</b>	<b>25,326</b>	<b>263,072</b>
<b>Short-term investments</b>				
Cash and equivalents	7,198	-	-	7,198
<b>Total investments</b>	<b>\$ 144,381</b>	<b>\$ 100,563</b>	<b>\$ 25,326</b>	<b>\$ 270,270</b>
<b>Funds Held by Others and Split-interest Agreements</b>				
<b>2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Funds held by others:</b>				
Holdeen Trusts	\$ -	\$ -	\$ 38,728	\$ 38,728
Other trusts	-	-	14,960	14,960
	-	-	53,688	53,688
<b>Split-interest agreements:</b>				
Charitable gift annuity	6,673	-	-	6,673
Charitable remainder trust	-	-	1,365	1,365
Pooled income funds	1,821	-	-	1,821
	8,494	-	1,365	9,859
<b>Total funds held by others and split-interest agreements</b>	<b>\$ 8,494</b>	<b>\$ -</b>	<b>\$ 55,053</b>	<b>\$ 63,547</b>

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### *Note 6 - Fair Values of Financial Instruments (Continued)*

	<i>Investments 2020</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Investments Measured at NAV</i>	<i>Total</i>
<b>UUCEF investments</b>				
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
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total UUCEF investments</b>	<b>105,384</b>	<b>65,410</b>	<b>27,340</b>	<b>198,134</b>
<b>Short-term investments</b>				
Cash and equivalents	613	-	-	613
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total investments</b>	<b>\$ 105,997</b>	<b>\$ 65,410</b>	<b>\$ 27,340</b>	<b>\$ 198,747</b>

### *Funds Held by Others and Split-interest Agreements 2020*

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



# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### *Note 6 - Fair Values of Financial Instruments (Continued)*

	<b>Level 3 Roll Forward 2021</b>			
	<b><i>Holdeen Trusts</i></b>	<b><i>Other Trusts</i></b>	<b><i>Charitable Remainder Trust</i></b>	<b><i>Total</i></b>
Beginning balance	\$ 31,923	\$ 12,152	\$ 693	\$ 44,768
Additions	-	-	864	864
Distributions	(1,607)	(501)	(262)	(2,370)
Sales/fees	(33)	995	-	962
Investment return	8,445	2,314	70	10,829
<b>Ending balance</b>	<b>\$ 38,728</b>	<b>\$ 14,960</b>	<b>\$ 1,365</b>	<b>\$ 55,053</b>

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

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	\$ 143,926
Monthly	86,906
Bi-Monthly	16,440
Illiquid	15,800
<b>Total</b>	<b>\$ 263,072</b>

Unfunded commitments to the investment vehicles amounted to \$5,499 and \$5,675 at June 30, 2021 and 2020, respectively.

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:

	<b>2021</b>	<b>2020</b>
Mortgage loans to member congregations at interest rates from 0% to 5.81% due through 2027	\$ 3,210	\$ 3,370
Less allowance for uncollectible loans	<u>(282)</u>	<u>(288)</u>
<b>Net loans to member congregations</b>	<b>\$ <u>2,928</u></b>	<b>\$ <u>3,082</u></b>

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:

2022	\$ 2,045
2023	336
2024	116
2025	140
2026	568
Thereafter	<u>5</u>
<b>Total</b>	<b>\$ <u>3,210</u></b>

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% at June 30, 2021 and 2020.

# 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>		<b>2021</b>		<b>2020</b>
Land, buildings and improvements	20-40 yrs	\$	39,071	\$	37,963
Computer equipment	4-7 yrs		2,312		2,201
Office furniture and fixtures	7 yrs		2,166		2,160
Construction in progress			-		397
			<u>43,549</u>		<u>42,721</u>
Less accumulated depreciation			<u>(10,351)</u>		<u>(9,028)</u>
<b>Property and equipment, net</b>		<b>\$</b>	<b><u>33,198</u></b>	<b>\$</b>	<b><u>33,693</u></b>

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

### ***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 \$609 and \$705 in 2021 and 2020, respectively, and is considered unfunded and included in nonoperating expense on the consolidated statements of activities.

### **Note 9 - Bank Debt**

During the year ended June 30, 2021, the Association entered into a new \$8,200 mortgage note payable due through March 31, 2043. The Association drew down \$4,273 under the new arrangement and used these funds to pay off the previous debt. The new mortgage note payable is due in monthly installments of \$13 representing interest only at a rate of 3.82% for first 24 months with fixed monthly payments after that date of \$25 and a balloon payment due at maturity. The agreement contains certain financial and nonfinancial covenants and is collateralized by the Association's headquarters as well as an assignment of leases and rents. The new debt agreement was put in place given the near term maturity of the previous debt under the prior arrangements.

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### **Note 9 - Bank Debt (Continued)**

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

2022	\$	-
2023		36
2024		147
2025		152
2026		158
Thereafter		<u>3,780</u>
<b>Total</b>	<b>\$</b>	<b><u>4,273</u></b>

Interest expense was \$179 and \$202 for the years ended June 30, 2021 and 2020, respectively. Cash paid for interest was \$167 and \$198 for the years ended June 30, 2021 and 2020, 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 \$2,500. 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, 2021 and 2020. The line of credit bears interest at the bank's base lending rate as defined by the agreement. The line is collateralized by cash deposits. The line contains certain financial covenants of which the Association is in compliance. The line will expire on December 31, 2021 at which time management intends to renew it.

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### **Note 11 - Federal Loan Payable**

During 2020, the Association applied for and received a forgivable Paycheck Protection Loan of \$3,603 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on April 16, 2020 with amounts being reflected in the year ended June 30, 2020 giving the incurring of qualified costs under the program and the election of the Association to follow the grant accounting model for this award.

The Association received full forgiveness under this arrangement on August 9, 2021.

### **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:

	<b>2021</b>	<b>2020</b>
Operating funds	\$ 18,891	\$ 14,313
Net investment in plant	28,925	28,751
Unrestricted-quasi endowment funds	<u>35,970</u>	<u>18,888</u>
<b>Total net assets without donor restrictions</b>	<b>\$ <u>83,786</u></b>	<b>\$ <u>61,952</u></b>

# 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:

	<b>2021</b>	<b>2020</b>
Accumulated unspent gains:		
General operating	\$ 8,114	\$ 5,159
Scholarships for ministerial students	10,154	6,105
Ministerial aid	5,957	4,246
Other programs	3,915	1,950
<b>Total accumulated unspent gains</b>	<b>28,140</b>	<b>17,460</b>
Endowment corpus:		
General operating	27,447	27,447
Scholarships for ministerial students	13,057	12,767
Ministerial aid	3,716	3,716
Other programs	8,950	6,269
<b>Total endowment corpus</b>	<b>53,170</b>	<b>50,199</b>
<b>Total endowment funds</b>	<b>81,310</b>	<b>67,659</b>
Purpose restrictions:		
Building loan fund	4,613	4,613
Split-interest agreements	1,056	876
<b>Total purpose restrictions</b>	<b>5,669</b>	<b>5,489</b>
Time and purpose restrictions:		
Funds held in trust by others for restricted purposes	53,688	44,075
Amounts restricted by donors for purpose or time	3,560	6,120
Wilton Peace Prize Fund	55	55
<b>Total time and purpose restrictions</b>	<b>57,303</b>	<b>50,250</b>
<b>Total net assets with donor restrictions</b>	<b>\$ 144,282</b>	<b>\$ 123,398</b>

# 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:

	<b>2021</b>	<b>2020</b>
General operating	\$ 520	\$ 501
Scholarships for ministerial students	45	63
Ministerial aid	207	174
Other programs	<u>2,124</u>	<u>3,892</u>
	<u>\$ 2,896</u>	<u>\$ 4,630</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, 2021 are as follows:

	<b><i>Without Donor Restrictions</i></b>	<b><i>With Donor Restrictions</i></b>	<b><i>Total</i></b>
Endowment net assets, beginning of year	\$ <u>18,888</u>	\$ <u>67,659</u>	\$ <u>86,547</u>
Investment return:			
Investment income (net of expenses)	(130)	(149)	(279)
Net appreciation (realized and unrealized)	<u>11,651</u>	<u>13,083</u>	<u>24,734</u>
Total investment return	11,521	12,934	24,455
Contributions	8,410	2,970	11,380
Investment return authorized for operations (a)	<u>(2,849)</u>	<u>(2,253)</u>	<u>(5,102)</u>
<b>Endowment net assets, end of year</b>	<b>\$ <u><u>35,970</u></u></b>	<b>\$ <u><u>81,310</u></u></b>	<b>\$ <u><u>117,280</u></u></b>

(a) Investment return authorized for operations includes \$251 of unspent income with donor restrictions and \$21 of distributions to third party.



# 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, 2020 are as follows:

	<i><b>Without Donor Restrictions</b></i>	<i><b>With Donor Restrictions</b></i>	<i><b>Total</b></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 (b)	<u>(5,326)</u>	<u>(2,137)</u>	<u>(7,463)</u>
<b>Endowment net assets, end of year</b>	<b>\$ <u>18,888</u></b>	<b>\$ <u>67,659</u></b>	<b>\$ <u>86,547</u></b>

(b) 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.

### ***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, 2021 and 2020.

### ***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 5.3% 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.

#### ***Investment Income***

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.

### **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 dates through 2035. Such leases provide for various escalations for operating and real estate taxes. Rental income was \$1,897 and \$1,819 for the years ended June 30, 2021 and 2020, respectively. The tenant allowances and commissions to obtain tenants are amortized over the lease terms with such amounts being reported as deferred charges.

# 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)**

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 leases are reflected below in the rental income schedule.

Deferred charges consisted of the following at June 30:

	<b>2021</b>	<b>2020</b>
Deferred commissions	\$ 823	\$ 934
Deferred leasing incentives	3,022	3,431
Deferred rent	<u>1,810</u>	<u>1,048</u>
<b>Total</b>	<b>\$ <u>5,655</u></b>	<b>\$ <u>5,413</u></b>

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

2022	\$	2,156
2023		2,194
2024		2,232
2025		2,270
2026		2,308
Thereafter		<u>18,202</u>
<b>Total</b>	<b>\$</b>	<b><u>29,362</u></b>

#### **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:

2022	\$	26
2023		<u>1</u>
<b>Total</b>	<b>\$</b>	<b><u>27</u></b>

Rent expense was \$58 and \$76 for the years ended June 30, 2021 and 2020, respectively.

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

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

#### **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, 2021 and 2020. 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.

#### **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. The plan has been determined by management to sufficiently fund all actuarially determined obligations at June 30, 2021 and 2020. 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.

#### **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 were \$43 and \$0 as of June 30, 2021 and 2020, respectively.

Beacon Press has a sales and distribution agreement with Penguin Random House, which expires on June 30, 2026. 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.

# 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)***

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. 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 during 2020.

### **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 10% 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 \$1,115 and \$1,110 for the years ended June 30, 2021 and 2020, 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:

	<b>2021</b>	<b>2020</b>
Changes in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,330	\$ 1,422
Interest cost	38	41
Benefits paid	(145)	(133)
Actuarial loss	6	-
	1,229	1,330
Benefit obligation at end of year	1,229	1,330
Change in plan assets:		
Employer contribution	175	166
Benefits paid	(175)	(166)
	-	-
Fair value of plan assets at end of year	-	-
<b>Accumulated postretirement benefit obligation</b>	<b>\$ 1,229</b>	<b>\$ 1,330</b>

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

	<b>2021</b>	<b>2020</b>
Discount rate	2.25%	3.00%
Rate of increase in healthcare costs	5.80%	5.80%

The rate assumption of 4.70% Pre-65 and 4.50% Post-65 used to calculate the benefit obligation is expected to be reached by 2090 for Pre-65 and 2082 for Post-65. In addition, updated mortality tables were used in 2021 to measure obligations.

A one-percentage-point change in assumed healthcare cost trend rates would have the following effects as of June 30, 2021:

	<b>One- Percentage- Point Increase</b>	<b>One- Percentage- Point Decrease</b>
Effects on total service and interest cost components for 2021	\$ 41	\$ 35
Effects on year-end 2021 accumulated postretirement benefit obligation	\$ 1,315	\$ 1,152

# 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:

2022	\$	125
2023		120
2024		116
2025		109
2026		102
2027-2031		408
<b>Total</b>	<b>\$</b>	<b>980</b>

The expected benefits are based on the same assumptions used to measure the Association's benefit obligation at June 30, 2021 and 2020 with the exception in the change in discount rate.

Net periodic postretirement benefit cost reported as expense in the consolidated statements of activities represented interest costs of \$38 and \$41 for the years ended June 30, 2021 and 2020, respectively:

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 2082.

### **Note 16 - Program Expenses**

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

		<b>2021</b>		<b>2020</b>
Costs of goods sold and publishing expenses	\$	17,861	\$	12,026
Ministries and faith development		6,855		9,328
Congregational life		5,292		5,626
Other programs		2,864		2,210
Communications		2,137		2,305
International programs		2,109		1,862
Organizing strategy		1,023		758
<b>Total</b>	<b>\$</b>	<b>38,141</b>	<b>\$</b>	<b>34,115</b>

# UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

## *Notes to Consolidated Financial Statements (in thousands)*

### ***Note 17 - General Operations Expense***

The Association has categorized certain expenses as general operations within the consolidated statements of functional expenses. The expense represents a large number of varied accounts which include office supplies, IT services, equipment rental, warehousing, committee expense, etc. These accounts generally have relatively small individual balances which totaled \$1,157 and \$1,303 at June 30, 2021 and 2020, respectively, which represents 2% and 3% of total expenses, respectively.

### ***Note 18 - Concentrations***

Penguin Random House handled 98% of Beacon Press net sales for the years ended June 30, 2021 and 2020. Penguin Random House accounted for 99.5% and 100% of the accounts receivable balances as of June 30, 2021 and 2020, respectively. One customer of Penguin Random House accounted for 58% and 54% of net sales for the years ended June 30, 2021 and 2020, respectively.

### ***Note 20 - Subsequent Events***

The Association has evaluated subsequent events through November 22, 2021, the date the consolidated financial statements were authorized to be issued.

One of the Association's previously independent regional operation was legally dissolved and is expected to merge into the Association as in fiscal 2022. The estimated increase in net assets from the merger of this district for fiscal 2022 is approximately \$4,000.



***Supplemental Schedules***

## UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

*Supplemental Schedule of Assets by Business Segment*

June 30, 2021

(in thousands)

	<b>Current</b>	<b>General Assembly</b>	<b>Group Insurance Plan</b>	<b>Beacon Press</b>	<b>CPLF</b>	<b>UUCEF</b>	<b>Eliminations</b>	<b>Total</b>
Assets:								
Cash and cash equivalents	\$ 5,745	\$ -	\$ 2,134	\$ 9,234	\$ 1,712	\$ -	\$ (298)	\$ 18,527
Accounts receivable, net	2,063	-	-	1,766	1,002	-	(1,002)	3,829
Pledges receivable, net	270	-	-	-	-	-	-	270
Inventories, net	543	-	-	1,821	-	-	-	2,364
Deferred charges	5,655	-	-	-	-	-	-	5,655
Other assets	229	-	-	1,245	-	37	-	1,511
Investment in UUCEF	105,344	-	-	11,939	-	270,212	(117,280)	270,215
Investments	55	-	-	-	-	-	-	55
Funds held in trust by others	53,688	-	-	-	-	-	-	53,688
Funds held in support of split-interest agreements	9,859	-	-	-	-	-	-	9,859
Loans to member congregations, net	-	-	-	-	2,928	-	-	2,928
Property and equipment, net	33,198	-	-	-	-	-	-	33,198
Amounts due from other business segments	2,956	-	-	-	-	-	(2,956)	-
<b>Total assets</b>	<b>\$ 219,605</b>	<b>\$ -</b>	<b>\$ 2,134</b>	<b>\$ 26,005</b>	<b>\$ 5,642</b>	<b>\$ 270,249</b>	<b>\$ (121,536)</b>	<b>\$ 402,099</b>

## UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

*Supplemental Schedule of Liabilities and Net Assets by Business Segment*

June 30, 2021

(in thousands)

	<b>Current</b>	<b>General Assembly</b>	<b>Group Insurance Plan</b>	<b>Beacon Press</b>	<b>CPLF</b>	<b>UUCEF</b>	<b>Eliminations</b>	<b>Total</b>
Liabilities:								
Accounts payable and accrued expenses	\$ 4,747	\$ -	\$ -	\$ 3,448	\$ -	\$ 158	\$ (602)	\$ 7,751
Annuity liabilities	1,866	-	-	-	-	-	-	1,866
Bank debt	4,273	-	-	-	-	-	-	4,273
Obligations under split-interest agreements	6,244	-	-	-	-	-	-	6,244
Accumulated postretirement benefit obligation	1,229	-	-	-	-	-	-	1,229
Amounts due to (from) other business segments	364	298	-	2,956	(107)	143	(3,654)	-
<b>Total liabilities</b>	<b>18,723</b>	<b>298</b>	<b>-</b>	<b>6,404</b>	<b>(107)</b>	<b>301</b>	<b>(4,256)</b>	<b>21,363</b>
<b>Minority interest in UUCEF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152,668</b>	<b>-</b>	<b>152,668</b>
Net assets:								
Without donor restrictions	61,417	(298)	2,134	19,311	1,136	117,280	(117,194)	83,786
Without donor restrictions	139,465	-	-	290	4,613	-	(86)	144,282
<b>Total net assets</b>	<b>200,882</b>	<b>(298)</b>	<b>2,134</b>	<b>19,601</b>	<b>5,749</b>	<b>117,280</b>	<b>(117,280)</b>	<b>228,068</b>
<b>Total liabilities and net assets</b>	<b>\$ 219,605</b>	<b>\$ -</b>	<b>\$ 2,134</b>	<b>\$ 26,005</b>	<b>\$ 5,642</b>	<b>\$ 270,249</b>	<b>\$ (121,536)</b>	<b>\$ 402,099</b>

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

For the Year Ended June 30, 2021

(in thousands)

	Current	General Assembly	Group Insurance Plan	Beacon Press	CPLF	UUCEF	Eliminations	Total
Operating:								
Support and revenue:								
Fundraising and gifts and bequests	\$ 13,482	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,482
Net sales from publishing activities	559	-	-	26,560	-	-	-	27,119
Sales and administrative services	1,504	946	-	-	-	-	(821)	1,629
Investment return authorized for operations	3,837	-	-	-	19	-	-	3,856
Distributions from Holdeen Trusts	1,183	-	-	-	-	-	-	1,183
Other investment income	-	-	-	105	158	-	-	263
Rental income	1,897	-	-	-	-	-	-	1,897
Other income	2,916	42	2,179	848	-	-	(501)	5,484
Net assets released from restriction	2,720	-	-	176	-	-	-	2,896
<b>Total support and revenue</b>	<b>28,098</b>	<b>988</b>	<b>2,179</b>	<b>27,689</b>	<b>177</b>	<b>-</b>	<b>(1,322)</b>	<b>57,809</b>
Expenses:								
Board and volunteer leadership	107	-	-	-	-	-	-	107
Organizing strategy	1,023	-	-	-	-	-	-	1,023
International	2,109	-	-	-	-	-	-	2,109
Congregational life	5,292	-	-	-	-	-	-	5,292
Ministry and faith development	5,378	-	1,934	-	-	-	(457)	6,855
UU Funding Program and Crisis Relief	1,806	-	-	-	-	-	-	1,806
Communications	2,137	-	-	-	-	-	-	2,137
Cost of goods sold and publishing expenses	515	-	-	17,847	-	-	(501)	17,861
Administration	1,955	-	-	-	-	-	-	1,955
Stewardship and development	2,138	-	-	-	-	-	-	2,138
Information technology services	1,581	-	-	-	-	-	-	1,581
Internal services	1,617	-	-	-	-	-	-	1,617
Rental expense	662	-	-	-	-	-	-	662
General assembly	-	1,058	-	-	-	-	-	1,058
Expenses associated with investment pools	-	-	-	-	164	-	(160)	4
Interest expense	179	-	-	-	-	-	-	179
<b>Total expenses</b>	<b>26,499</b>	<b>1,058</b>	<b>1,934</b>	<b>17,847</b>	<b>164</b>	<b>-</b>	<b>(1,118)</b>	<b>46,384</b>
<b>Increase (decrease) in unrestricted net assets from operations</b>	<b>1,599</b>	<b>(70)</b>	<b>245</b>	<b>9,842</b>	<b>13</b>	<b>-</b>	<b>(204)</b>	<b>11,425</b>
Nonoperating:								
Investment income	38,143	-	-	2,115	-	55,129	(54,925)	40,462
Increase in value of funds held in support of split-interest agreements and trusts	227	-	-	-	-	-	-	227
Postretirement benefit plan expense	30	-	-	-	-	-	-	30
Investment return - debt financing	974	-	-	-	-	-	-	974
Unfunded depreciation	(609)	-	-	-	-	-	-	(609)
<b>Total increase in net assets from nonoperating activities</b>	<b>38,765</b>	<b>-</b>	<b>-</b>	<b>2,115</b>	<b>-</b>	<b>55,129</b>	<b>(54,925)</b>	<b>41,084</b>
Minority interest in investment (earnings) of UUCEF	(30,675)	-	-	-	-	-	-	(30,675)
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ 9,689</b>	<b>\$ (70)</b>	<b>\$ 245</b>	<b>\$ 11,957</b>	<b>\$ 13</b>	<b>\$ 55,129</b>	<b>\$ (55,129)</b>	<b>\$ 21,834</b>