



UNITARIAN UNIVERSALIST ASSOCIATION

Financial Statements and Supplemental Schedules

June 30, 2006 and 2005

(With Independent Auditors' Report Thereon)

UNITARIAN UNIVERSALIST ASSOCIATION

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Independent Auditors' Report

The Board of Trustees
Unitarian Universalist Association:

We have audited the accompanying statements of financial position of the Unitarian Universalist Association (the Association) as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our 2006 audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in schedules I through VIII, as of and for the year ended June 30, 2006, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in note 10 to the accompanying financial statements, effective July 1, 2005, the Association adopted FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*.

KPMG LLP

October 17, 2006

UNITARIAN UNIVERSALIST ASSOCIATION

Statements of Financial Position

June 30, 2006 and 2005

(Dollars in thousands)

Assets	2006	2005
Cash and cash equivalents	\$ 9,306	6,655
Accounts receivable, net	2,231	2,361
Receivables for investments sold	2,573	—
Pledges receivable, net (note 4)	1,103	1,251
Inventories	1,121	1,124
Other assets	1,203	943
Investments (note 3)	114,893	112,005
Funds held in trust by others	41,554	40,084
Funds held in support of split interest agreements	12,701	11,456
Loans to member congregations, net (note 5)	6,212	7,648
Property and equipment, net (notes 6 and 7)	6,617	6,583
Total assets	\$ 199,514	190,110
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (note 10)	\$ 5,928	5,087
Payables for investments purchased	2,641	—
Amounts due to member congregations	30	44
Annuity liabilities	3,150	3,144
Bank debt (note 7)	1,983	3,594
Assets held in trust for others	32,820	28,579
Accumulated postretirement benefit obligation (note 9)	1,709	1,763
Total liabilities	48,261	42,211
Net assets:		
Unrestricted	19,359	19,942
Temporarily restricted	68,290	65,682
Permanently restricted	63,604	62,275
Total net assets	151,253	147,899
Commitments and contingencies (note 8)		
Total liabilities and net assets	\$ 199,514	190,110

See accompanying notes to financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION

Statements of Activities

Years ended June 30, 2006 and 2005

(Dollars in thousands)

	<u>2006</u>	<u>2005</u>
Changes in unrestricted net assets:		
Revenues:		
Fundraising (APF, Friends, and unrestricted gifts and bequests)	\$ 8,343	7,750
Administration fees	278	277
Investment earnings (note 3)	3,712	4,932
Other income	1,389	1,498
Net sales from publishing activities	6,522	6,230
General assembly	1,313	997
Gifts and bequests	125	133
Net assets released from restrictions	8,715	6,641
Total revenues	<u>30,397</u>	<u>28,458</u>
Expenses:		
Board and volunteer leadership	716	590
Advocacy and witness	2,192	2,116
Congregational services	2,049	2,101
District services	2,325	2,152
Identity-based ministries	495	498
Lifespan faith development	828	787
Ministry and professional development	2,653	2,586
UU Funding Program	1,050	985
Crisis Relief Program	1,770	—
Communications	1,733	1,748
Cost of goods sold and publishing expenses	5,602	5,438
Administration	1,423	1,424
Stewardship and development	2,366	1,536
Information technology services	1,155	1,196
Internal services	2,157	2,021
General assembly	1,195	1,037
Expenses associated with investment pools	734	951
Interest	147	152
Total expenses	<u>30,590</u>	<u>27,318</u>
Cumulative effect of change in accounting principle (note 10)	<u>(390)</u>	<u>—</u>
(Decrease) increase in unrestricted net assets	<u>(583)</u>	<u>1,140</u>
Changes in temporarily restricted:		
Gifts and bequests	732	730
Investment earnings (note 3)	2,384	3,536
Distributions from Holdeen and Veatch, and capital campaign contributions	7,060	3,648
Net assets released from restrictions	(8,715)	(6,641)
Increase in value of split-interest agreements and master trusts	1,147	100
Increase in temporarily restricted net assets	<u>2,608</u>	<u>1,373</u>
Changes in permanently restricted:		
Gifts and bequests	961	303
Increase in value of split-interest agreements and master trusts	368	377
Increase in permanently restricted net assets	<u>1,329</u>	<u>680</u>
Change in net assets	3,354	3,193
Net assets as of beginning of year	<u>147,899</u>	<u>144,706</u>
Net assets as of end of year	<u>\$ 151,253</u>	<u>147,899</u>

See accompanying notes to financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION

Statements of Cash Flows

Years ended June 30, 2006 and 2005

(Dollars in thousands)

	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ 3,354	3,193
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	467	519
Cumulative effect of change in accounting principle	390	—
Net realized and unrealized (gains) losses on investments	(4,226)	(6,487)
Contributions restricted for long-term investment	(961)	(303)
Net change in value of split-interest and master trust agreements	(1,515)	(304)
Changes in assets and liabilities:		
Accounts receivable, net	(2,443)	99
Pledges receivable, net	148	79
Inventories	3	57
Other assets	(260)	(158)
Accounts payable and accrued expenses	410	146
Other liabilities	2,641	—
Amounts due to member congregations	(14)	(13)
Annuity liabilities and deferred revenue	6	168
Accumulated postretirement benefit obligation	(54)	108
Net cash provided by operating activities	(2,054)	(2,896)
Cash flows from investing activities:		
Cost of purchases of investments	(60,689)	(32,499)
Proceeds from sales of investments	60,827	30,477
Purchases of property and equipment	(460)	(500)
Change in assets held in trust for others	4,241	5,906
Change in loans to member congregations, net	1,436	45
Net cash provided by (used in) investing activities	5,355	3,429
Cash flows from financing activities:		
Repayment of bank debt	(1,611)	(927)
Proceeds from bank debt	—	876
Contributions restricted for long-term investment	961	303
Net cash (used in) provided by financing activities	(650)	252
Change in cash and cash equivalents	2,651	785
Cash and cash equivalents as of beginning of year	6,655	5,870
Cash and cash equivalents as of end of year	\$ 9,306	6,655
Supplemental disclosures:		
Cash paid for interest	\$ 147	152

See accompanying notes to financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2006 and 2005

(Dollars in thousands)

(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's central office is at 25 Beacon Street in Boston, Massachusetts. District and other offices are located throughout the country. The Association is governed by a Board of Trustees consisting of District Trustees and at-large Trustees. An elected president, a board-appointed executive vice-president, a board-appointed treasurer and nine other staff group directors form the leadership council, which manages the day-to-day business of the Association.

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. The stewardship of assets and the fiscal management of the Association are composed of four business segments: Current, Beacon Press, Congregational Properties and Loan Commission (CPLC), and General Investment Fund (GIF).

(2) **Summary of Significant Accounting Policies**

(a) *Basis of Financial Statement Presentation*

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

Unrestricted net assets represent those assets that the Association may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations. Net appreciation (depreciation) of permanently restricted long-term investments is recognized within the temporarily restricted net asset category until such monies are available for expenditure under the Association's spending policy and a qualifying expenditure is incurred.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the Association is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Net unrealized and realized gains or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Upon the expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, such assets are released from restrictions to unrestricted net assets.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2006 and 2005

(Dollars in thousands)

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promised gift is expected to be received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as revenue until such time as the conditions are substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a qualifying expenditure occurs or a time restriction expires, temporarily restricted assets are recognized in unrestricted net assets as “net assets released from restrictions” in the statement of activities. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as an unrestricted contribution.

Furthermore, dividends, interest, and realized and unrealized gains on long-term investments are reported as follows:

- Increases in permanently restricted net assets if the terms of the contribution require these to be added to the principal;
- Increases in temporarily restricted net assets if the terms of the contribution, or the Association’s interpretation of relevant state law, imposes restrictions on the use of the income and gains; and
- Increases in unrestricted net assets in all other cases.

(b) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

(c) *Cash and Cash Equivalents*

Cash equivalents represent money market funds and short-term instruments with a maturity at the date of purchase of three months or less and are carried at cost, which approximates market value.

(d) *Property and Equipment*

Land, buildings, plant renovations and repairs, and equipment are stated at cost at the date of acquisition or renovation, or at fair market value at the date of donation in the case of gifts. Minor renovations and repairs are charged to operations and maintenance as incurred. Depreciation of plant and equipment is computed on a straight-line basis over the expected lives of the respective assets.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2006 and 2005

(Dollars in thousands)

(e) Investments

Investments are carried at fair value. All long-term investments have been reported in the financial statements at their fair value in the case of marketable securities. The fair value of publicly traded securities is based upon quotes from the principal exchanges on which the security is traded. Mutual fund investments are valued based on net asset values. Investment income and realized and unrealized gains and losses on investments are recorded as support and revenue of unrestricted net assets unless the income or gains and losses are restricted by donor or law.

Alternative investments are composed of institutional funds, for which quoted market prices are not available. The estimated fair value of these investments is based on valuations provided by the external investment managers. Since these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed, and such difference could be material. Management is responsible for the fair measurements of investments reported in the financial statements. The Association has implemented policies and procedures to assess the reasonableness of the fair values provided and believes that reported fair values as of the statement of financial position date are reasonable.

The Association and member congregations' endowment and investment funds are combined and invested in the GIF. Activity in the GIF is accounted for using a unit method whereby ownership is based on the number of units held in relation to the total units of the pool. The unit market value for the GIF is determined on a quarterly basis and is derived by dividing the market value of the assets of the GIF at the end of a quarter by the number of units of the GIF. The purchase and redemption of GIF units are recorded on a quarterly basis using the unit market value.

GIF assets are invested by several outside investment managers in a wide array of investment vehicles with the objective of maximizing the GIF total return, while minimizing risk through diversification. Income, net of expenses, is distributed quarterly based upon a 13-quarter rolling average market value.

The Association has relied upon the Massachusetts Attorney General's interpretation of relevant state law as generally permitting the spending of gains on permanently restricted net assets over a stipulated period of time. State law allows the Board of Trustees to appropriate all of the income and a specified percentage of the net appreciation as is prudent considering the Association's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. Under the Association's spending policy, which management believes to be within the guidelines specified under state law, a percentage of permanently restricted long-term investments is appropriated annually as determined by the Association's Board of Trustees.

(f) Inventory

Finished goods inventories, consisting primarily of books, are stated at the lower of weighted average cost or market. Outside preparation costs related to preparing a manuscript for printing are capitalized over the first printing of the book. All incurred costs on a book printing remain as

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

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(Dollars in thousands)

work-in-progress assets until the book begins to ship from the warehouse, at which time the costs are transferred to the books on hand using the weighted average method.

(g) Perpetual Trust Assets

The Association accounts for its beneficial interests in perpetual trusts in conformity with the requirements of the Audit and Accounting Guide, *Not-for-Profit Organizations* (the Guide), issued by the American Institute of Certified Public Accountants. Under the terms of various trusts, the Association has the irrevocable and perpetual right to receive income earned on the trust assets but will never receive the principal. In accordance with the Guide, the fair value of the trust assets has been recorded as a permanently restricted net asset. Changes in the fair value of the trusts are reported as increases or decreases in permanently restricted net assets. These trusts have various charitable purposes.

The fair values of perpetual trust assets are \$9,159 and \$8,881 at June 30, 2006 and 2005, respectively.

(h) Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Association has been limited by donors for a specific period or purpose. Temporarily restricted net assets consisted of the following as of June 30:

	<u>2006</u>	<u>2005</u>
Amounts restricted by donors for programs	\$ 5,580	3,712
Net realized and unrealized gains on temporarily and permanently restricted net assets	28,877	29,408
Amounts to be unrestricted in later periods	1,437	1,359
Holdeen Trusts*	<u>32,396</u>	<u>31,203</u>
	<u>\$ 68,290</u>	<u>65,682</u>

* Includes the charitable lead trusts established by Jonathan Holdeen (the Holdeen Trusts) in which the Association has an irrevocable right to the trust income for periods ranging from 500 to 1,000 years at which times the assets revert to the Commonwealth of Pennsylvania. Under the terms of the Holdeen Trusts' instruments, the income is to be used primarily for support of the Holdeen India Program and other charities designated by the Association's Board of Trustees.

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Notes to Financial Statements

June 30, 2006 and 2005

(Dollars in thousands)

Net assets released from temporarily restricted net assets were as follows for the years ended June 30:

	<u>2006</u>	<u>2005</u>
Purpose restrictions	\$ 8,715	6,641
	\$ <u>8,715</u>	<u>6,641</u>

(i) Permanently Restricted Net Assets

Permanently restricted net assets have been restricted by donors to be maintained by the Association in perpetuity, the earnings from which is expendable to support operations. The Association requires net realized and unrealized gains on permanently restricted net assets be retained in temporarily restricted net assets until appropriated by the Board of Trustees, and expended. State law allows the Board of Trustees to appropriate net appreciation of permanently restricted net assets as is prudent considering the Association's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends and general economic conditions.

Permanently restricted net assets as of June 30 consisted of the following:

	<u>2006</u>	<u>2005</u>
Assets for which earnings are restricted as to purpose	\$ 54,445	53,394
Perpetual trusts	9,159	8,881
	\$ <u>63,604</u>	<u>62,275</u>

(j) Publishing Sales Recognition

Sales are recorded upon shipment of books. Returns are accepted for as long as the book remains in print and are estimated at the time of sale by recording a return reserve.

(k) Outstanding Legacies

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 proceeds are determinable.

(l) Split-Interest Agreements

Split-interest agreements include (i) assets placed in trust for the benefit of the Association, (ii) contributions received which require payment of an annuity to a specified beneficiary and (iii) contributions received which require payment of income earned on the investment of such contribution to a specified beneficiary. Assets are recorded at fair value when received. Obligations

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2006 and 2005

(Dollars in thousands)

to beneficiaries, including deferred contribution revenue, are recorded at estimated fair value. Fair value of these obligations is based on the present value of the annual distribution specified in the agreements and the estimated life expectancy of the beneficiaries. The discounted rate used in the present value calculations is 6% for both the years ended June 30, 2006 and 2005. Initial contribution revenue is recognized based upon the present value of the net anticipated benefit. Subsequent changes in net fair value are reported in “net change in value of split-interest and master trust agreements.”

(m) Royalty Advances

Royalty advances are negotiated on a contract-by-contract basis and are recorded when paid. Royalties are earned and recorded when the sale occurs and are applied as a reduction to royalty advances. Write-offs to advances are recorded when it appears that advances are not expected to be recovered from future sales.

(n) Income Taxes

The Association is a tax-exempt 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.

(o) Allocations

The Association adheres to the AICPA’s *Not-for-Profit Organizations Audit and Accounting Guide* in reporting expenses by their functional classification. Accordingly, depreciation, and operations and maintenance expenses have been allocated to functional classifications based on building square footage. Total fundraising costs for the years ended June 30, 2006 and 2005 were \$1,512 and \$711, respectively, and are included in stewardship development expense in the statements of activities.

(p) Disclosure About Fair Value of Financial Instruments

In accordance with the requirements of Statement of Financial Accounting Standards No. 107, *Disclosures About the Fair Value of Financial Instruments*, the estimated fair values of the Association’s financial instruments as of June 30, 2006 have been determined by using, where practicable, appropriate valuation methodologies.

The Association believes that its debt approximates fair value based on estimates using interest rates available for similar debt with equivalent maturities.

(q) Asset Retirement Obligations

The fair value of a liability for legal obligations associated with asset retirements is recognized in the period in which it is incurred, in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations* (SFAS 143), and Financial Accounting Standards Board (FASB) Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2006 and 2005

(Dollars in thousands)

Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligations is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities.

(r) Reclassifications

Certain 2005 balances have been reclassified to conform with 2006 reporting practices.

(3) Investments

The fair value of investments consisted of the following as of June 30:

	2006	2005
Equity securities:		
Domestic	\$ 40,636	47,325
Foreign	—	8,931
Fixed income securities:		
Domestic	28,047	36,642
Foreign	5,542	5,467
Mutual funds:		
Foreign equity	18,970	12,040
Alternative assets	19,977	—
Certificates of deposit	1,721	1,600
	\$ 114,893	112,005

Investments as of June 30 are recorded in the statements of financial position by net asset class as follows:

	2006	2005
Unrestricted	\$ 10,787	11,256
Temporarily restricted	29,286	29,850
Permanently restricted	49,101	48,202
Assets held in trust for others (member congregations)	25,719	22,697
Total	\$ 114,893	112,005

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Notes to Financial Statements

June 30, 2006 and 2005

(Dollars in thousands)

Investment return for the years ended June 30 is reported within the statements of activities as follows:

	<u>2006</u>	<u>2005</u>
Investment income	\$ 1,870	1,981
Net realized gain on investments	6,011	2,422
Net change in unrealized gain on investments	<u>(1,785)</u>	<u>4,065</u>
Investment return	<u>\$ 6,096</u>	<u>8,468</u>

(4) Promises to Give

Pledges receivable consisted of the following unconditional promises to give as of June 30:

	<u>2006</u>	<u>2005</u>
Pledge purpose:		
Campaign for Unitarian Universalism	\$ 574	896
Campaign for Congregations	406	257
Umbrella gifts held for others	<u>234</u>	<u>234</u>
	<u>\$ 1,214</u>	<u>1,387</u>
Amounts due in:		
Less than one year	\$ 873	997
Two to five years	<u>341</u>	<u>390</u>
	1,214	1,387
Less allowance for uncollectible pledges and present value discount	<u>(111)</u>	<u>(136)</u>
Pledges receivable, net	<u>\$ 1,103</u>	<u>1,251</u>

The rate used to discount pledges receivable was 6% as of both June 30, 2006 and 2005.

(5) Loans to Member Congregations

Loans and advances totaling \$6,212 and \$7,648, net of allowance for uncollectible loans, as of June 30, 2006 and 2005, respectively, represent loans to member churches for capital purposes, primarily buildings. In accordance with the policy of the Association, certain loans were granted so as to be noninterest bearing for a certain length of time. Approximately 6% and 5% of the outstanding balance of these loans are noninterest bearing as of June 30, 2006 and 2005, respectively. The loans mature at various dates from February 2007 to January 2030 and bear interest at rates ranging from 0% to 8%.

The allowance for uncollectible loans was \$418 and \$413 as of June 30, 2006 and 2005, respectively.

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Notes to Financial Statements

June 30, 2006 and 2005

(Dollars in thousands)

(6) Property and Equipment

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

	2006	2005
Land, buildings and improvements	\$ 9,505	9,157
Computer equipment	2,791	2,596
Office furniture and fixtures	515	494
Vehicles	17	17
	12,828	12,264
Less accumulated depreciation	(6,211)	(5,681)
Property and equipment, net	\$ 6,617	6,583

Depreciation expense for the years ended June 30, 2006 and 2005 was \$467 and \$519, respectively.

(7) Bank Debt

During 2002, the Association, on behalf of the CPLC, entered into an agreement with a bank for a term note of \$2,116 (the term note), a \$4,000 line of credit (the member lending credit line) and a commercial real estate mortgage note of \$1,600 (the mortgage note). The agreement contains financial and nonfinancial covenants and is collateralized by the Association's real estate mortgages on 39-41 Mount Vernon Street and 6 and 7 Mount Vernon Place.

(a) Term Note

On February 5, 2005, the term note was paid in full.

(b) Member Lending Credit Line

The member lending credit line is used to provide mortgage loan financing to member congregations according to the existing CPLC lending standards. Draws on the line of credit bear interest at various rates between 4.74% and 4.88%, and mature at various dates through February 29, 2012. Amounts owed on behalf of the CPLC under the line of credit total \$850 and \$2,328 as of June 30, 2006 and 2005, respectively. During 2005, this revolving line of credit was extended to November 30, 2006 and increased to \$6,000.

(c) Mortgage Note

The mortgage note bears interest at a fluctuating rate per annum equal to the London Inter Bank Offering Rate (LIBOR) plus 0.75% (5.73% and 3.84% as of June 30, 2006 and 2005, respectively) and is payable over consecutive quarters with equal principal installments of \$33 and payments of interest calculated based upon the then-outstanding principal in arrears on each quarterly payment date. The mortgage note has been extended to November 30, 2006. The outstanding balance as of June 30, 2006 and 2005 was \$1,133 and \$1,266, respectively.

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Notes to Financial Statements

June 30, 2006 and 2005

(Dollars in thousands)

Interest expense was \$147 and \$152 for the years ended June 30, 2006 and 2005, respectively.

Annual repayments of outstanding debt required under these agreements are as follows:

2007	\$	<u>1,983</u>
Total	\$	<u><u>1,983</u></u>

(8) Leases and Other Commitments

The Association leases certain office equipment and office space under lease agreements classified as operating leases. Future minimum rental payments required under operating leases and office rental agreements that have initial or remaining noncancelable terms in excess of one year as of June 30, 2006 were:

2007	\$	205
2008		138
2009		32

Rental expense charged to operations was \$210 and \$203 for the years ended June 30, 2006 and 2005, respectively.

The Association guarantees certain loans extended by various lending institutions to member congregations. The outstanding guarantees were \$2,568 and \$2,697 as of June 30, 2006 and 2005, respectively, on loans totaling \$8,449 for both years. The loan guarantees were obtained by the member congregations via the Association's loan guarantee program. The Association's policy is to guarantee 50% of the outstanding loan principal up to a maximum of \$375.

(9) Benefit Plans

The Association has a defined contribution retirement plan covering all employees who have satisfied initial age and hourly requirements. The policy of the Association is to fund pension costs accrued. Participants' interests are fully vested immediately. The provision for retirement plan costs was \$826 and \$812 for the years ended June 30, 2006 and 2005, respectively.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2006 and 2005

(Dollars in thousands)

The Association provides a healthcare retirement plan (the Plan) to certain employees retired prior to 2002. The measurement date used to determine benefit measures for the Plan is June 30. The following table details the components of the funded status of the Plan and amounts recognized in the Association's financial statements as of June 30:

	<u>2006</u>	<u>2005</u>
Accumulated postretirement benefit obligations (APBO) as of June 30	\$ (1,709)	(1,763)
Fair value of Plan assets as of June 30	<u>—</u>	<u>—</u>
APBO in excess of fair value of Plan assets (accrued benefit cost)	\$ <u>(1,709)</u>	<u>(1,763)</u>
Net periodic cost	\$ (165)	(145)
Employer contribution	127	127
Benefits paid	(127)	(127)

Assumptions used to determine the benefit obligation as of June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Discount rate	6.50%	5.25%
Rate of increase in healthcare costs	10.00	8.00

The following expected future benefit payments are as follows:

Year-end:	
2007	\$ 139
2008	150
2009	159
2010	165
2011	170
2012 – 2016	863

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2006 and 2005

(Dollars in thousands)

(10) Change in Accounting Principle

In March 2005, the FASB issued FIN 47, *Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143*. This interpretation clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. SFAS 143 requires the fair value of a liability for a legal obligation associated with an asset retirement be recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement is capitalized.

The Association adopted FIN 47 effective July 1, 2005 and recorded a cumulative effect of a change in accounting principle of \$390, which reflects the accretion of the liability and depreciation of the related asset component from the liability inception date through June 30, 2005. Accretion of the liability will be provided in operations for future inflation of these costs, and subsequent actual costs will be charged as incurred to the liability account.

UNITARIAN UNIVERSALIST ASSOCIATION

Assets by Business Segment

June 30, 2006

(Dollars in thousands)

	Current	Beacon Press	CPLC	GIF	Eliminations	Total
Current assets:						
Cash and cash equivalents	\$ 1,332	1,414	140	6,420	—	9,306
Investments	1,190	76	508	113,119	—	114,893
Accounts receivable, net	1,042	1,143	—	46	—	2,231
Receivables for investments sold	—	—	—	2,573	—	2,573
Pledges receivable, net	1,103	—	—	—	—	1,103
Inventories	498	623	—	—	—	1,121
Amounts due from other business sections	4,985	—	1,508	—	(6,493)	—
Other current assets	803	17	—	—	—	820
Total current assets	10,953	3,273	2,156	122,158	(6,493)	132,047
Funds held in trust by others	41,554	—	—	—	—	41,554
Funds held in support of split interest agreements	12,701	—	—	—	—	12,701
Other assets	200	—	—	—	—	200
Loans to member congregations, net	—	—	6,212	—	—	6,212
Property and equipment, net	6,595	22	—	—	—	6,617
Royalty advances	—	183	—	—	—	183
Total assets	\$ 72,003	3,478	8,368	122,158	(6,493)	199,514

See accompanying independent auditors' report.

UNITARIAN UNIVERSALIST ASSOCIATION

Liabilities and Net Assets by Business Segment

June 30, 2006

(Dollars in thousands)

	Current	Beacon Press	CPLC	GIF	Eliminations	Total
Current liabilities:						
Accounts payable and accrued expenses	\$ 3,671	1,196	2	1,059	—	5,928
Payables for investments purchased	—	—	—	2,641	—	2,641
Current portion of annuity liabilities	416	—	—	—	—	416
Current portion of bank debt	1,133	—	850	—	—	1,983
Amounts due to (from) other business segments	1,338	140	—	5,015	(6,493)	—
Total current liabilities	6,558	1,336	852	8,715	(6,493)	10,968
Bank debt	—	—	—	—	—	—
Annuity liability and deferred revenue	2,734	—	—	—	—	2,734
Assets held in trust for others	7,101	—	—	25,719	—	32,820
Amounts due to member congregations	—	—	30	—	—	30
Accumulated postretirement benefit obligation	1,686	23	—	—	—	1,709
Total liabilities	18,079	1,359	882	34,434	(6,493)	48,261
Net assets:						
Unrestricted	4,721	1,998	1,748	10,892	—	19,359
Temporarily restricted	39,132	80	201	28,877	—	68,290
Permanently restricted	10,071	41	5,537	47,955	—	63,604
Total net assets	53,924	2,119	7,486	87,724	—	151,253
Total liabilities and net assets	\$ 72,003	3,478	8,368	122,158	(6,493)	199,514

See accompanying independent auditors' report.

UNITARIAN UNIVERSALIST ASSOCIATION

Activities by Business Segment

Year ended June 30, 2006

(Dollars in thousands)

	Current	Beacon Press	CPLC	GIF	Eliminations	Total
Support and revenue:						
Fund raising	\$ 8,343	—	—	—	—	8,343
Administration fees	906	—	—	—	(628)	278
Investment income – unrestricted	2,075	44	357	541	(2,075)	942
Investment income – temporarily restricted	—	—	—	928	—	928
Other income	3,056	153	—	—	(1,821)	1,388
Net sales from publishing activities	1,500	5,022	—	—	—	6,522
Distributions from Holden and Veatch and capital campaign contributions	9,161	—	—	—	(2,100)	7,061
General assembly	1,313	—	—	—	—	1,313
Gifts and bequests – unrestricted	—	70	—	55	—	125
Gifts and bequests – temporarily restricted	—	69	—	663	—	732
Gifts and bequests – permanently restricted	—	—	—	961	—	961
Net realized gains and losses on investments – unrestricted	—	—	—	2,221	—	2,221
Net realized gains and losses on investments – temporarily restricted	—	—	—	3,790	—	3,790
Net change in unrealized gains and losses on investments – unrestricted	—	—	—	549	—	549
Net change in unrealized gains and losses on investments – temporarily restricted	—	2	—	(2,336)	—	(2,334)
Net change in value – temporarily restricted	1,233	—	—	—	—	1,233
Net change in value – permanently restricted	282	—	—	—	—	282
Net assets released from restrictions – unrestricted	7,416	32	—	(2,622)	3,889	8,715
Net assets released from restrictions – temporarily restricted	(7,292)	(32)	—	(3,491)	2,100	(8,715)
Total support and revenue	27,993	5,360	357	1,259	(635)	34,334
Expenses:						
Board and volunteer leadership	716	—	—	—	—	716
Advocacy and witness	2,192	—	—	—	—	2,192
Congregational services	2,049	—	—	—	—	2,049
District services	2,325	—	—	—	—	2,325
Identity-based ministries	495	—	—	—	—	495
Lifespan faith development	828	—	—	—	—	828
Ministry and professional development	2,653	—	—	—	—	2,653
UU Funding Program	1,050	—	—	—	—	1,050
Crisis Relief Program	1,770	—	—	—	—	1,770
Communications	1,733	—	—	—	—	1,733
Cost of goods sold and publishing expenses	397	5,205	—	—	—	5,602
Administration	1,423	—	—	—	—	1,423
Stewardship and development	2,366	—	—	—	—	2,366
Information technology services	1,155	—	—	—	—	1,155
Internal services	2,157	—	—	—	—	2,157
General assembly	1,195	—	—	—	—	1,195
Expenses associated with investment pools	—	—	276	1,093	(635)	734
Interest expense	62	—	85	—	—	147
Total expenses	24,566	5,205	361	1,093	(635)	30,590
Support and revenue, net of expenses	3,427	155	(4)	166	—	3,744
Other changes in net assets	—	—	86	(86)	—	—
Cumulative effect of change in accounting principle	(390)	—	—	—	—	(390)
Increase in net assets	\$ 3,037	155	82	80	—	3,354

See accompanying independent auditors' report.

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Assets and Liabilities

June 30, 2006

(Dollars in thousands)

Assets:	
Investments in securities, at fair value (cost of \$103,825)	\$ 117,489
Dividends receivable	46
	<hr/>
Total assets	117,535
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Liabilities:	
Distributions payable	1,175
Accrued expenses	274
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Total liabilities	1,449
	<hr/>
Net assets (equivalent to \$7.645 per unit based on 15,184,593 outstanding shares)	116,086
	<hr/>
Total liabilities and net assets	\$ 117,535
	<hr/> <hr/>

See accompanying independent auditors' report and notes to General Investment Fund.

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Operations

Year ended June 30, 2006

(Dollars in thousands)

Investment income:	
Dividends (net of foreign tax withheld of \$4,746)	\$ 1,818
Other	50
Total investment income	<u>1,868</u>
Expenses:	
Administrative	473
Manager and consultant	586
Audit	30
Total expenses	<u>1,089</u>
Net investment income	<u>779</u>
Realized and unrealized gain (loss) from investments:	
Net realized gain from investments sold	7,615
Net change in unrealized appreciation (depreciation)	<u>(2,429)</u>
Net realized and unrealized gain from investments	<u>5,186</u>
Net increase in net assets from operations	<u>\$ 5,965</u>

See accompanying independent auditors' report and notes to General Investment Fund.

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Changes in Net Assets

Year ended June 30, 2006

(Dollars in thousands)

Increase (decrease) in net assets from operations:	
Net investment income	\$ 779
Net realized gain from investments sold	7,615
Net change in unrealized appreciation (depreciation)	(2,429)
Net increase in net assets from operations	<u>5,965</u>
Distributions to participants	(6,503)
Net increase in net assets from participant transactions	<u>4,400</u>
Net increase in net assets	3,862
Net assets:	
Beginning of year	<u>112,224</u>
End of year	<u><u>\$ 116,086</u></u>

See accompanying independent auditors' report and notes to General Investment Fund.

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Financial Highlights

Year ended June 30, 2006

(For a unit of participation outstanding throughout the year)

(Dollars in thousands)

Selected per-unit data:

Net asset value – beginning of year	\$ <u>7.6290</u>
Net investment income	0.0510
Net realized and unrealized gain from investments	<u>0.3930</u>
Total from investment operations	0.4440
Distributions to participants	<u>(0.4280)</u>
Net asset value – end of year	\$ <u><u>7.6450</u></u>
Total return (%) (a)(b)	5.80%
Ratio of expenses to net assets (%)	0.94

- (a) Total return calculation is based on the value of a single unit of participation outstanding throughout the year. It represents the percentage change in the net asset value per unit between the beginning and end of the year and assumes reinvestment of distributions, if any.
- (b) The UUA issues quarterly Performance Summary reports to unit holders in the GIF which show investment returns compared to benchmarks as calculated by the UUA's investment advisor. These rates of return differ from Net Asset Value Total Return for several reasons, among them: the investment returns on the Performance Summary are calculated before the deduction of investment management fees and expenses; and in some cases the periods covered for particular investment funds may not be identical in the two calculations.

See accompanying independent auditors' report and notes to General Investment Fund.

Schedule VIII

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Schedule of Investments

June 30, 2006

Asset name	Shares	Market value	Asset name	Shares	Market value
3M Co	900	\$ 72,693	American Tower Corporation - Cl A	700	\$ 49,256
Ames Investment Corp	10,400	51,896	Amgen Inc	900	58,707
Abbott Laboratories	500	21,805	Anadarko Petroleum Corp	300	14,307
Abraxis Bioscience Inc	5,600	133,504	Anheuser-Busch Companies Inc	600	27,354
ACE Ltd	900	45,531	Apache Corp	700	47,775
ADC Telecommunications Inc	2,671	45,033	Apollo Group Inc Cl A	10,100	521,867
Adobe Systems Inc	400	12,144	Apple Computer Inc	5,600	320,712
Advanced Micro Devices Inc	400	9,768	Appera Corp--Applied Biosystems Grp	250	8,088
AES Corp-Restd	400	7,380	Applied Materials Inc	2,500	40,700
Aetna Inc	500	19,965	Archstone-Smith Tr	250	12,718
Aflac Inc	500	23,175	Arkema-Sponsored Adr	23	897
Agere Systems Inc	2,910	42,777	Arris Group Inc	21,450	281,424
Agile Software Corp	4,400	27,896	Arrow Electronics Inc	1,000	32,200
Agilent Technologies Inc	600	18,936	Asyst Technologies Inc	12,600	94,878
Agrium Inc	5,800	134,676	AT&T Inc	11,672	325,533
Air Products & Chemicals Inc	500	31,960	Atheros Communications	4,500	85,725
Alberto Culver Company	50	2,436	Autodesk Inc	100	3,446
Alexander & Baldwin Inc	3,000	132,810	Autoliv AB	1,400	79,198
Algoma Steel Inc	1,000	31,763	Automatic Data Processing Inc	800	36,280
Allegheny Energy Inc	200	7,414	Avaya Inc	50	571
Allegheny Technologies Inc	100	6,924	Avery Dennison Corp	150	8,709
Allergan Inc	4,200	450,492	Avon Products Inc	1,100	34,100
Allstate Corporation	900	49,257	Axcelis Technologies Inc	24,200	142,780
Alpha Natural Resources Inc	350	22,341	Baker Hughes Inc	200	16,370
Amazon.com Inc	5,700	111,834	Bank of America Corp	10,109	486,243
Ambac Financial Group Inc	200	7,736	Bank of New York Inc	150	4,830
Amer Movil Sa De Cv Ser L-Sponsd Ad	350	28,385	Bard (C R) Inc	150	10,989
American Electric Power Co Inc	8,000	266,080	Barr Pharmaceuticals Inc	150	7,154
American Express Co	2,500	85,625	Basin Water Inc	2,050	20,541
American International Group	1,800	95,796	Bauer Eddie Holdings Inc	4,000	46,000
American Power Conversion Corp	5,400	318,870	Bausch & Lomb Inc	50	2,452
American Standard Companies Inc	450	8,771	Baxter International Inc	450	16,542
Amerisourcebergen Corp	50	2,164	BB & T Corporation	1,750	72,783
	1,175	21,784			

Schedule VIII

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Schedule of Investments

June 30, 2006

Asset name	Shares	Market value	Asset name	Shares	Market value
BE Aerospace Inc	9,150	\$ 209,169	Chicago Mercantile Exchange	1,500	\$ 736,725
Bearingpoint Inc	7,000	58,590	Chubb Corp	2,400	119,760
Beazer Homes USA Inc	2,400	110,088	CIGNA Corp	50	4,926
Becton Dickinson & Co	300	18,339	Cincinnati Financial Corp	250	11,753
Bed Bath & Beyond Incorporated	879	29,157	Cisco Systems Inc	5,500	107,415
Bellsouth Corp	7,050	255,210	CIT Group Inc	100	5,229
Best Buy Inc	25	1,371	Citigroup Inc	13,450	648,963
Biomet Inc	200	6,258	Citizens Communications Co	650	8,483
BJs Wholesale Club Inc	4,200	119,070	Clear Channel Communications Inc	100	3,095
BMC Software Inc	300	7,170	Clorox Co	1,450	88,407
Borgwarner Inc	925	60,218	CMS Energy Corp	350	4,529
Boston Properties Inc	150	13,560	Coach Inc	250	7,475
Boston Scientific Corp	601	10,121	Coca Cola Co	3,000	129,060
Bowne & Co Inc	11,000	157,300	Colgate Palmolive Co	1,400	83,860
BP Plc-Sponsored Adr	1,000	69,610	Comcast Corp Cl A	4,000	130,960
Bristol Myers Squibb Co	1,224	31,653	Comerica Inc	2,150	111,779
* Brocade Communications Systems Inc	32,300	198,322	Complete Production Services Inc	11,150	263,586
Brookfield Homes Corp	2,029	66,856	Compuware Corporation	500	3,350
Brown Forman Corp Class B	50	3,573	Comstock Homebuilding Cos Inc-A	3,100	19,623
Bunge Limited	450	22,613	Conagra Inc	3,700	81,807
CA Inc	250	5,138	* Conocophillips	2,824	185,057
Campbell Soup Co	200	7,422	Conseco Inc	2,300	53,130
Capital Leasing Funding Inc	7,100	81,011	Consol Energy Inc	50	2,336
Capital One Financial Corp	50	4,273	Consolidated Edison Inc	650	28,886
Cardinal Health Inc	100	6,433	Constellation Brands Inc-A	300	7,500
Caremark RX Inc	200	9,974	Constellation Energy Group	900	49,068
CBS Corp-B	3,950	106,848	Convergys Corporation	400	7,800
Centene Corp	4,300	101,179	Cooper Inds Lid Cl A	600	55,752
Centerpoint Energy Inc	500	6,250	Corning Inc	650	15,724
Centurytel Inc	400	14,860	Crane Co	1,300	54,080
Ceridian Corp	600	14,664	Crown Castle International Corp	2,500	86,350
CF Industries Holdings Inc	15,100	215,326	Crown Hldgs Inc	1,800	28,026
Chesapeake Energy Corp	1,250	37,813	CSX Corp	1,800	126,792
* Chevron Corp	4,793	297,454	Cummins Inc	200	24,450

Schedule VIII

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Schedule of Investments

June 30, 2006

Asset name	Shares	Market value	Asset name	Shares	Market value
CVS Corp	650	\$ 19,955	Federal National Mortgage Assn	4,600	\$ 221,260
Daimlerchrysler Ag	1,200	59,232	FedEx Corp	100	11,686
Deere & Company	300	25,047	Fieldstone Investment Corp	24,000	219,840
Del Monte Foods Co	1,700	19,091	First Data Corp	100	4,504
Dell Inc	1,180	28,863	First Horizon Natl Corp	500	20,100
Devon Energy Corp	700	42,287	Fisher Scientific Intl Inc Com	150	10,958
Disney (the Walt) Company Del	1,200	36,000	Flextronics International Ltd	4,500	47,790
Dollar General	450	6,291	Flowserve Corp	5,700	324,330
Dominion Resources Inc	1,500	112,185	Fluor Corp (New)	100	9,293
Dow Chemical Co	2,000	78,060	Ford Motor Co	1,150	7,970
Du Pont E I de Nemours & Co	1,500	62,400	Forest Labs Inc	350	13,542
Duke Energy Corp	506	14,861	Fortune Brands Inc	50	3,551
E Trade Group Inc	500	11,410	Foundation Coal Holdings Inc	4,700	220,571
Eagle Hospitality Properties	4,100	39,483	FPL Group Inc	450	18,621
Eastman Kodak Co	350	8,323	Franklin Resources	100	8,681
eBay Incorporated	22,800	667,812	Freeport-McMoran Copper & Gold Cl B	50	2,771
Eclipsys Corp	12,000	217,920	Freescale Semiconductor Inc-B	200	5,880
Ecolab Inc	2,205	89,479	Friedman Billings Ramsey Grp Inc A	24,500	268,765
El Paso Corp	3,100	46,500	Furniture Brands Intl Inc	4,000	83,360
Electronic Arts	150	6,456	Gannett Co Inc	50	2,797
Electronic Data Sys Corp New	4,750	114,285	Gap (The) Inc	750	13,050
Embarq Corp	345	14,142	Gasco Energy Inc	20,250	87,885
EMC Corp Mass	900	9,873	Genentech Inc	9,900	809,820
Emerson Electric Co	850	71,239	General Mills Inc	4,000	206,640
Entergy Corp New	1,200	84,900	Genitope Corp	2,800	17,696
EOG Resources Inc	600	41,604	Genuine Parts Co	250	10,415
Equifax Inc	100	3,434	Genzyme Corporation	9,400	573,870
Equity Office Properties Trust	750	27,383	Gilead Sciences Inc	200	11,832
Express Scripts Inc Class A	50	3,587	Global Santa Fe Corp	2,000	115,500
Exxon Mobil Corp	87	5,337	Golden West Financial Corp	240	17,808
* Family Dollar Stores Inc	300	7,329	Goldman Sachs Group Inc	325	48,890
Federal Home Loan Mortgage-Voting	3,250	185,283	Google Inc-Cl A	2,332	977,878

Schedule VIII

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Schedule of Investments

June 30, 2006

Asset name	Shares	Market value	Asset name	Shares	Market value
Government Properties Trust	600	\$ 5,694	Jabil Circuit Inc	200	\$ 5,120
Grainger W W Inc	100	7,523	Jameson Inns Inc	20,600	60,152
Gray Television Inc	1,200	6,948	JDS Uniphase Corp	750	1,898
Great Plains Energy Inc	3,100	86,366	Johnson & Johnson	1,350	80,892
H&R Block Inc	300	7,158	Johnson Controls Inc	100	8,222
Hanover Insurance Group Inc	4,700	223,062	Jones Apparel Group Inc	2,100	66,759
Hartley Davidson Inc	100	5,489	Juniper Networks Inc	100	1,599
Hartford Financial Servcs Group Inc	1,950	164,970	Keane Inc	12,350	154,375
Health Management Assoc Inc Class A	100	1,971	Kellogg Co	1,850	89,596
Herbalife Ltd	10,350	412,965	Kelly Services Inc Class A	8,400	228,228
Hercules Offshore Inc	4,750	166,250	Keycorp New	2,700	96,336
Hershey Foods Corp	100	5,507	Keyspan Corp	350	14,140
Hewlett-Packard Co	8,000	253,440	Kimberly Clark Corp	2,475	152,708
Hilton Hotels Corp	300	8,484	KMG America Corp	5,200	46,124
Hologic Inc	2,450	120,932	Kohls Corporation	150	8,868
Home Depot Inc	450	16,106	Kroger Co	4,000	87,440
Hospira Inc	50	2,147	Labopharm Inc	6,200	48,980
Hubbell Inc Class B	425	20,251	Legg Mason Inc	50	4,976
Huntington Bancshares Inc	3,500	82,530	Leggett & Platt Incorporated	50	1,249
Ikon Office Solutions Inc	11,800	148,680	Lehman Brothers Holdings Inc	850	55,378
Illinois Tool Works Inc	450	21,375	Lexington Corporate Properties Trust	3,800	82,080
Informatica Corp	12,650	166,474	Lexmark International Inc	50	2,792
Ingersoll-Rand Co-A	600	25,668	Lilly (Eli) & Co	1,850	102,250
Intel Corp	2,950	56,050	Limited Brands	4,200	107,478
Intercontinental Exchange Inc	2,800	162,232	Lincoln National Corp	250	14,110
International Business Machines Corp	2,010	154,408	Live Nation	3,300	67,188
Interoil Corp	8,300	157,700	Liz Claiborne Inc	50	1,853
Interpublic Group Companies Inc	3,600	30,060	Lodgian Inc	13,000	185,250
Intuitive Surgical Inc	1,900	218,500	Lowes Cos Inc	10,000	606,700
Investment Technology Group Inc	4,200	213,612	Lubrizol Corp	2,800	111,580
Iron Mountain Inc	4,000	149,520	Lucent Technologies Inc	600	1,452
IXIA	13,900	125,100	Luna Innovations Inc	500	3,000
J P Morgan Chase & Co	8,176	343,392	M D C Hldgs Inc	1,100	57,123

Schedule VIII

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Schedule of Investments

June 30, 2006

Asset name	Shares	Market value	Asset name	Shares	Market value
M&T Bank Corporation	200	\$ 23,584	Morgan Stanley Dean Witter & Co	900	\$ 56,889
Magna Entertainment Corp-Cl A	15,600	82,056	Mortgageit Holdings Inc	4,800	57,888
Magna International Inc-Cl A	850	61,175	Motorola Inc	1,900	38,285
* Marathon Oil Corp	2,365	197,005	National City Corp	3,525	127,570
Marriott International Inc-Class A	1,300	49,556	National Oilwell Varco Inc	500	31,660
Mattel Inc	3,400	56,134	New York Times Class A	150	3,681
MBIA Inc	1,800	105,390	Newmont Mining Corp	50	2,647
McComick & Co Inc Non-Voting	250	8,388	News Corp Inc-Cl A	900	17,262
McDonalds Corp	4,400	147,840	NII Hldgs Inc-B	4,000	225,520
McKesson Corp	475	22,458	Nike Inc Class B	450	36,450
Meadwestvaco Corp	1,250	34,913	Noble Corporation	800	59,536
Medco Health Solutions Inc	50	2,864	Nokia Corp Ads Ser A	2,900	58,754
Medtronic Inc	6,050	283,866	Nordstrom Inc	400	14,600
Mellon Financial Corp	1,800	61,974	Norfolk Southern Corp	450	23,949
* Merck & Co Inc	5,905	215,120	North Fork Bancorporation Inc NY	300	9,051
Mercury Interactive Corp	600	20,982	Northeast Utilities	1,000	20,670
Merrill Lynch & Co Inc	2,775	193,029	Northern Trust Corp	50	2,765
MetLife Inc	2,300	117,783	Northern Trust Corp	9,500	62,985
MGIC Investment Corp Wis	650	42,250	Nucor Corp	400	21,700
MI Developments Inc Cl A	8,200	278,062	Nvidia Corp	50	1,065
Micron Technology Inc	350	5,271	Occidental Petroleum Corp	1,300	133,315
Microsoft Corporation	6,870	160,071	Office Depot Inc	2,750	104,500
Millipore Corp	50	3,150	Omnicom Group Inc	50	4,455
Mobility Electronics Inc	7,600	55,176	Openwave Systems Inc	17,750	204,835
Molex Inc	400	13,428	Oracle Corp	1,344	19,475
Molson Coors Brewing Co-Cl B	700	47,516	Orasure Technologies Inc	10,350	98,532
Monster Worldwide Inc	100	4,266	Overseas Shipbuilding Group	2,600	153,790
Moody's Corp	7,400	403,004	Owens Illinois Inc	2,400	40,224

Schedule VIII

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Schedule of Investments

June 30, 2006

Asset name	Shares	Market value	Asset name	Shares	Market value
Pall Corp	200	\$	RH Donnelley Corporation	1,100	59,477
Pathmark Stores Inc	6,900	64,929	Rockwell Automation Inc	50	3,601
Patterson Cos Inc	4,500	157,185	Rohm & Haas Co	400	20,048
Paychex Inc	150	5,847	Rowan Cos Inc	2,500	88,975
Penney J C Co	100	6,751	Sabre Holdings Corp	400	8,800
Pepsi Bottling Group Inc	200	6,430	Safeco Corp	350	19,723
PepsiCo Inc	1,450	87,058	Safeway Inc	3,000	78,000
Perkinelmer Inc	50	1,045	Sandisk Corp	50	2,549
Pfizer Inc	18,400	431,848	Sammina Sci Corp	11,400	52,440
PHH Corp	6,000	165,240	Sara Lee Corp	1,900	30,438
Pinnacle West Capital Corp	1,100	43,901	SBA Communications Corp	10,050	262,707
Pioneer Cos Inc	4,100	111,848	Schlumberger Ltd	3,500	227,885
Pitney-Bowes Inc	1,600	66,080	Schwab Charles Corp New	500	7,990
PMA Cap Corp	3,200	32,960	Scripps Howard Inc CI A	750	32,355
PNC Financial Services Group	600	42,102	Sealed Air Corp New	50	2,604
PPG Industries	1,600	105,600	Sempra Energy	500	22,740
PPL Corp	200	6,460	Sherwin Williams Co	300	14,244
Praxair Inc	550	29,700	SLM Corp	550	29,106
Principal Financial Group Inc	400	22,260	Smurfit-Stone Container Corp	3,100	33,914
Procter & Gamble Co	4,863	270,383	Snap on Inc	200	8,084
Progressive Corp (Ohio)	200	5,142	Soletron Corp	11,900	40,698
Prologis Trust	300	15,636	Sonoco Products	1,600	50,640
Prudential Finl Inc	1,100	85,470	Southern Union Co New	4,445	120,282
Public Service Enterprise Group Inc	100	6,612	Southwest Airlines Co	1,700	27,829
Pulte Homes Inc	350	10,077	Sovereign Bancorp Inc	1,200	24,372
Qualcomm Inc	1,250	50,088	Spherion Corp	6,600	60,192
Qualcomm Inc	13,400	536,938	Sprint Nextel Corp	7,683	153,583
Quanta Capital Holdings Ltd	5,600	14,504	SPX Corp	1,700	95,115
Quest Diagnostics Inc	200	11,984	St Joe Company	1,000	46,540
Quest Communications Intl Inc	450	3,641	St Jude Medical Inc	100	3,242
Red Hat Inc	11,500	269,100	St Paul Travelers Cos Inc	3,850	171,633
Redwood Trust Inc	2,600	126,958	Stanley Works	50	2,361
Rent-A-Center Inc	2,100	52,206	Staples Inc	300	7,305

Schedule VIII

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Schedule of Investments

June 30, 2006

Asset name	Shares	Market value	Asset name	Shares	Market value
Starbucks Corp	25,250	\$ 953,440	United Amer Indemnity Ltd-A	5,179	\$ 107,930
Starwood Hotels & Resorts	100	6,034	United Parcel Service Inc-CI B	400	32,932
State Street Corp	450	26,141	Unitedhealth Group Inc	200	8,956
Stellent Inc	7,850	74,968	Univision Communications Inc CI A	200	6,700
Stryker Corp	4,800	202,128	Unumprovident Corp	450	8,159
Sun Micro Systems	2,450	10,168	US Bancorp	2,500	77,200
Sunoco Inc	50	3,465	USANA Health Sciences Inc	1,950	73,905
Sunterra Corp	6,000	61,440	V F Corp	500	33,960
Suntrust Banks Inc	700	53,382	Valassis Communications Inc	7,300	172,207
Superior Well Services Inc	7,750	192,975	Valero Energy Corp New	500	33,260
Supervalu Inc	236	7,245	Varian Medical Systems Inc	4,800	227,280
Symantec Corp	500	7,770	Veeco Instrs Inc Del	7,300	174,032
Synagro Technologies Inc	715	2,810	Verisign Inc	150	3,476
Synovus Financial Corp	2,000	53,560	Verizon Communications	9,700	324,853
Sysco Corp	850	25,976	Viacom Inc-B	3,150	112,896
T Rowe Price Group Inc	550	20,796	Viasys Healthcare Inc	7,950	203,520
Target Corp	1,200	58,644	Wachovia Corp	3,350	181,168
Tellabs Inc	3,850	51,244	Waddell & Reed Financial Inc CI A	1,300	26,728
Temple Inland Inc	500	21,435	Walgreen Co	11,400	511,176
Teva Pharmaceutical Inds Ltd Adr	14,800	467,532	* Wal-Mart Stores Inc	70	3,372
Texas Instruments Inc	1,350	40,892	Warnaco Group Inc CI A	13,100	244,708
The McClatchy Company	26	1,027	Washington Mutual Inc	2,900	132,182
Thermo Electron Corp	500	18,120	Waters Corp	100	4,440
Thomas Properties Group	2,500	29,400	Watts Industries Inc Class A	3,700	124,135
Thomas Weisel Partners Group Inc	5,100	96,951	WCI Communities Inc	13,200	265,848
Tiffany & Co	500	16,510	Wellcare Group Inc	4,500	220,725
Time Warner Inc	13,250	229,225	Wellpoint Inc	400	29,108
TJX Companies Inc	800	18,288	Wells Fargo Co	5,150	345,462
Total Fina Elf SA-Spons Adr	950	62,244	Wendys International Inc	50	2,915
Toyota Motor Corp 2 Com Adr	600	62,754	Westwood One Inc	22,800	171,000
Transocean Inc	50	4,016	Weyerhaeuser Co	150	9,338
Tronox Inc-A	1,300	16,874	Whirlpool Corp	100	8,265
TXU Corp	250	14,948	Whole Foods Market Inc	250	16,160

Schedule VIII

UNITARIAN UNIVERSALIST ASSOCIATION

General Investment Fund Schedule of Investments

June 30, 2006

Asset name	Shares	Market value	Asset name	Shares	Market value
Williams Cos Inc	150	\$ 3,504	Zimmer Holdings Inc	3,500	\$ 198,520
Wrigley (WM) Jr Co	1,150	52,164	GMO Global Bond Fund-III	631,171	5,541,678
Xcel Energy Inc	1,100	21,098	SIT Total Return 11 Trust	1,021,326	21,866,314
Xerox Corp	1,300	18,083	STI Classic Seix High Yield Bd Fd-I	591,864	6,179,058
Xilinx Inc	400	9,060	Templeton Instl Foreign Equity Fds	794,056	18,970,006
XL Capital Ltd-A	900	55,170	Blackrock	5,000,000	5,147,150
XTO Energy Inc	550	24,349	Bridgewater Associates	10,000,000	9,787,836
Xyratex Ltd	6,800	179,860	Relational Investors	5,000,000	5,042,201
Yahoo Inc	20,500	676,500	Merrimac Treasury Plus	2,054,780	2,054,780
					115,224,592
			Cash and equivalents		2,264,037
			Total		\$ 117,488,629

* Securities held for the purposes of shareholder activism.

See accompanying independent auditors' report and notes to General Investment Fund.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to General Investment Fund

June 30, 2006

(Dollars in thousands)

(1) Investment Transactions

Purchases and proceeds from sales of securities during the year ended June 30, 2006 were \$38,460 and \$60,827, respectively.

(2) Units of Participation

Participant transactions for the GIF for the year ended June 30, 2006 were as follows:

	Units	Amount
Units issued	950,296	\$ 7,453
Units redeemed	(720,898)	(5,637)
Reinvestments	249,235	1,940
Total	478,633	\$ 3,756

(3) Reconciliation of GIF Accounting Methods

The GIF is reported in the accompanying supplemental schedules on a modified-cash basis. Under the modified-cash basis, dividend income is recorded on the ex-dividend date and distributions to participants are recorded when declared. Expenses of the Fund are recorded when paid. The following reconciles net assets of the Fund per the accompanying basic financial statements with amounts reported in the accompanying supplemental schedules.

Net assets per financial statements:	
Unrestricted	\$ 10,892
Temporarily restricted	28,877
Permanently restricted	47,955
	87,724
Assets held in trust for others	25,719
	113,443
CPLC and Beacon Press participation in the Fund	1,201
Helen Robertson Trust Fund held separately	(25)
Value of Fund per basic financial statements	1,176
Accrued Fund expenses	1,467
Fund net assets per accompanying supplemental schedule of General Investment Fund assets and liabilities	\$ 116,086