

Financial Statements

**Unitarian Universalist
Common Endowment Fund LLC**

June 30, 2023 and 2022

DRAFT

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

Opinion

We have audited the financial statements of the Unitarian Universalist Common Endowment Fund LLC ("UUCEF"), which comprise the statements of net assets, including the condensed schedules of investments, as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UUCEF as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UUCEF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UUCEF's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 UUCEF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UUCEF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Boston, Massachusetts
January 22, 2024

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Net Assets

June 30,

(in thousands)

	2023	2022
Assets:		
Investments, at fair value (Cost \$214,342 in 2023 and \$208,870 in 2022)	\$ 246,024	\$ 223,731
Cash and cash equivalents	2,592	7,945
Other current assets	33	33
	248,649	231,709
Total assets		
Liabilities:		
Accrued expenses and other liabilities	263	258
	248,386	231,451
Net assets		

(in units and dollars)

Shares of beneficial interest outstanding	22,540,171.4904	23,004,786.3314
Net asset value per share	\$ 11.0197	\$ 10.0610

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Condensed Schedule of Investments

June 30, 2023

(in thousands)

<i>Description</i>	<i>Security Type</i>	<i>Initial Investment Date</i>	<i>Cost Basis</i>	<i>Fair Value</i>	<i>% of Net Assets</i>
Domestic Equity	Traded Equities	Various	\$ 53,770	\$ 58,641	24%
	Pooled Fund	4/1/2016	<u>20,845</u>	<u>24,342</u>	10%
			<u>74,615</u>	<u>82,983</u>	
International Equity	Traded Equities	5/1/2010	9,682	12,335	5%
	Mutual Fund	4/1/2013	8,587	16,875	7%
	Pooled Fund	Various	<u>14,800</u>	<u>21,211</u>	9%
			<u>33,069</u>	<u>50,421</u>	
Global Equity	Pooled Fund	Various	<u>39,346</u>	<u>42,170</u>	17%
			<u>39,346</u>	<u>42,170</u>	
Fixed Income	Pooled Fund	Various	<u>46,952</u>	<u>47,813</u>	19%
			<u>46,952</u>	<u>47,813</u>	
Opportunistic	Hedge Fund of Funds	8/1/2009	<u>604</u>	<u>35</u>	0%
			<u>604</u>	<u>35</u>	
Private Markets	UK Sterling Pooled Real Estate Fund	8/1/2015	1,049	1,819	1%
	Private Investment Fund	6/1/2014	8,550	9,795	4%
	Opportunistic Expansion	Various	<u>4,602</u>	<u>5,433</u>	2%
			<u>14,201</u>	<u>17,047</u>	
Other	Loans and Depository Agreements	Various	<u>5,555</u>	<u>5,555</u>	2%
Total Investments			<u><u>\$ 214,342</u></u>	<u><u>\$ 246,024</u></u>	100%

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Condensed Schedule of Investments

June 30, 2022

(in thousands)

<i>Description</i>	<i>Security Type</i>	<i>Initial Investment Date</i>	<i>Cost Basis</i>	<i>Fair Value</i>	<i>% of Net Assets</i>
Domestic Equity	Traded Equities	Various	\$ 47,074	\$ 45,461	20%
	Pooled Fund	4/1/2016	20,654	20,803	9%
			<u>67,728</u>	<u>66,264</u>	
International Equity	Traded Equities	5/1/2010	10,032	10,534	5%
	Mutual Fund	4/1/2013	8,587	13,756	6%
	Pooled Fund	Various	21,877	29,049	13%
			<u>40,496</u>	<u>53,339</u>	
Global Equity	Pooled Fund	Various	39,423	37,412	16%
			<u>39,423</u>	<u>37,412</u>	
Fixed Income	Pooled Fund	Various	45,903	46,375	20%
			<u>45,903</u>	<u>46,375</u>	
Opportunistic	Hedge Fund of Funds	8/1/2009	604	507	0%
			<u>604</u>	<u>507</u>	
Private Markets	UK Sterling Pooled Real Estate Fund	8/1/2015	984	1,947	1%
	Private Investment Fund	6/1/2014	6,617	9,304	4%
	Opportunistic Expansion	Various	4,214	5,682	2%
			<u>11,815</u>	<u>16,933</u>	
Other	Loans and Depository Agreements	Various	2,901	2,901	1%
Total Investments			<u>\$ 208,870</u>	<u>\$ 223,731</u>	97%

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Operations

For the Years Ended June 30,

(in thousands)

	2023	2022
Investment income	\$ <u>2,748</u>	\$ <u>2,576</u>
Expenses:		
Investment manager fees	1,358	1,559
Consultant and other expenses	455	403
UUA administrative fees	460	515
Audit fees	<u>50</u>	<u>45</u>
Total expenses	<u>2,323</u>	<u>2,522</u>
Net investment income	<u>425</u>	<u>54</u>
Realized and unrealized (losses) gains from investments:		
Net realized gain from investments sold	4,401	9,312
Unrealized investment gains (losses)	<u>16,822</u>	<u>(54,922)</u>
Net realized and unrealized gains (losses) from investments	<u>21,223</u>	<u>(45,610)</u>
Net increase (decrease) in net assets from operations	<u>\$ 21,648</u>	<u>\$ (45,556)</u>

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Changes in Net Assets

For the Years Ended June 30, 2023 and 2022

(in thousands)

Net assets July 1, 2021	\$ <u>269,948</u>
Change in net assets from operations:	
Net investment gain	54
Net realized gains	9,312
Unrealized losses	<u>(54,922)</u>
Net investment return	(45,556)
Change in net assets from fund share transactions	<u>7,059</u>
Total change in net assets	<u>(38,497)</u>
Net assets June 30, 2022	<u>231,451</u>
Change in net assets from operations:	
Net investment gain	425
Net realized gains	4,401
Unrealized gains	<u>16,822</u>
Net investment return	21,648
Change in net assets from fund share transactions	<u>(4,713)</u>
Total change in net assets	<u>16,935</u>
Net assets June 30, 2023	\$ <u><u>248,386</u></u>

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Cash Flows

For the Years Ended June 30,

(in thousands)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 21,648	\$ (45,556)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net change in realized and unrealized (gains) losses from investments	(21,223)	45,610
Purchase of investments	(16,706)	(37,613)
Proceeds from sales and maturities of investments	15,636	31,344
Changes in assets and liabilities:		
Other current assets	-	4
Accrued expenses and other liabilities	5	(43)
	(640)	(6,254)
Net cash used in operating activities		
Cash flows from financing activities:		
Capital contributions	8,153	19,277
Capital withdrawals	(12,866)	(12,218)
	(4,713)	7,059
Net cash provided by (used in) financing activities		
Net change in cash and cash equivalents	(5,353)	805
Cash and cash equivalents as of beginning of year	7,945	7,140
Cash and cash equivalents as of end of year	\$ 2,592	\$ 7,945

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 (the “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 on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. UUCEF is considered a non-profit entity that follows investment 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 earned interest. 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 per the fair value policies outlined later in these accounting policies.

Fair Value Measurements

UUCEF 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 UUCEF 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.

Items valued using NAV methods are separately categorized and disclosed.

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 COMMON ENDOWMENT FUND LLC

Notes to 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 value to the cost of acquisition when acquired.

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).

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's status as a tax-exempt organization and its determination as to its investment returns being considered related to its exempt purpose are its key positions which do not 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 such as Internal Revenue Service ("IRS") Form 990. UUCEF does file a Form 990T.

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.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements in order to conform to the current presentation. Such reclassifications had no effect on changes in net assets.

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 3 - Investments and Fair Value

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

2023				
	Level 1	Level 2	Investments Measured at NAV	Total
Domestic Equity	\$ 58,641	\$ 10,143	\$ 14,199	\$ 82,983
International Equity	12,335	26,985	11,101	50,421
Global Equity	-	30,978	11,192	42,170
Fixed Income	25,347	12,129	10,337	47,813
Opportunistic	-	-	35	35
Private Markets	-	-	17,047	17,047
Community investments	-	5,555	-	5,555
Total investments	\$ 96,323	\$ 85,790	\$ 63,911	\$ 246,024
2022				
	Level 1	Level 2	Investments Measured at NAV	Total
Domestic Equity	\$ 45,460	\$ 9,117	\$ 11,687	\$ 66,264
International Equity	10,534	32,674	10,131	53,339
Global Equity	-	27,412	10,000	37,412
Fixed Income	25,349	10,846	10,180	46,375
Opportunistic	-	-	507	507
Private Markets	-	-	16,933	16,933
Community investments	-	2,901	-	2,901
Total investments	\$ 81,343	\$ 82,950	\$ 59,438	\$ 223,731

Community investments represent investments in community development credit unions and banks and in funds that make loans for affordable housing and start-up enterprises in low-income communities, which is done in support of the organization's mission. These investments are carried at costs, which approximates fair market value.

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 3 - Investments and Fair Value (Continued)

Investments have the following redemption notice periods at June 30, 2023:

Daily	\$	128,899
Monthly		66,422
Bi-Monthly		16,875
Illiquid		<u>33,828</u>
Total	\$	<u>246,024</u>

Unfunded commitments to the investment vehicles amounted to \$11,589 and \$7,112 at June 30, 2023 and 2022, 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.

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 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.

The Association's endowment owned 43.2% and 43.5% of the units outstanding as of June 30, 2023 and 2022, respectively. The Association also administers trusts for the benefit of affiliated congregations and qualified entities which accounted for 6.3% and 6.6% of the units outstanding as of June 30, 2023 and 2022, respectively.

The Association earned administrative fees of \$460 and \$515 to manage UUCEF during the years ended June 30, 2023 and 2022, respectively. Amounts due to the Association were \$39 and \$41 at June 30, 2023 and 2022, respectively.

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 5 - Financial Highlights (in per share amounts)

Per unit operating performance (for a participating unit outstanding) for years the ended June 30, 2023 and 2022:

Net asset value at July 1, 2021	\$	12.0546
Net investment gain		0.0020
Net realized and unrealized loss		<u>(1.9956)</u>
Net asset value at June 30, 2022		10.0610
Net investment gain		0.0187
Net realized and unrealized gain		<u>0.9400</u>
Net asset value at June 30, 2023	\$	<u>11.0197</u>
	2023	2022
Total return to net assets (a)	9.60%	-16.40%
Ratio of expenses to average net assets	0.99%	1.00%
Ratio of net investment gain (loss) to average net assets	0.18%	0.02%

(a) UUCEF's rate of return is calculated by the Association's investment consultant in accordance with the Global Investment Performance Standards 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, 2023 and 2022:

Beneficial shares in units outstanding at July 1, 2021	22,393,799
Units issued	1,790,270
Units redeemed	(1,206,713)
Pending issuance	<u>27,430</u>
Beneficial shares in units outstanding at June 30, 2022	23,004,786
Units issued	560,591
Units redeemed	(1,237,396)
Pending issuance	<u>212,190</u>
Beneficial shares in units outstanding at June 30, 2023	<u>22,540,171</u>

Note 6 - Subsequent Events

UUCEF has evaluated subsequent events through January 22, 2024, the date the financial statements were authorized to be issued and has determined no items merit disclosure or adjustment.