



<i>Closed session begins.</i>		
6:00 – 6:45	Unitarian Universalist People of Color Chronicles	Joseph Santos-Lyons
6:45 – 7:30	Dinner at the UUA	
7:30 – 8:40	Check-In	Chaplains
8:40 – 9:00	Vespers	Chaplains
9:00	Adjourn for the Day	
<i>Closed session ends.</i>		



Pre-9:30	Breakfast on Your Own	
<i>Closed session begins.</i>		
9:30 – 12:30	Commission on Institutional Change	Leslie Takahashi
<i>Closed session ends.</i>		
12:30 – 1:30	Lunch at the UUA	
1:30 – 1:50	Board Photo	
1:50 – 2:00	Consent Agenda	Mr. Barb Greve
2:00 – 3:30	Staff Reports	Susan Frederick-Gray Carey McDonald Andrew McGeorge Lauren Smith Jessica York
	• President's Report	
	• Finance	
	• Annual Program Fund	
	• UU the Vote Update & Vote on Budget	
• National Advisory Council		
3:30 – 4:00	Board Reports	Kathy Burek
	• Values Resources Alignment Working Group	
4:00 – 5:00	Ministerial Fellowship Committee	Shana Lynngood
5:00 – 5:15	Closing Words	
5:15	Adjourn for the Day and <i>Dinner on Your Own</i>	

Pre-9:30	Breakfast on Your Own	
9:30 – 9:40	Opening Words	
9:40 – 10:00	Thoughts from Yesterday	Mr. Barb Greve
10:00 – 11:00	General Assembly (GA) <ul style="list-style-type: none"> • Rules & Procedures – Affirm Changes • Business Agenda • Commission on Institutional Change (COIC) • Bylaw Changes • Elections, Including Moderator (discuss with Elections Campaign Practices Committee?) • Business Resolution(s) 	John Newhall Kathy Burek Greg Boyd Tom Schade Mr. Barb Greve Elandria Williams Carey McDonald
11:00 – 12:00	Presidential Search / Election Changes	Matthew Johnson
12:00 – 12:30	Voting / Making Decisions	
12:30 – 1:30	Lunch at the UUA	
<i>Executive Session begins.</i>		
1:30 – 2:45	Appointments Distinguished Service Award	Mr. Barb Greve Patrick McLaughlin
<i>Executive Session ends.</i>		
2:45 – 3:00	Check-Out and Closing	
3:00	Adjourn & Depart	

Board of Trustees

MEETING: November 18, 2019, 8:00 pm, Eastern Time

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

MEMBERS PRESENT: Greg Boyd, Kathy Burek, Pablo deVos-Deak (youth trustee), Suzanne Fast, Susan Frederick-Gray (President), Mr. Barb Greve (Co-Moderator), Sarah Dan Jones, Sherman Logan, Leslie MacFadyen, Manish Mishra-Marzetti, Patrick McLaughlin, John Newhall, Lucia Santini Field (Financial Advisor), Tom Schade

ADDITIONAL PARTICIPANTS: Carey McDonald (Recording Secretary & Executive Vice President), Andrew McGeorge (Treasurer), Danielle Di Bona (Chaplain)

Meeting Minutes

Board met in Executive Session to discuss moderator candidates on Nov 7.

EXECUTIVE SESSION

The Board met in executive session to discuss candidates for the position of Moderator. It was later reported that the Board unanimously approved the following motion:

Motion: The UUA Board of Trustees nominates Meg A. Riley and Charles E. Du Mond jointly to the position of Moderator for the special election to take place at General Assembly in June 2020, to complete the unfilled term that began in 2019 and which expires at the end of General Assembly in June 2025.

Members noted their intent to actively support their nominated team, should the Moderator election be contested.

The meeting closed at 9:43 pm.

Respectfully submitted,

/s/ Carey McDonald

Recording Secretary



Board of Trustees

MEETING: December 6, 2019, 8:00 pm, Eastern Time

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

MEMBERS PRESENT: Kathy Burek, Pablo deVos-Deak (youth trustee), Suzanne Fast, Susan Frederick-Gray (President), Mr. Barb Greve (Co-Moderator), Sarah Dan Jones, Sherman Logan, Leslie MacFadyen, Manish Mishra-Marzetti, Patrick McLaughlin, John Newhall, Lucia Santini Field (Financial Advisor), Elandria Williams (Co-Moderator)

ADDITIONAL PARTICIPANTS: Carey McDonald (Recording Secretary & Executive Vice President), Andrew McGeorge (Treasurer), Leslie Takahashi, Linnea Nelson, Bill Young, Elaine McArdle, Debra Boyd, Kim Hampton, Mary Heafy

Meeting Minutes

Vice Moderator John Newhall opened the meeting at 8:04 pm, and led an opening chalice lighting. Members and participants offered a brief personal check-in.

Consent Agenda

Patrick McLaughlin moved, John Newhall seconded, and the Board unanimously approved the consent agenda, which consisted of the minutes from the October Board meeting.

Financial Secretary's report

Kathy Burek described the work of the Values and Resources Alignment Working Group, asked for feedback on the working group planning document.

Article II Working Group report

Patrick McLaughlin and Greg Boyd noted they are revising the charge to the upcoming Article II Working Group. They noted that the proposed timeline based on Bylaw requirements is complicated by the goal of transparency and the need make it possible for a wide number of UUs to engage the process. Discussion and finalizing this charge will be a part of January Board meeting.

Orientation manual

Kathy Burek and Stephanie Carey Maron are working on revisions to the Board orientation manual and will submit revisions at an upcoming Board meeting.



MOCHA/BCTI Chart (Board roles)

Board members were asked to review an updated version of the roles and responsibilities chart, so that the Co-Moderators can finalize an updated/combined chart in the near future.

Commission on Institutional Change report

Leslie Takahashi gave an update from the Commission on Institutional Change (COIC). She noted that the COIC is working on completing its written report in time to be published by General Assembly, which they hope to be able to send to everyone. COIC members will join January Board meeting virtually to discuss some final questions arising from the Commission's report.

She shared that the COIC is focused on the outreach and dissemination strategies for the COIC's report. She noted that the COIC has done outreach to some groups which have been critical of the UUA's approach to anti-racism work to invite them to share their perspectives as part of the Commission's information gathering. The COIC will host a series of workshops at General Assembly, filming as many as possible to share online afterwards. COIC members also joined an episode of The VUU, and may do so again in the Spring.

MFC Meeting Report

Patrick McLaughlin, Sherman Logan, and Elandria Williams reported back from their attendance at the December meeting of the Ministerial Fellowship Committee (MFC), where they sat in on business meetings and on panel interviews of ministerial candidates. They confirmed that the MFC members are dedicated, committed, skilled, and hard-working, and also that the MFC continues on its path to reexamine its culture to address historic and current problems.

Board members noted the MFC's real focus on care for candidates, without the sense of anxiety that has been present at in the past. They also described their work to extend that care to their peer colleagues as members on the committee, given the demanding workload for the MFC, especially for Executive Committee members in their role addressing misconduct cases.

MFC members are having an active conversation about how they want to change the way they operate, including looking at its procedures captured in "The Ways of the MFC." New ideas around ministerial fellowship are being explored through the Shared Ethics Approach project with other professional groups, as well as discussions led by the Commission on Institutional Change. The MFC has also requested the Board take action in the past few years to approve changes to MFC policies and support amendments to the UUA bylaws. Board members noted the need for ongoing discussion of the distinct roles of the Board and the MFC as a committee of the Board in how policy changes are addressed and how they work together.

UU the Vote

Executive Vice President Carey McDonald shared an update on the UU the Vote initiative. The UUA had a successful Giving Tuesday fundraiser with the UU the Vote soft launch as a focus. Board members were asked to join the January 12 full launch webinar and encourage their congregations to host a watch party. More



details on the UU the Vote initiative will be shared upcoming Board meetings as it gets fully underway.

Murray Grove Association Distribution

Treasurer Andrew McGeorge summarized the request for the Board to approve a 25% distribution of the Murray Grove Fund, a trust managed by the UUA, to fund a capital campaign of the Murray Grove Association (MGA). Board members supported the direction of a capital campaign at the Murray Grove retreat center, and encouraged the MGA to take concerns about accessibility for attendees seriously in their plans. Kathy Burek moved, Sarah Dan Jones seconded, and the Board unanimously approved the distribution motion.

EXECUTIVE SESSION

At 8:57 pm, Board members moved into Executive Session for the purpose of considering appointments. The following appointment was later reported:

Genevieve Baldwin was appointed to fill the remaining term of Youth Trustee on the Board until June 2021.

The meeting ended at 10:13 pm.

Respectfully submitted,

/s/ Carey McDonald

Recording Secretary



SOCIALLY RESPONSIBLE INVESTMENT GUIDELINES

I. Introduction

The Investment Committee (IC), advised by the Socially Responsible Investing Committee (SRIC), shall manage the UUCEF in a manner consistent both with Unitarian Universalist values and the Fund's return and risk objectives.

This work continues in unbroken line the vision of those Unitarians and Universalists who have sought financial expression of justice. As articulated by the 1999 UUA Task Force on Socially Responsible Investing, "Socially Responsible Investing allows the UUA to harness the power of its financial resources to live out and express UU values."

This policy addresses investment criteria on environmental, social and governance issues. In implementing this policy, we are cognizant of the intersectionality of all of these issues, and we are guided by the UUA commitment to advancing racial justice, supporting multi-culturalism and dismantling white supremacy culture, which is a system of wealth, power and privilege that advantages white people and keeps people of color on the margins. As the 2017 Statement of Conscience put it: "The escalation of income and wealth inequity undergirds many injustices that our faith movement is committed to addressing, including: economic injustice, mass incarceration, migrant injustice, climate change, sexual and gender injustice, and attacks on voting rights."

The securities held in the UUCEF fall into two categories, and the incorporation of UU values is handled differently for each.

- (a) Separate accounts, which hold individual securities. These securities are managed by specialized investment managers, but the UUCEF can direct those managers to eliminate specific companies or industries from the portfolios.
- (b) Co-mingled funds, including private co-mingled funds, mutual funds, ETFs and similarly structured vehicles. With these assets, the UUCEF has no direct influence over the securities included in the portfolios. In these cases, the UUCEF brings UU values to bear in the selection of the managers.

When applying the SRI Guidelines, the Investment Committee Guidelines ("IC Guidelines") and the UUA Investment Policy ("Investment Policy") and the Guidelines and Policy on the UUCEF Community Investing ("Community Investing") and other applicable socially responsible investing criteria (together "Policies and Guidelines"), the Investment Committee ("IC") and the SRIC shall collaborate to optimize the investments of the Unitarian Universalist Common Endowment Fund (the "UUCEF" or the "Fund"), within the context of these guidelines and the investment and impact opportunities available in the markets.

II. Security Selection in Separate Accounts

Investments of the UUCEF funds in specific companies are to be avoided or preferred according to their implementation of environmental, social and governance ("ESG") policies, practices, performance and disclosure. The SRIC, Investment Committee and UUA Treasurer shall work collaboratively with investment consultants to develop an applicable framework. Both committees shall then determine thresholds of investment (these may be by industry sector, investment vehicle, and/or other appropriate categories). Small holdings of such companies may be maintained in the Advocacy Portfolio for the purpose of shareholder advocacy.

A. Environment and climate change

Investments are preferred in companies that (1) produce products or services that reduce waste generation or conserve natural resources; (2) reduce the use of energy, water, fertilizer, pesticides, and hormones in food production; (3) show significant progress in reducing volume and toxicity of waste, emissions and effluents; (4) have innovative programs to reduce use of

energy, water, materials and land; (5) have consistently good compliance records; (6) have strong environmental management systems including clear environment policies and audits; (7) are committed to standardized environmental reporting (e.g., Global Reporting Initiative, CDP, UN Guiding Principles on Human Rights), (7) are proactively addressing global climate change by aligning their long-term strategy with the goals of the Paris Climate Agreement including a just transition; and (8) publicly support policy solutions to climate change and other environmental threats.

The UUCEF seeks to avoid investing in companies that (1) show a pattern of serious violations of environmental regulations; (2) show a below-average record of environmental performance and/or are responsible for significant environmental damage; (3) are in industry sectors with high adverse impact on the environment and have no mitigation strategy; (4) have been negligent in handling significant environmental problems; (5) are significantly involved in practices with negative global impacts such as rainforest destruction and ozone depletion; (6) contribute in significant ways to climate change, and/or (7) oppose directly and/or through third-party affiliates policies addressing climate change and other environmental problems.

Consistent with the 2014 Business Resolution adopted by the General Assembly, the UUCEF will not make new investments in companies listed on the Carbon Underground 200 (formerly the Carbon Tracker 200) list. However, the UUCEF may purchase minimal shares of these companies for the Advocacy Portfolio in order to enable the introduction of shareholder resolutions and other forms of engagement.

B. Social

The UUCEF favors investment in companies with explicit human rights principles, encompassing the rights of indigenous peoples and immigrants and addressing racial justice. We seek to invest in companies that fulfill the responsibility to respect human rights as articulated in the UN Guiding Principles on Business and Human Rights. Furthermore, we will favor companies with fair labor standards including freedom of association that guide their domestic and global operations in both owned facilities and their supply chains. Also favored are companies with (1) safe, useful high-quality products or services that enhance the quality of life; (2) responsible pricing and marketing practices; (3) high performance in addressing product safety; (4) strong policies and programs in recruiting and development for historically marginalized people; (5) innovative labor policies demonstrating commitment to quality of life (paid time off for volunteering, sabbaticals, employee recognition, company sponsored volunteer programs, flex-time, part-time benefits, job sharing, telecommuting and dependent care); (6) inclusive nondiscrimination policies (e.g., race, national origin and religion, sexual orientation, gender identity and expression, same sex partner benefits, positive union relations or employee participation) and adherence to those policies; (7) strong emergency and on-going safety programs and performance (8) strong records of investing in local communities (e.g., as exemplified by outstanding Community Reinvestment Act ratings); and (9) business ethics standards that are clear, widely disseminated, and enforced.

The UUCEF seeks to avoid investing in companies with direct violations of the most basic human rights to survival and integrity (e.g. the use of forced labor, child labor, sweatshops and other violations of International Labor Organization standards). UUCEF investments will also avoid companies that (1) negatively impact indigenous peoples, immigrants and local communities (2) fail to obtain free, prior and informed consent for projects affecting communities; (3) fail to invest adequately in local communities; (4) engage in predatory lending or redlining; (5) manufacture or sell products with adverse public health consequences; (6) conduct misleading or irresponsible marketing of products or services; (7) demonstrate patterns of violating equal employment opportunity (“EEO”) or Occupational Safety and Health Administration (“OSHA”) rules or comparable recognized international standards; and/or (8) demonstrate labor relations problems.

C. Governance

Preference is given to companies with good performance in matters of ethical corporate governance principles: (1) accountability (independent monitoring and reporting on ESG performance); (2) democratic practices including equal voting rights for all shareholders; (3) transparency (regular audits e.g., full disclosure of charitable giving and full disclosure of election and lobbying policies, practices, oversight and amounts contributed, including through third parties); (4) embeddedness, i.e., ethical behavior is normative in corporate culture (e.g., above average representation of historically marginalized peoples on boards of directors and in senior management and pipeline positions, performance-based executive compensation that considers a company's impact on all stakeholders, and policies that hold perpetrators of sexual violence accountable); and (5) responsibility (e.g., community investment, generous corporate philanthropy, positive engagement with shareholders and other stakeholders).

The UUCEF seeks to avoid investments in companies which have demonstrated disregard for these corporate governance standards.

D. Prohibited securities

There are two categories of investments historically prohibited by the UUA: tobacco and weapons, specifically: (1) those companies which engage in the manufacture of tobacco-based products, with a UUA investment tolerance level of zero; and (2) those that produce or sell handguns and/or are major manufacturers of weapons (among the top 50 based on revenues in the US or worldwide) or those companies where weapons represent over 5% of revenue.

A company may be excluded if it provides significant financing or other financial services to, derives a material percentage of its revenues from, or sources a material percentage of its raw materials from a country or area, i) demonstrating a prolonged and systematic pattern of human rights violations or ii) where significant human rights violations have been widely documented.

The threshold of a company's involvement in activities that preclude investment by the UUCEF will be determined through collaboration between SRIC and the Investment Committee. Holdings of such companies may be maintained in the Advocacy Portfolio for the purpose of shareholder advocacy.

These prohibitions are reviewed as appropriate, at a minimum once a year, by the SRIC which will discuss them with the Investment Committee and jointly report them to the UUA Board of Trustees.

E. Implementation

The IC/SRIC may utilize various systems or service providers to assist in the implementation of these guidelines. Emphasis should be given to a broad scope of data and research, including performance over time and approaches to transparency and remediation. Given comparable alternatives, implementation should favor investments that address ESG issues openly and in way that demonstrates respect and concern, particularly those evidencing best practices within sectors or market segments with significant environmental and social impacts.

F. Shareholder advocacy and corporate engagement

The UUCEF also seeks to promote UU values, including environmental stewardship and social justice, through engagement with the management teams of companies whose securities it holds. The UUCEF may engage companies independently or in collaboration with other faith-based and socially responsible investors. The specific methods used to engage companies may include letter-writing, direct dialogue, and the filing or co-filing of shareholder resolutions on environmental, social, or governance topics. If necessary to support advocacy efforts, we may maintain holdings in companies that would not otherwise meet our standards for directly-managed investments.

III. Selection of Co-mingled Fund Managers

In order to gain exposure to asset classes and regions of the world needed for adequate diversification of our endowment, we often invest in pooled investment vehicles. Recognizing that co-mingled funds, such as mutual funds, ETFs, hedge funds, real estate and private funds, do not allow investors to customize the securities held in the portfolio, the UUCEF will bring UU values to bear in the manager selection process. As practical, every search for professional investment managers shall include at least one firm with expertise in SRI/ESG in the asset class under review. When a fund manager is under consideration, the UUCEF will consider the following factors:

- The ethical standards and culture of the firm
- How and to what extent the firm incorporates ESG into its investment process
- Whether the firm is a signatory to the PRI, and if so, whether the firm makes its annual PRI report available publicly
- The firm's policies and performance on diversity and inclusion
- The firm's proxy voting policies, and specifically, whether it would likely support resolutions proposed by the UUCEF
- Whether the firm engages with its portfolio companies on ESG issues

Appendix

Historical Reference of all General Assembly Resolutions, Statements of Immediate Witness, Statements of Conscience and Board Resolutions Supporting the UUCEF's Socially Responsible Guidelines

To be completed by February 2020

UUCEF Community Investment Guidelines and Policy

Background: At the June 2006 meeting the UUA Board voted that 1% of the General Investment Fund would be used for community investments. This document was prepared and has been updated in 2020 to clarify which Community Investments qualify for inclusion in the UUCEF portfolio. In 2019 the UUA Investment Committee voted to increase the upper limit of Community Investments to 5%. The following key definitions have been developed by the UUA Committee on Socially Responsible Investing (SRIC) and guide the SRIC in its implementation of this policy and the UUA's Community Investing Matching Program (see <https://uucef.org/socially-responsible-investing/community-development/#communitymatch> for more information on that program):

Community Investing (CI) is financing that creates resources and opportunities for economically disadvantaged people and communities. CI supports development initiatives in low-income communities both in the United States and in developing countries. CI financing creates access to affordable financial services and financial education, loans for first-time homebuyers and affordable housing development, micro and small business development, community services, and venture capital financing.

Community Investments are offered by community investing institutions and include checking accounts, savings accounts, certificates of deposit, loan notes, equity investments in community development, and money-market funds.

Community Investing Institutions include community development banks, credit unions, loan funds (including microenterprise lenders), venture capital funds, and other institutions which offer investment products that support community development, e.g., the [Community Investment Note offered by Calvert Impact Capital](#). See Appendix 2 for resources for U.S. Treasury certified community development financial institutions (CDFIs) and other community investing institutions.

1. **Target Allocation.** The target allocation for Community Investments will be no more than 5% of the total value of the UUCEF. Such allocation shall be counted within the fixed income asset class of the UUCEF. Up to 2.5% of the Community Investing assets may yield a below market return and the remaining 2.5% of assets must return the greater of 1.5% or a "cash" rate of return as determined by the US 91-day T-bill yield.
2. **Characteristics of Community Investments eligible for investment by the UUCEF.**
 - 2.1. **Previously established UUA Community Investments.**

2.1.1. Community Investments made under the terms of the UUA's Matching Program as such terms may be revised from time to time. At the time of the adoption of this policy, if a UUA Congregation or District invests a minimum of \$5,000 in any federally certified CDFI or member organization of the trade associations listed in Appendix 2, the UUA will match that investment up to a maximum of \$10,000. Other terms and conditions apply as described on the UUA website. CI match investments that do not meet these criteria will be subject to the review process described in 2.1.1 and detailed in Appendix 1.

2.2. Community Investments approved by the Socially Responsible Investing Committee after referral or recommendation from a member of the Investment Committee, SRIC or UUA Treasurer. See Appendix 1 for details of the investment memo analysis and issues to be reviewed prior to approval. Note that "referred" investments are not limited to the criteria described in 2.1.1. for the UUA Matching Investments. Referred Community Investments will have the following characteristics:

2.2.1. Recognizing the greater demand for capital experienced by Community Investment Institutions operating outside of the federally regulated financial system (i.e., loan funds vs. banks and credit unions), the UUCEF will favor investments in uninsured institutions over investments in regulated banks and credit unions.

2.2.2. The UUCEF will favor investments in Community Investing Institutions that support improvements in basic living standards such as access to jobs, micro-enterprises, affordable housing, and affordable financial services.

2.2.3. Maximum investment amount in one CI institution will be no greater than 10% of the total amount of the UUCEF allocated to Community Investments unless the institution is federally insured or the investment is approved by the Investment Committee.

2.2.4. Each CI will generally have a three-year term not to exceed a maximum term of five years. Investments may be renewed. Matching Program investments may be renewed for a total investment term of up to ten years. Longer terms may be considered by the SRI Committee, if appropriate.

2.2.5. Each CI up to a maximum of 2.5% of the total value of the UUCEF will have a minimum rate of return of 1% unless otherwise approved by the SRIC. The remaining 2.5% of CI assets must earn the greater of 1.5% or a "cash" rate of return as determined by the US 91 Day T-Bill yield.

2.2.6. Each CI will meet the criteria listed in Appendix 1.

2.2.7. Any other Community Investment, regardless of whether it meets the terms in 2.2.1 to 2.2.6 above, if approved by a majority of the Investment Committee as advised by the SRIC.

3. Investment process. The Treasurer shall invest UUCEF funds in Community Investments as approved by the Socially Responsible Investing Committee. UUCEF Community Investments may be recommended through a member of the Investment Committee, SRIC or UUA Treasurer.

4. Reporting

4.1. Diversity Due Diligence

Prior to any new or renewing investment the UUA will collect data to determine the investment's fit within the CI portfolio's diversity goals. The committee may focus and seek out investments that meet diversity goals such as geography, underserved populations, under-represented leadership, and lending products such as affordable housing, for example.

4.2. Reporting to Investment Committee and SRIC

The UUA staff will maintain a record regular of the UUA's Community Investments including the UUCEF, operating fund, and any other funds used for Community Investments. The data, which will be maintained on the UUA website, will include, at a minimum, the following information for each investment:

Organization Name, investment type (CD, loan, etc.), term, maturity date, interest rate, payment terms (i.e., quarterly interest payments), Investment Amount, Date of investment, and Match source, if applicable (congregation/district name and state).

Appendix #1

Criteria for UUCEF Referred Community Investments

Referrals for Community Investment requests will undergo review and approval by the SRIC. An investment memo will be prepared and circulated for each proposed investment.

The memo will include the following information.

- Applicant Info (Organization Name, Address, Website, Contact Person)
- Proposed Investment Terms (Amount, Term, Interest Rate, Note Type/Payment)
- CDFI Fund Status, including CDFI certification and awards.
- CI Trade Association membership status
- Fund Background and management overview.
- Product Offerings, Portfolio Holdings, and Community Lending Impact
- Financial Statement/Audit Overview
- Risk Factors & Mitigators
- UUA Match, referral source, or other connection(s), if any
- Other Info: Any other information that may be helpful in demonstrating organization's community development impact, financial growth, or other development that may not be addressed in factors above.

* Additional approval by the UUA Investment Committee will be required for any applicant with less than three (3) years of financing activity.

Community Investment Institution Eligibility

The following information and resources are compiled and summarized to assist the Investment Committee in its oversight of the Community Investment portfolio for the UUA's Common Endowment Fund, successor to the General Investment Fund. While CDFI certification is not a requirement for UUA Community Investments, certified institutions have undergone formal screening to demonstrate that they meet the federal CDFI criteria below. The table following includes Community Investing trade associations. Each has its own standards for membership which may or may not include CDFI certification.

Requirements for Federally Certified CDFIs

http://www.cdfifund.gov/documents/CDFI_Certification.pdf

- Has a Primary Mission of promoting community development
- Is a Financing Entity
- Serves principally an eligible Target Market
- Provides Development Services in conjunction with its financing activities
- Maintains Accountability to its defined Target Market
- Is a Non-Governmental Entity, and is not controlled by one or more governmental entities (with the exception of Tribal government entities)

Community Investment Institution Trade Associations & Other Resources		
Organization Name	Specialty/Membership Base	Due Diligence Tools
Opportunity Finance Network www.ofn.org	Membership association for all CDFI types, most of their approximately members are nonprofit loan funds	Use CDFI Locator to view member loan fund profiles. Publishes Side by Side – annual report of peer data on the industry. Developed Aeris – CDFI Rating System.
Community Development Venture Capital Alliance www.cdvca.org	Membership association for community development Venture Capital Funds	See list of member venture capital funds and profiles on website.
Inclusiv (formerly National Federation of Community Development Federal Credit Unions) www.inclusiv.org	Membership association for community development Credit Unions.	Find all U.S. based credit union data including public financial reports (5300s) at www.NCUA.Gov .
Community Development Bankers Association www.cdbanks.org	Membership association for community development FDIC insured banks	See list of member banks and profiles on website. See FDIC.gov for public financial reports.
The Community Development Financial Institutions (CDFI) Fund www.cdfifund.gov	Federal bureau within U.S. Treasury Department that certifies and invests in all types of CDFIs	Download list of certified CDFIs or use searchable awards database . Awardees (vs. simply certified) undergo a financial safety and soundness check.

Changes in Congregational Status January 2020 UUA Board of Trustees Meeting

ITEMS FOR BOARD APPROVAL:

Lakeshore Unitarian Fellowship, Manitowoc, WI requests approval to move from an emerging congregation to a fellowship.

ITEMS FOR INFORMATION, AND REPORTING TO THE BOARD:

CONGREGATIONS CLOSING:

Brockport UU Fellowship, Brockport, NY



Heather Bond
Budget and Safe Congregation Manager
Congregational Life



MEMORANDUM

To: UUA Board of Trustees

From: President Susan Frederick-Gray, Executive Vice President Carey McDonald

Subject: President's Report and Staff Update

Date: January 21, 2020

In anticipation of our January meeting with the Board of Trustees, we wanted to send a brief advance update of some of the priorities and mission-based work of the UUA staff, as well as share preliminary thoughts on the FY2021 UUA budget.

UU the Vote

We are thrilled about the positive early response to the UUA's [UU the Vote](#) initiative to mobilize UU's for the 2020 election cycle to bring their passion to the polls. UUtV is a multi-strategy, multi-level initiative to create onramps for every Unitarian Universalist to bring their passion to the polls to #VoteLove and #DefeatHate. UUtV encourages UUs to connect with local partners for voter engagement and combating voter suppression in their community and to advance all of our intersectional priorities through an electoral justice lens. Partners within Unitarian Universalism and in wider circles of movement organizing have been glad to hear about the work we are doing and are excited to work with us. The January 12 kickoff webinar was attended by over 1000 UUs, including over 100 congregational watch parties, perhaps the largest ever online UU gathering. Fundraising for UU the Vote has been successful to date, with nearly \$600,000 raised toward our goal of over \$1 million just two months into our appeal (note the UU the Vote budget adjustment is detailed in a separate document).

In the coming months, UUtV will continue its forward momentum. Wisconsin has been selected as our first Tier 1 state, and we are currently hiring for a full-time organizer on the ground. We are also hiring a national organizer to work with congregational teams, schedule trainings and webinars, and build up our partnerships. There will be a major UUtV presence at General Assembly, including tracks of workshops and a Wednesday afternoon training for congregational teams. Unitarian Universalists have the strength and the drive to be a major force for our values up and down the ballot in 2020, and we are committed to leveraging our faith communities to be "all in" for this critical election.

Institutional inclusion, equity and change

Culture and organizational change within the UUA is a high priority. The cross-staff Justice, Equity, Diversity and Inclusion (JEDI) Team has continued to lead monthly learning community opportunities, is beginning conversations about a staff-wide covenant, and has completed its culture assessment of UUA staff. Through the assessment, designed as an annual monitoring tool, we identified areas where the UUA is doing well (valuing learning and curiosity, commitments to dismantling oppression, communicating mission) and where we have room to grow (skills for navigating difference, appreciation and staff support, cross-staff collaboration).

The UUA has continued a steady pace of new hiring, and we foresee this continuing in the spring. Last fall, we met the hiring guidelines set forth by the Interim Co-Presidents in 2017 (30% of staff and 40% of leadership identify as people of color). In the next UU World magazine, there will be a story about how we have changed our hiring process to increase diversity on a number of levels, including gender, ability, and professional credentials. Additionally, as we have brought on a record number of new staff members, we have instituted a new staff orientation as well as expectations for new managers to receive supervision training from The Management Center. Recent hires include Rev. Patrice Curtis in the new role of Associate Director of Interim Ministries, adding to our Transitions Office staff to focus support for interim ministries and transitions for ministers with historically marginalized identities, and Anna Bethea as Director of Lifespan Faith Engagement, overseeing faith development, curricula, family engagement and youth and young adult ministry.

Improving our core mission work

In addition to our organization-wide focus on UU the Vote and culture change, we continue to make major investments in specific areas of the core mission-work of the UUA. Here are a selected few we want to share:

Youth Engagement Process - The Youth Ministry Roundtable, our cross-staff team holding leadership for youth ministry across the UUA, has begun planning for a UUA-wide youth engagement process to holistically understand the realities of the youth ministry ecosystem today. They are designing an open-ended engagement process for youth at all levels to see what needs and strengths emerge in youth ministry today and where the UUA can best focus its work to tend to the youth ministry ecosystem as a whole. We will update the Board on this process in the coming months as it moves forward.

Supporting religious professionals with marginalized identities - The UUA continues focused investment in the ministries of religious professionals of color, trans religious professionals, those who are disabled and/or who hold other marginalized identities. Our work includes investing in healthy ministry practices, “start-up” workshops for professionals in new roles, and making ongoing support available throughout their first year. Interest in the annual Finding Our Way Home retreat for religious professionals of color grows each year, and we have also sustained support for the Transgender UU Religious Professionals Together (TRUUSt) retreat.

Mindful that in the past two years the UUA was supporting a record high number of congregational conflicts involving religious professionals of color, we note that the current number of conflict situations is roughly half of its high water mark. Each situation receives careful, collaborative attention, and we are currently exploring plans to create a specialized Conflict Engagement Team to bring the best support to these and other high-conflict congregational situations.

Conversations on Liberation - Begun last fall to carry big picture conversations about the faith from GA into each congregation, the [Conversations for Liberation](#) project has continued as a key collaboration for the UUA. Congregations can download the discussion guide, access the tools and resources for discussion leaders, and add their conversations to the map. The UUA will be hosting a virtual gathering for conversation leaders in February. In addition to the resources themselves, one valuable outcome of the project has been better communication between UU identity and professional groups within the UUA since the project itself was born from roundtable conversations with these groups.

Stewardship and Development team building - With Rev. Lauren Smith in place as the new Director of Stewardship and Development (StewDev), the StewDev staff team has been focused on key process improvements to the UUA's donor pipeline and its annual cycle of relationship with congregations through the Annual Program Fund. This has included centralizing the donor pipeline with Jay Pacitti in the new role of Director of Donor Relations, building a model for area gatherings of congregational leaders to talk about congregational giving, and cleaning up internal finance processes for receiving and regionally disbursing congregational contributions.

Budget hopes for FY21

As we move into the season of preparation for the FY21 UUA operating budget, to be presented at the April Board meeting, we are mindful that this year's budget decisions will likely be just as difficult as last year's. The trends of flat income with increasing needs and costs continue, and the work of building income streams through congregational relationships and donor cultivation can take years to bear fruit. Despite income challenges, we are committed to investing in our mission priorities, and understand that the UUA's overall financial position remains strong.

We would like to share with you some of our hopes for items to include in next year's budget, so that you can understand where we hope to make investments in our own capacity for impact:

- *Increase in professional development support for staff* - Our JEDI Team's culture assessment has identified the need for more consistent and equitable professional development funds; currently, there are limited funds through HR and most professional development comes from individual office budgets, which vary widely; transparent and predictable support for professional development is an equity issue for our staff.

- Regional Congregational Gift Officer - As the UUA's single largest income stream and source for donor prospects, we need to continue to invest in improving congregational giving and relationships through the Annual Program Fund. Adding a regional gift officer will increase our ability to engage congregations in conversations about their giving, while also identifying individual donor leads to enter into the donor development pipeline.
- Project Manager for the Office of the President - The time of the President and Executive Vice President is a precious organizational resource. In addition to calendars, travel, correspondence, communications and fundraising for the President and EVP, the four-person team in the Office of the President also manages all staff engagement, oversees core mission priorities and supports a vast array of relationships with the Board, UUA committees and related UU organizations. A project manager will create capacity to advance key priority projects that currently lack staff time, and to allow the President and EVP to focus on the most critical areas for attention.
- National Right Relations Team - We see the urgency of creating better support systems for volunteer leadership within the UUA, given the high demands we place on our volunteer leaders. One of the best ways would be to support an ongoing UUA Right Relations Team, which could mirror the functions of the General Assembly Right Relationship Team and Chaplains to help address conflicts and support leadership that aligns our values. This would likely require travel costs for RRT/Chaplain members, as well as a paid coordinator who could support RRT/Chaplain volunteers.
- Budgeting for sabbatical/leave support - The UUA's generous leave and sabbatical policies are one of the primary benefits we have to attract and retain staff, and to create an equitable workplace. However, given that UUA staff are spread into dozens of small teams, when one person is out it can be a major burden on the rest of the team. Creating a shared pool of funding to support sabbatical and leave costs (e.g. hiring administrative support, contractors, temporary staff, etc.) would greatly reduce a pressure point for the sustainability of our staff.

We fully recognize that all of these priority areas are unlikely to be met in the FY21 budget. At the same time, we understand them to be strong priorities for continuing to meet the demands of the mission, vision and culture change work needed at the UUA. We share them with you to provide insight into the places where we wish to invest and where we feel pressing needs and the limits of our capacity to do our work well.

	C	D	E	F	G	H	I
2	Unitarian Universalist Association	FY18	FY19	FY20	FY20	FY20	Percent
3	Overview	Results	Results	Budget	1Q20 Fcst	2Q20 Fcst	Inc/(Dec)
4	Current Operations						
5							
6	\$ in Thousands						
7	Income:						
8	Income for General Support						
9	Annual Program Fund	6,474	6,232	6,600	6,600	6,463	-2.1%
10	Annual Program Fund - Regional	1,600	1,617	1,624	1,624	1,624	0.0%
11	Unrestricted Gifts	1,141	1,020	1,492	1,492	1,140	-23.6%
12	Leadership Annual Giving	296	329	600	600	400	-33.3%
13	Bequest Income	303	297	300	300	300	0.0%
14	Administrative Fees	2,275	2,161	2,368	2,330	2,406	3.3%
15	Investment Income	2,769	2,644	2,697	2,699	2,699	0.0%
16	Publications Income	1,131	1,076	1,275	1,275	1,230	-3.5%
17	Net Lease Income	979	982	1,128	1,004	1,137	13.2%
18	Other Current Fund Income	465	726	563	563	526	-6.6%
19	Total Income for General Support	17,433	17,084	18,647	18,486	17,924	-3.0%
20							
21	Income for Designated Purposes						
22	Campaign Income	1,067	879	1,209	1,219	1,690	38.7%
23	UUCSR Veatch Grants	2,493	2,362	2,408	2,411	2,506	3.9%
24	Grants and Scholarships	884	886	864	864	864	0.0%
25	Ministerial Aid Funds	512	520	444	444	444	0.0%
26	Holdeen and International Trusts	1,490	1,514	1,642	1,666	1,688	1.3%
27	Income for Other Purposes	3,151	3,533	2,061	2,038	4,533	122.5%
28	Total Inc for Designated Purposes	9,596	9,695	8,628	8,640	11,724	35.7%
29	Total Income	27,030	26,779	27,275	27,126	29,648	9.3%
30							
31	Expenses:						
32	Board & Volunteer Leadership	541	748	634	636	642	0.9%
33							
34	Programs:						
35	Program and Strategy Office	10	0	0	0	0	0.0%
36	Organizing Strategy	1,193	633	631	613	867	41.4%
37	International Programs	1,593	1,910	1,644	1,674	1,692	1.1%
38	Congregational Life	4,719	4,839	5,206	5,261	5,361	1.9%
39	Ministries and Faith Development	5,025	5,316	5,398	5,427	5,427	0.0%
40	JU Funding Program	1,350	1,267	1,401	1,407	1,499	6.6%
41	Crisis Relief & Misc. Programs	1,184	546	96	98	168	71.5%
42	Communications	2,679	2,770	2,880	2,870	2,816	-1.9%
43							
44	Total Programs	17,752	17,279	17,256	17,350	17,830	2.8%
45							
46	Administration	1,694	2,474	1,882	1,927	4,420	129.4%
47	Contingency/Salary Increase	0	0	520	219	150	-31.5%
48							
49	Infrastructure						
50	Stewardship and Development	2,185	2,042	2,310	2,272	2,218	-2.4%
51	Information Technology Services	1,521	1,593	1,591	1,591	1,619	1.7%
52	Internal Services	3,002	3,085	3,758	3,806	3,787	-0.5%
53	Total Infrastructure	6,708	6,721	7,659	7,670	7,624	-0.6%
54							
55	Total Expenses	26,695	27,221	27,951	27,802	30,666	10.3%
56							
57	Depreciation Spending	0	0	550	550	550	
58	Church Staff Finances Reserve	0	0	126	126	126	
59							
60	Current Section Excess/(Deficit)	335	(443)	0	0	(342)	
61							

	D	E	F	G	H	I	J
1	Unitarian Universalist Association	FY18	FY19	FY20	FY20	FY20	Percent
2	Summary	Results	Results	Budget	1Q20 Fcst	2Q20 Fcst	Inc/(Dec)
3	Current Operations						
4							
5	<i>\$ in Thousands</i>						
6	Income:						
7	Income for UUA General Support						
8	Annual Program Fund	6,474	6,232	6,600	6,600	6,463	-2.1%
9	Annual Program Fund - Regional	1,600	1,617	1,624	1,624	1,624	0.0%
10	Unrestricted Gifts	1,141	1,020	1,492	1,492	1,140	-23.6%
11	Leadership Annual Giving	296	329	600	600	400	-33.3%
12	Bequest Income	303	297	300	300	300	0.0%
13	Administrative Fees	2,275	2,161	2,368	2,330	2,406	3.3%
14	Endowment Income	2,769	2,644	2,697	2,699	2,699	0.0%
15	Publications Income	1,131	1,076	1,275	1,275	1,230	-3.5%
16	Net Lease Income	979	981	1,128	1,004	1,137	13.2%
17	Other Current Income	465	726	563	563	526	-6.6%
18		17,434	17,083	18,646	18,486	17,924	-3.0%
19	Income for Designated Purposes						
20	Campaign Income	1,067	879	1,209	1,219	1,690	38.7%
21	Veatch Grants	2,493	2,362	2,408	2,411	2,506	3.9%
22	Grants and Scholarships	884	886	864	864	864	0.0%
23	Ministerial Aid Funds	512	520	444	444	444	0.0%
24	Holdeen & International Trusts	1,490	1,514	1,642	1,666	1,688	1.3%
25	Income for Other Purposes	3,151	3,533	2,061	2,038	4,533	122.5%
26		9,596	9,695	8,627	8,640	11,724	35.7%
27	Total Income	27,030	26,778	27,273	27,126	29,648	9.3%
28							
29	Board & Volunteer Leadership						
30	Board of Trustees	250	402	366	368	364	-1.3%
31	Board Committees	77	80	73	73	82	11.6%
32	Board Task Forces	1	2	5	5	5	0.0%
33	Moderator	34	56	32	32	32	0.0%
34	Nominating Committee	25	32	13	13	13	0.0%
35	Commission on Appraisal	19	26	16	16	18	12.5%
36	Ministerial Fellowship Committee	114	117	111	111	111	0.0%
37	Commission on Social Witness	20	33	19	19	19	0.0%
38	Total Board & Volunteer Leadership	541	748	634	636	642	0.9%
39							
40	Programs:						
41	Program Strategy Office (former Growth Strategies)	10	0	0	0	0	0.0%
42							
43	Organizing Strategy	1,193	633	631	613	867	41.4%
44							
45	International Office	235	304	221	223	226	1.6%
46	Holdeen International Partners	155	154	150	136	142	4.4%
47	Holdeen India Program	928	1,189	1,020	1,066	1,079	1.2%
48	UU-UNO	275	263	253	248	244	-1.6%
49	Total International	1,593	1,910	1,644	1,674	1,692	1.1%
50							
51	Congregational Life						
52	Congregational Life	1,388	1,310	1,475	1,434	1,472	2.7%
53	Southern Region	897	951	1,194	967	948	-2.0%
54	New England Region	852	953	983	934	935	0.2%
55	CL-Combined Staff Costs	0	0	0	436	436	0.2%
56	Central East Region	1,560	1,587	1,520	1,458	1,537	5.4%
57	Office of Congregational Stewardship Services	22	38	33	33	33	0.0%
58	Total Congregational Life	4,719	4,839	5,206	5,261	5,361	1.9%
59							
60	Ministries and Faith Development						
61	Resource Development Director	214	86	34	124	125	0.1%
62	Resource Development Office	548	536	472	479	479	-0.1%
63	Youth and Young Adult Ministries	643	625	666	624	620	-0.6%
64	Director of Ministries and Faith Development	416	711	652	638	639	0.1%
65	Multicultural Programs	0	211	348	246	247	0.1%
66	Director of Ministerial Credentialing	195	159	132	133	133	0.2%
67	Director of Transitions	318	312	319	401	401	0.1%
68	Office of Church Staff Finances	671	675	819	816	817	0.1%
69	Office of UUA Health Plan	216	224	224	225	225	0.2%
70	Director of Professional Development	212	201	212	220	220	0.1%

	D	E	F	G	H	I	J
1	Unitarian Universalist Association	FY18	FY19	FY20	FY20	FY20	Percent
2	Summary	Results	Results	Budget	1Q20 Fcst	2Q20 Fcst	Inc/(Dec)
3	Current Operations						
71	Worship Arts	50	64	57	59	59	0.1%
72	Scholarships and Ministerial Ed Grants	329	293	309	309	309	0.0%
73	Continuing Education	124	86	138	138	138	0.0%
74	Aid Funds	577	572	507	507	507	0.0%
75	Panel on Theological Education	511	562	508	508	508	0.0%
76	Total Ministries and Faith Development	5,025	5,316	5,398	5,427	5,427	0.0%
77							
78	UU Funding Program	1,350	1,267	1,401	1,407	1,499	6.6%
79	Crisis Relief & Misc. Programs	1,184	546	96	98	168	71.5%
80							
81	Communications						
82	IPW Office	419	526	558	577	577	0.2%
83	Periodicals Office	915	856	955	939	925	-1.6%
84	Publications Administration	574	659	521	507	501	-1.2%
85	UUA Bookstore	771	728	846	847	813	-4.0%
86	Total Communications	2,679	2,770	2,880	2,870	2,816	-1.9%
87							
88	Total Programs	17,752	17,279	17,256	17,350	17,830	2.8%
89							
90	Administration						
91	Office of the President	502	514	518	519	520	0.1%
92	Office of the Executive Vice President	715	1,536	977	978	3,430	250.5%
93	Contingency Expense	0	0	370	69	0	-100.0%
94	Salary Increase	0	0	150	150	150	0.0%
95	Human Resources	478	423	387	429	470	9.6%
96	Total Administration	1,694	2,474	2,402	2,146	4,570	112.9%
97							
98	Infrastructure:						
99	Stewardship and Development						
100	Vice President, Development	552	618	665	650	652	0.4%
101	APF Campaign	373	398	475	476	477	0.1%
102	Friends Campaign	317	303	342	342	343	0.0%
103	Charitable Gift and Estate Planning	331	275	279	230	193	-15.9%
104	Comprehensive Campaign	613	449	548	574	553	-3.6%
105	Total Stewardship and Development	2,185	2,042	2,310	2,272	2,218	-2.4%
106							
107	Information Technology Services	1,521	1,593	1,591	1,591	1,619	1.7%
108							
109	Internal Services:						
110	Finance						
111	Treasurer and Vice President of Finance	407	432	415	442	477	8.1%
112	Financial Services	769	743	761	760	761	0.1%
113	Total Finance	1,177	1,175	1,176	1,202	1,239	3.1%
114							
115	Facilities						
116	24 Farnworth Street	1,826	1,910	2,581	2,604	2,549	-2.1%
117	Total Operations Services	1,826	1,910	2,581	2,604	2,549	-2.1%
118							
119	Total Internal Services	3,002	3,085	3,757	3,806	3,787	-0.5%
120							
121	Total Infrastructure	6,708	6,720	7,657	7,670	7,625	-0.6%
122	Total Expenses	26,695	27,221	27,949	27,802	30,666	10.3%
123							
124	Depreciation Spending	0	0	550	550	550	
125	Church Staff Finances Reserve	0	0	126	126	126	
126							
127	Current Section Excess/(Deficit)	335	(443)	0	0	(342)	



**Consolidated Financial Statements
and Supplemental Schedules**

**Unitarian Universalist Association
and Subsidiary**

June 30, 2019 and 2018



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
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-35

Supplemental Schedules:

Schedule I - Assets by Business Segment	36
Schedule II - Liabilities and Net Assets by Business Segment	37
Schedule III - Unrestricted Activities by Business Segment	38



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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of the Unitarian Universalist Association and Subsidiary (the "Association"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Unitarian Universalist Association as of June 30, 2019 and 2018, and the consolidated changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2019, the Association adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*. 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 12, 2019
Boston, Massachusetts

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30,

(in thousands)

	2019	2018
Assets		
Cash and cash equivalents	\$ 15,271	\$ 12,688
Accounts receivable, net	2,407	2,182
Pledges receivable, net	1,186	598
Agency receivable	4,363	3,056
Inventories, net	1,508	1,330
Other assets	1,356	1,265
Investments	90,469	90,419
Investment funds managed for others	108,494	100,156
Funds held in trust by others	46,110	46,248
Funds held in support of split-interest agreements	9,168	9,426
Loans to member congregations, net	3,246	3,989
Property and equipment, net	33,941	34,482
Total assets	\$ 317,519	\$ 305,839
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,137	\$ 5,010
Agency liability	4,363	3,056
Annuity liabilities	1,814	1,981
Obligations under split-interest agreements	5,637	5,615
Bank debt	5,879	7,495
Accumulated postretirement benefit obligation	1,422	1,696
Total liabilities	25,252	24,853
Minority interest in UUCEF	108,494	100,156
Net assets:		
Without donor restrictions	58,035	57,951
With donor restrictions	125,738	122,879
Total net assets	183,773	180,830
Total liabilities and net assets	\$ 317,519	\$ 305,839

See accompanying notes to consolidated financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Activities

**For the Year Ended June 30, 2019
(with comparative totals for 2018)**

(in thousands)

	2019			2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total	
Support and revenue:					
Fundraising and gifts and bequests	\$ 12,213	\$ 4,485	\$ 16,698	\$	16,783
Net sales from publishing activities	10,750	-	10,750		8,312
Sales and administrative services	2,063	-	2,063		2,041
Investment return authorized for operations	4,499	-	4,499		4,510
Distributions from Holdeen Trusts	1,121	231	1,352		1,288
Other investment income	206	-	206		209
Rental income	1,685	-	1,685		1,648
Other income	5,850	-	5,850		5,493
Net assets released from restriction	2,921	(2,921)	-		-
Total support and revenue	41,308	1,795	43,103		40,284
Expenditures:					
Programs	31,124	-	31,124		29,018
General and administration	6,194	-	6,194		6,826
Stewardship and development	2,169	-	2,169		2,186
Rental expense	703	-	703		669
Total expenditures	40,190	-	40,190		38,699
Changes in net assets from operations	1,118	1,795	2,913		1,585
Nonoperating income (expense):					
Investment return, net of amounts authorized for operations	4,623	1,232	5,855		10,196
Investment return - debt financing	906	-	906		873
Increase (decrease) in value of funds held in support of split-interest agreements and trusts	(82)	(168)	(250)		1,317
Postretirement benefit plan expense	201	-	201		-
Unfunded depreciation	(664)	-	(664)		(741)
Change in net assets from nonoperating activities	4,984	1,064	6,048		11,645
Minority interest in investment earnings of UUCEF	(6,018)	-	(6,018)		(7,912)
Change in net assets	84	2,859	2,943		5,318
Net assets, beginning of year	57,951	122,879	180,830		175,512
Net assets, end of year	\$ 58,035	\$ 125,738	\$ 183,773	\$	180,830

See accompanying notes to consolidated financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Activities

For the Year Ended June 30, 2018

(in thousands)

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:			
Fundraising and gifts and bequests	\$ 13,288	\$ 3,495	\$ 16,783
Net sales from publishing activities	8,312	-	8,312
Sales and administrative services	2,041	-	2,041
Investment return authorized for operations	4,510	-	4,510
Distributions from Holdeen Trusts	1,109	179	1,288
Other investment income	209	-	209
Rental income	1,648	-	1,648
Other income	5,493	-	5,493
Net assets released from restriction	<u>2,241</u>	<u>(2,241)</u>	<u>-</u>
Total support and revenue	<u>38,851</u>	<u>1,433</u>	<u>40,284</u>
Expenditures:			
Programs	29,018	-	29,018
General and administration	6,826	-	6,826
Stewardship and development	2,186	-	2,186
Rental expense	<u>669</u>	<u>-</u>	<u>669</u>
Total expenditures	<u>38,699</u>	<u>-</u>	<u>38,699</u>
Changes in net assets from operations	<u>152</u>	<u>1,433</u>	<u>1,585</u>
Nonoperating income (expense):			
Investment return, net of amounts authorized for operations	8,169	2,027	10,196
Investment return - debt financing	873	-	873
Increase (decrease) in value of funds held in support of split-interest agreements and trusts	(20)	1,337	1,317
Postretirement benefit plan expense	-	-	-
Bequest income - Board restricted	-	-	-
Gain on sale of real estate	-	-	-
Unfunded depreciation	<u>(741)</u>	<u>-</u>	<u>(741)</u>
Change in net assets from nonoperating activities	<u>8,281</u>	<u>3,364</u>	<u>11,645</u>
Minority interest in investment earnings of UUCEF	<u>(7,912)</u>	<u>-</u>	<u>(7,912)</u>
Change in net assets	521	4,797	5,318
Net assets, beginning of year	<u>57,430</u>	<u>118,082</u>	<u>175,512</u>
Net assets, end of year	\$ <u>57,951</u>	\$ <u>122,879</u>	\$ <u>180,830</u>

See accompanying notes to consolidated financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Functional Expenses

*For the Year Ended June 30, 2019
(with comparative totals for 2018)*

(in thousands)

	2019				2018	
	Programs	General and Administration	Stewardship and Development	Rental Expense	Total	Total
Personnel						
Salary/benefits	\$ 10,367	\$ 3,792	\$ 1,444	\$ 14	\$ 15,617	\$ 15,650
Other						
Cost of goods sold	9,104	-	-	-	9,104	7,914
Grants and scholarships	5,089	-	-	-	5,089	4,851
Travel and entertainment	1,291	600	117	-	2,008	1,688
Facilities:						
Depreciation	289	139	47	216	691	576
Other	539	293	56	301	1,189	1,231
General operations	1,070	484	12	55	1,621	1,947
Meetings/events/training	1,103	116	80	-	1,299	1,081
Insurance	1,074	28	-	112	1,214	1,431
Consultants	433	266	68	-	767	637
Publications/marketing	447	30	283	-	760	815
Professional fees	100	240	20	5	365	391
Interest expense	164	69	24	-	257	296
Software	54	137	18	-	209	191
Total functional expenses	\$ 31,124	\$ 6,194	\$ 2,169	\$ 703	\$ 40,190	\$ 38,699

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended June 30,

(in thousands)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,943	\$ 5,318
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,377	1,350
Change in allowance for uncollectible loans to member congregations	(27)	(20)
Net realized and unrealized gains on investments	(4,791)	(7,426)
Contributions restricted for long-term investment	(914)	(573)
Net change in value of funds held in support of split-interest agreements and trusts	250	(1,317)
Minority interest in investment earnings of UUCEF	(6,018)	(7,912)
Changes in assets and liabilities:		
Accounts receivable, net	(225)	(497)
Pledges receivable, net	(588)	383
Agency receivable	(1,307)	(2,560)
Inventories, net	(178)	52
Other assets	(91)	(98)
Accounts payable and accrued expenses	1,127	(814)
Agency liability	1,307	2,560
Accumulated postretirement benefit obligation	(274)	(65)
	<u>(7,409)</u>	<u>(11,619)</u>
Net cash used in operating activities	(7,409)	(11,619)
Cash flows from investing activities:		
Cost of purchases of investments	(9,238)	(5,648)
Proceeds from sales of investments	17,678	20,991
Purchases of property and equipment	(836)	(494)
Proceeds from sales of real estate, net of expenses	-	2
Additions to loans to member congregations	(99)	-
Repayments on loans to member congregations	869	422
	<u>8,374</u>	<u>15,273</u>
Net cash provided by investing activities	8,374	15,273
Cash flows from financing activities:		
Repayment of bank debt	(1,616)	(893)
Capital contributions by minority partners in UUCEF	8,387	5,899
Capital withdrawals by minority partners in UUCEF	(6,067)	(8,409)
Contributions restricted for long-term investment	914	573
	<u>1,618</u>	<u>(2,830)</u>
Net cash provided by (used in) financing activities	1,618	(2,830)
Change in cash and cash equivalents	2,583	824
Cash and cash equivalents as of beginning of year	<u>12,688</u>	<u>11,864</u>
Cash and cash equivalents as of end of year	\$ <u>15,271</u>	\$ <u>12,688</u>

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. An elected president, a board-appointed treasurer, a board-appointed executive vice president and nine other staff group directors form the leadership council, which manages the day-to-day business of the Association.

The consolidated financial statements include the results of the activities of the Unitarian Universalist Common Endowment Fund LLC "UUCEF" which is organized as a supporting organization to the Association under Section 501(c)(7) of the Internal Revenue Code. UUCEF serves as an endowment investment solution for the Association and member congregations. UUCEF provides access to professional investment management, administration and reporting. All investors share proportionately in the underlying money-management, operational and custody costs. UUCEF investors retain full ownership of their invested assets with access to their funds as outlined in the UUCEF subscription agreement. The Association's Board of Trustees appoints the investment committee who oversees UUCEF and its related investments. The Association is the largest owner and acts as the record keeper for UUCEF. The Association had a 45.4% and 47.3% ownership interest in UUCEF in 2019 and 2018, respectively. The interests owned by others are presented as minority interest in the consolidated financial statements.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Consolidated Financial Statement Presentation

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

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

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Consolidated Financial Statement Presentation (Continued)

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

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the financial statements relate to the allowance for doubtful accounts and pledges receivable, reserve for finished goods inventory, fair value of certain investments as well as funds held in support by others and split-interest agreements and obligations under annuities and split-interest agreements, allowance for doubtful loans, capitalization of property and equipment and useful lives of such depreciable assets, accumulated postretirement benefit obligation, the allocation of common expenses over program functions, and releases from restrictions through satisfaction of donor restrictions.

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 \$32 and \$52 at June 30, 2019 and 2018, respectively.

Contributions and Pledges Receivable

Unconditional promises to give are recorded at fair value when initially pledged. Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate to account for the inherent risk associated with expected future cash flows. The initially recorded fair value is considered a Level 2 fair value approach. Amortization of the discount is included in gift and contribution revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the review of historical experience and a specific review of collection trends that differ from plans on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met.

Inventory

Inventory consists of finished goods and outside prepublication costs. Finished goods inventories, consisting primarily of books, are stated at the lower of weighted average cost or market. Outside prepublication costs related to preparing a manuscript for printing are capitalized into finished goods at the time of first printing of the book. The Association reserves against finished goods based on a systematic approach as the inventories age. The reserve was \$34 and \$17 at June 30, 2019 and 2018, respectively.

Investments

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

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 reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. 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. Recurring fair value measures include the Association's investment accounts and funds held in trust and in support of split-interest agreements. Nonrecurring fair value measures include initial accounting for pledges receivable and obligations under split-interest agreements. These fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the Association reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this are met. Fair value standards also require the Association to classify financial instruments (except for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique as follows:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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 observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the 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

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

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

Split-Interest Agreements

Split-interest agreements include contributions received which require payment of an annuity to a specified beneficiary and contributions received which require payment of income earned on the investment of such contribution to a specified beneficiary over their life. Assets and obligations to beneficiaries are recorded at fair value when initially arranged and are separately managed apart from other investments of the Association. Subsequent changes in fair value of funds held in support of split-interest agreements are reported as a change in fair value of funds held in support of split-interest agreements in the period of change of value of the underlying assets. Obligations are based on the present value of the annual distribution specified in the agreements and the estimated life expectancy of the beneficiaries. Subsequent changes in the recorded amount of obligations are impacted by changes in life expectancy; however, the present value discount rate remains the same over the life of the instrument. The initially recorded fair value of the donated investments are determined based on the underlying nature of the investments received which have generally represented Level 1 measurements while the initial measurement of the related obligations are Level 2 measurements.

Loans to Member Congregations

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

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

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

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

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 Royalty Advances from Publishing Activities and Other Support

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. 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 stipulation or by law. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as "net assets released from restriction" between the classes of net assets.

Revenue is recorded upon shipment, net of estimated returns. Beacon Press has a sales and distribution agreement with Penguin Random House, which expires on June 30 2022. The agreement gives Penguin Random House exclusive rights to sell and distribute Beacon titles into most markets on a global basis. Beacon Press retains rights to sell its titles to retail customers and certain categories of special sales customers. Under the sales and distribution agreement, Penguin Random House handles selling, marketing, fulfillment, and credit and collections for sale of Beacon Press titles. For the years ended June 30, 2019 and 2018, Penguin Random House handled 97% and 96% of Beacon Press net sales, respectively. Of the total amount of receivables due Beacon Press of \$1,255 and \$917 at June 30, 2019 and 2018, respectively, Penguin Random House accounted for 99% and 96% of the balances, respectively. There is one Penguin Random House customer which accounted for 44% and 43% of net sales for the years ended June 30, 2019 and 2018, respectively.

Royalty advances are negotiated on a contract-by-contract basis and are recorded as other assets when paid. As sales occur, royalty advances are reduced. Reserves are recorded for advances if it appears that advances are not expected to be recovered from future sales. The Association reserves against unrealizable advances based on a systematic approach as the related publications age. The reserve was \$2,930 and \$2,790 at June 30, 2019 and 2018, respectively, against royalty advances of \$3,810 and \$3,599 at June 30, 2019 and 2018, respectively, included in other assets.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Royalty Advances from Publishing Activities and Other Support (Continued)

Contributions from fundraising, 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.

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 performance obligation has been met.

Building rental income is recorded as revenue over time as earned.

Other income consist 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.

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 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.

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). 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.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Functional Expense Allocation

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 statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of property assets and operation and maintenance of property 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. Rental expense related to property leased to outside parties is not allocated given that it pertains to income received from the rental property.

Fundraising Expenditures

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

New Accounting Pronouncement

The Association adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*. The financial statement standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses, evolving to two net asset classes from what had previously been three and investment return. Prior year amounts have been reclassified in order to conform with the current year presentation.

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, 2019 and 2018, 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.

	2019	2018
Financial assets at year end		
Cash and cash equivalents	\$ 15,271	\$ 12,688
Accounts receivable, net	2,407	2,182
Pledges receivable, net	1,186	598
Investments	90,469	90,419
Funds held in trust by others	46,110	46,248
Funds held in support of split-interest agreements, net	<u>3,531</u>	<u>3,811</u>
Total financial assets	\$ <u>158,974</u>	\$ <u>155,946</u>
Financial assets available to meet general expenditures over the next 12 months		
Cash and cash equivalents	\$ 15,271	\$ 12,688
Accounts receivable, net	2,407	2,182
Pledges receivable due within one year, net	1,085	146
Endowment spending rate distribution	<u>4,417</u>	<u>4,499</u>
Total financial assets available to meet general expenditures over the next 12 months	\$ <u>23,180</u>	\$ <u>19,515</u>

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 Board of Trustees has designated approximately \$23M 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, 2019 and 2018.

Pledges receivable consisted of the following as of June 30:

	2019	2018
Amounts due in:		
Less than one year	\$ 1,085	\$ 146
Two to five years	167	496
	1,252	642
Less allowance for uncollectible pledges and present value discount	(66)	(44)
	\$ 1,186	\$ 598

Note 5 - Investments

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

	2019	2018
Investments (UUA)	\$ 90,469	\$ 90,419
Investment funds managed for others (member congregations)	108,494	100,156
	\$ 198,963	\$ 190,575

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 at June 30, 2019 that the Association measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investments				
2019				
	Level 1	Level 2	Investments Measured at NAV	Total
UUCEF investments				
Domestic equity	\$ 54,908	\$ 8,548	\$ -	\$ 63,456
International equity	15,161	40,937	-	56,098
Fixed income	25,050	20,300	10,764	56,114
Opportunistic	6,107	-	6,583	12,690
Private markets	-	-	6,925	6,925
Other	-	1,704	-	1,704
	101,226	71,489	24,272	196,987
Short-term investments				
Cash and equivalents	1,976	-	-	1,976
	103,202	71,489	24,272	198,963

Funds Held by Others and Split-interest Agreements				
2019				
	Level 1	Level 2	Level 3	Total
Funds held by others:				
Holdeen Trusts	\$ -	\$ -	\$ 34,220	\$ 34,220
Other trusts	-	-	11,890	11,890
	-	-	46,110	46,110
Split-interest agreements:				
Charitable gift annuity	6,582	-	-	6,582
Charitable remainder trust	-	-	715	715
Pooled income funds	1,871	-	-	1,871
	8,453	-	715	9,168
Total funds held by others and split-interest agreements	\$ 8,453	\$ -	\$ 46,825	\$ 55,278

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 6 - Fair Values of Financial Instruments (Continued)

The following tables present financial assets at June 30, 2018 that the Association measures at fair value on a recurring basis, by level, within the fair value hierarchy:

<i>Investments</i>				
<i>2018</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Investments Measured at NAV</i>	<i>Total</i>
UUCEF investments				
Domestic equity	\$ 51,984	\$ 8,459	\$ -	\$ 60,443
International equity	15,093	39,058	-	54,151
Fixed income	13,445	18,376	9,468	41,289
Opportunistic	19,278	-	7,087	26,365
Private markets	-	-	5,200	5,200
Other	-	1,687	-	1,687
Total UUCEF investments	99,800	67,580	21,755	189,135
Short-term investments				
Cash and equivalents	1,440	-	-	1,440
Total investments	\$ 101,240	\$ 67,580	\$ 21,755	\$ 190,575
<i>Funds Held by Others and Split-interest Agreements</i>				
<i>2018</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Funds held by others:				
Holdeen Trusts	\$ -	\$ -	\$ 34,396	\$ 34,396
Other trusts	-	-	11,852	11,852
	-	-	46,248	46,248
Split-interest agreements:				
Charitable gift annuity	6,686	-	-	6,686
Charitable remainder trust	-	-	710	710
Pooled income funds	2,030	-	-	2,030
	8,716	-	710	9,426
Total funds held by others and split-interest agreements	\$ 8,716	\$ -	\$ 46,958	\$ 55,674

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 6 - Fair Values of Financial Instruments (Continued)

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

<i>Level 3 Roll Forward</i>				
<i>2018</i>				
	<i>Holdeen</i>	<i>Other</i>	<i>Charitable</i>	
	<i>Trusts</i>	<i>Trusts</i>	<i>Remainder</i>	<i>Total</i>
			<i>Trust</i>	
Beginning balance	\$ 33,450	\$ 11,404	\$ 743	\$ 45,597
Distributions	(1,581)	(436)	-	(2,017)
Sales/fees	681	524	-	1,205
Unrealized gain (loss)	1,846	360	(33)	2,173
Ending balance	\$ <u>34,396</u>	\$ <u>11,852</u>	\$ <u>710</u>	\$ <u>46,958</u>

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	\$ 136,490
Monthly	26,026
Bi-Monthly	19,259
Quarterly	6,033
Illiquid	<u>9,179</u>
Total	\$ <u>196,987</u>

Unfunded commitments to the investment vehicles amounted to \$9,607 and \$5,995 at June 30, 2019 and 2018, respectively. Funds allow for managers to limit normal redemptions under certain circumstances which could impact the ultimate availability of funds. In addition, funds in trust are controlled by outside organizations and thus are not redeemable.

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

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 7 - Loans to Member Congregations

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

	2019	2018
Mortgage loans to member congregations at interest rates from 0% to 5.81% due through 2033	\$ 3,540	\$ 4,309
Less allowance for uncollectible loans	<u>(294)</u>	<u>(320)</u>
Net loans to member congregations	\$ <u>3,246</u>	\$ <u>3,989</u>

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

2020	\$ 481
2021	1,341
2022	937
2023	155
2024	158
Thereafter	<u>468</u>
Total	\$ <u>3,540</u>

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

Less than 6% of loans are in default or past due at June 30, 2019 and 2018.

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>		2019		2018
Land, buildings and improvements	20-40 yrs	\$	37,312	\$	36,766
Computer equipment	4-7 yrs		2,094		1,815
Office furniture and fixtures	7 yrs		2,151		2,140
			41,557		40,721
Less accumulated depreciation			(7,616)		(6,239)
Property and equipment, net		\$	33,941	\$	34,482

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

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 \$664 and \$741 in 2019 and 2018, respectively, and is considered unfunded and included in nonoperating expense on the consolidated statements of activities.

Note 9 - Bank Debt

The Association has the following bank debt at June 30:

	2019		2018
Member lending credit line	\$ -	\$	713
Mortgage note payable	5,879		6,782
Total bank debt	5,879	\$	7,495

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 9 - Bank Debt (Continued)

Member Lending Credit Line

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

Mortgage Note Payable

The Association has a mortgage note payable which is due in monthly installments of \$95 including principal and interest at a fixed rate of 3.60% with a final due date of April 1, 2022. The agreement contains certain financial and nonfinancial covenants and is collateralized by the Association's headquarters.

Line of Credit

The Association has a \$500 line of credit available with a bank of which no amounts were outstanding at June 30, 2019 and 2018. The line of credit bears interest at the bank's base lending rate with a floor of 3.99% during the draw period as defined by the agreement. The actual rate was 3.99% at June 30, 2019 and 2018. The line is collateralized by cash deposits. The line contains certain financial covenants of which the Association is in compliance. The line has been carried forward while the Association is currently in the process of renewing the line along with obtaining an additional line of credit for tenant improvement allowance, which is expected to be finalized in the near term.

Interest expense for the years ended June 30, 2019 and 2018 was \$257 and \$296, respectively. Cash paid for interest was \$253 and \$292 for the years ended June 30, 2019 and 2018, respectively.

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

2020	\$	937
2021		972
2022		<u>3,970</u>
Total	\$	<u><u>5,879</u></u>

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 10 - Net Assets and Endowment Matters

Net Assets without Donor Restrictions

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

	2019	2018
Operating funds	\$ 6,409	\$ 6,630
Designated for specific purpose	504	-
Net investment in plant	28,062	26,987
Unrestricted-quasi endowment funds	<u>23,060</u>	<u>24,334</u>
Total net assets without donor restrictions	\$ <u>58,035</u>	\$ <u>57,951</u>

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 10 - Net Assets and Endowment Matters (Continued)

Net Assets with Donor Restrictions

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

	2019	2018
Accumulated unspent gains:		
General operating	\$ 5,486	\$ 5,346
Scholarships for ministerial students	6,741	6,654
Ministerial aid	4,510	4,444
Other programs	2,060	1,833
Total accumulated unspent gains	18,797	18,277
Endowment corpus:		
General operating	27,447	27,391
Scholarships for ministerial students	12,767	12,851
Ministerial aid	3,716	3,612
Other programs	4,445	3,533
Total endowment corpus	48,375	47,387
Total endowment funds	67,172	65,664
Purpose restrictions:		
Building loan fund	4,613	4,613
Split-interest agreements	1,176	1,206
Total purpose restrictions	5,789	5,819
Time and purpose restrictions:		
Funds held in trust by others for restricted purposes	46,110	46,247
Amounts restricted by donors for purpose or time	6,612	5,094
Wilton Peace Prize Fund	55	55
Total time and purpose restrictions	52,777	51,396
Total net assets with donor restrictions	\$ 125,738	\$ 122,879

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 10 - Net Assets and Endowment Matters (Continued)

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

	2019	2018
General operating	\$ 352	\$ 603
Scholarships for ministerial students	125	142
Ministerial aid	202	204
Other programs	<u>2,242</u>	<u>1,292</u>
	<u>\$ 2,921</u>	<u>\$ 2,241</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 has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Chapter 180A of the general laws of the Commonwealth of Massachusetts, as requiring the preservation of 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.

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.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 10 - Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law (Continued)

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, 2019 are as follows:

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

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

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 10 - 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, 2018 are as follows:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 24,168	\$ 63,496	\$ 87,664
Investment return:			
Investment income (net of expenses)	29	31	60
Net appreciation (realized and unrealized)	3,632	3,794	7,426
Total investment return	3,661	3,825	7,486
Contributions	590	573	1,163
Investment return authorized for operations (b)	(4,085)	(2,230)	(6,315)
Endowment net assets, end of year	\$ 24,334	\$ 65,664	\$ 89,998

(b) Investment return authorized for operations includes \$432 of unspent income with donor restrictions and a \$500 contribution to BLUU endowment fund.

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, 2019 and 2018.

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 6.4% 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 10 - Net Assets and Endowment Matters (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

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

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

Note 11 - Leases and Other Commitments

Leases as Lessor

A portion of the Association's headquarters facility is leased to unrelated entities under operating lease agreements that expire at various times through 2020. Such leases provide for various escalations for operating and real estate taxes. Rental income was \$1,685 and \$1,648 for the years ended June 30, 2019 and 2018, respectively. Subsequent to year end, the Association entered into two separate lease agreements. The Association will incur tenant allowance of \$3,431 associated with the new leases, which will be funded through a new line of credit and amortized over the lease terms. Commission expenses of \$934 incurred to obtain tenants will be amortized over the lease terms as well. Rental income from these new leases are reflected below in the rental income schedule.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 11 - Leases and Other Commitments (Continued)

Leases as Lessor (Continued)

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

2020	\$	676
2021		1,998
2022		2,164
2023		2,202
2024		2,241
Thereafter		<u>22,286</u>
Total	\$	<u>31,567</u>

Leases as Lessee

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

2020	\$	75
2021		55
2022		24
2023		<u>1</u>
Total	\$	<u>155</u>

Rent expense was \$87 and \$88 for the years ended June 30, 2019 and 2018, respectively.

Guarantees

The Association guarantees certain loans extended by various lending institutions to member congregations. The outstanding guarantees were \$579 on loans totaling \$1,158 for June 30, 2019 and 2018. The loan guarantees were extended to the member congregations through the Association's loan guarantee program. The Association's policy is to guarantee 50% of the outstanding loan principal up to a maximum guarantee of \$450. The Association determined the value of these guarantees was not significant given its experience.

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 11 - Leases and Other Commitments (Continued)

Insurance

The Association operates a self-funded medical health insurance program for Association employees and the employees of congregations and affiliates. The Association is administrator and sponsor of the plan. The Trustees of the plan determine premiums to be charged and use a service organization to process benefit payments. In the event that assets accumulated in the trust are insufficient to cover the expected benefit payments, the Association has provided the plan with a guarantee to satisfy any unfunded obligations of the trust. As of June 30, 2019 and 2018, the plan was sufficiently funded to cover all actuarially determined obligations. The Association maintains stop loss insurance coverage that will pay claims for an individual once a \$500 calendar year threshold is reached, up to an unlimited lifetime maximum. The Association has determined the value of this guarantee to not be a significant obligation given the funded status of the plan.

Employment Related Agreements

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

Legal

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

Other Commitments

The Association acts as agent for certain donors that wish to donate funds to the Association for distribution to an outside organization. Occasionally, these funds are held at the Association pending final distribution determination by the donor and are accounted for in cash and accounts payable. Agency funds held at the Association as of June 30, 2019 and 2018 were \$4 and \$8, respectively.

Black Lives UU (BLUU)

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

In October 2016, the Board of the Association approved a long-term \$5,300 funding commitment to BLUU. During the years ended June 30, 2017 through June 30, 2019, the Association provided a total of \$1,300 of funding against this commitment. As of the fiscal year ended June 30, 2019, the Association had raised \$2,712 for BLUU which is recorded with net assets with donor restrictions on the Association's books. Subsequent to year end, the remaining \$4,000 commitment was funded through \$2,712 of fundraising contributions and an additional \$1,288 contribution from the Association's cash and cash equivalents and investments in the Unitarian Universalist Common Endowment Fund (UUCEF).

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 11 - Leases and Other Commitments (Continued)

Black Lives UU (BLUU) (Continued)

In addition to the long-term funding commitment, the Association's agreement with BLUU incorporated a minimum of \$225 per calendar year to BLUU for transitional operating funds through the earlier of fulfillment of the \$5,300 commitment or December 31, 2021. The fiscal sponsorship, funding commitment and transition provisions were defined in a memorandum of understanding between BLUU and the Association signed May 17, 2018.

Note 12 - 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 (recorded in pledge receivables) and related organizations, respectively, were accrued at June 30, 2019 and \$151 and \$3,056 payable to the Association and related organizations, respectively, were accrued at June 30, 2018. Matching grants will be paid out from July 1, 2019 to June 30, 2020.

Note 13 - 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 pension contribution of 11% of employee salary (plus housing allowance for ministers) for all employees who participate in the plan upon completing one year of employment. Employees may make additional voluntary contributions to the plan up to the established IRS limits. Contributions to the plan are fully vested immediately. Retirement plan costs were \$1,064 and \$1,087 for the years ended June 30, 2019 and 2018, 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 13 - Benefit Plans (Continued)

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

	2019	2018
Changes in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,696	\$ 1,761
Service cost	2	2
Interest cost	35	72
Benefits paid	(152)	(139)
Actuarial loss	(159)	-
	<u>1,422</u>	<u>1,696</u>
Benefit obligation at end of year		
	<u>1,422</u>	<u>1,696</u>
Change in plan assets:		
Employer contribution	152	139
Benefits paid	(152)	(139)
	<u>-</u>	<u>-</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Accumulated postretirement benefit obligation	\$ 1,422	\$ 1,696

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

	2019	2018
Discount rate	3.00%	3.25%
Rate of increase in healthcare costs	5.70%	5.70%

The ultimate healthcare cost trend rate assumption of 4.70% Pre-65 and 4.50% Post-65 used to calculate the benefit obligation is expected to be reached by 2091 for Pre-65 and 2083 for Post-65. In addition, updated mortality tables were used in 2019 to measure obligations.

A one-percentage-point change in assumed healthcare cost trend rates would have the following effects as of June 30, 2019:

	One- Percentage- Point Increase	One- Percentage- Point Decrease
Effects on total service and interest cost components for 2019	\$ 60	\$ 50
Effects on year-end 2019 accumulated postretirement benefit obligation	\$ 1,529	\$ 1,328

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 13 - Benefit Plans (Continued)

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

2020	\$	133
2021		130
2022		126
2023		122
2024		118
2025-2028		501
Total	\$	<u><u>1,130</u></u>

The expected benefits are based on the same assumptions used to measure the Association's benefit obligation at June 30, 2019 and 2018.

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

	2019		2018
Service cost	\$ 2	\$	2
Interest cost	35		72
Net periodic benefit cost	\$ <u><u>37</u></u>	\$	<u><u>74</u></u>

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

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements (in thousands)

Note 14 - Program Expenses

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

	2019	2018
Costs of goods sold and publishing expenses	\$ 9,247	\$ 7,933
Ministries and faith development	7,445	6,305
Congregational life	5,889	5,610
Other programs	3,370	4,017
Communications	2,559	2,367
International programs	1,963	1,593
Justice Organizing Strategy	<u>651</u>	<u>1,193</u>
Total	\$ <u>31,124</u>	\$ <u>29,018</u>

Note 15 - General Operations Expense

The Association has categorized certain expenses as general operations within the consolidated statement of functional expenses. The expense represents a large number of varied accounts which include BLUU general expenses, office supplies, IT services, equipment rental, warehousing, committee expense, etc. These accounts generally have relatively small individual balances which totaled \$1,621 and \$1,947 at June 30, 2019 and 2018, respectively, which represents 4% and 5% of total expenses, respectively.

Note 16 - Subsequent Events

The Association has evaluated subsequent events through November 12, 2019, the date the consolidated financial statements were authorized to be issued.

Two of the Association's previously independent regional operations merged into the Association as of July 1, 2016. Final legal dissolution for one of the districts within these two regions occurred in August 2019 with estimated transfer of assets of \$164 expected to be completed in 2020. Final dissolution and transfer of assets of the remaining districts within these two regions is expected in 2020. At June 30, 2019, the estimated increase in net assets from the merger of these districts is expected to be approximately \$3,023.

Supplemental Schedules

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Supplemental Schedule of Assets by Business Segment

June 30, 2019

(in thousands)

	Current	General Assembly	Group Insurance Plan	Beacon Press	CPLF	UUCEF	Eliminations	Total
Assets:								
Cash and cash equivalents	\$ 9,026	\$ -	\$ 1,820	\$ 3,312	\$ 1,411	\$ -	\$ (298)	\$ 15,271
Accounts receivable, net	1,152	-	-	1,255	1,002	-	(1,002)	2,407
Pledges receivable, net	1,186	-	-	-	-	-	-	1,186
Agency receivable	4,363	-	-	-	-	-	-	4,363
Inventories, net	507	-	-	1,001	-	-	-	1,508
Other assets	208	-	-	1,123	-	25	-	1,356
Investment in UUCEF	88,583	-	-	1,726	-	198,977	(90,378)	198,908
Investments	55	-	-	-	-	-	-	55
Funds held in trust by others	46,110	-	-	-	-	-	-	46,110
Funds held in support of split-interest agreements	9,168	-	-	-	-	-	-	9,168
Loans to member congregations, net	-	-	-	-	3,246	-	-	3,246
Property and equipment, net	33,906	-	-	35	-	-	-	33,941
Amounts due from other business segments	207	-	-	-	-	-	(207)	-
Total assets	\$ 194,471	\$ -	\$ 1,820	\$ 8,452	\$ 5,659	\$ 199,002	\$ (91,885)	\$ 317,519

UNITARIAN UNIVERSALIST ASSOCIATION AND SUBSIDIARY

Supplemental Schedule of Liabilities and Net Assets by Business Segment

June 30, 2019

(in thousands)

	<i>Current</i>	<i>General Assembly</i>	<i>Group Insurance Plan</i>	<i>Beacon Press</i>	<i>CPLF</i>	<i>UUCEF</i>	<i>Eliminations</i>	<i>Total</i>
Liabilities:								
Accounts payable and accrued expenses	\$ 4,427	\$ -	\$ -	\$ 2,181	\$ 1	\$ 130	\$ (602)	\$ 6,137
Agency liability	4,363	-	-	-	-	-	-	4,363
Annuity liabilities	1,814	-	-	-	-	-	-	1,814
Bank debt	5,879	-	-	-	-	-	-	5,879
Obligations under split-interest agreements	5,637	-	-	-	-	-	-	5,637
Accumulated postretirement benefit obligation	1,422	-	-	-	-	-	-	1,422
Amounts due to (from) other business segments	410	298	-	207	(83)	73	(905)	-
Total liabilities	23,952	298	-	2,388	(82)	203	(1,507)	25,252
Minority interest in UUCEF	-	-	-	-	-	108,494	-	108,494
Net assets:								
Without donor restrictions	49,504	(298)	1,820	5,795	1,128	90,305	(90,219)	58,035
With donor restrictions	121,015	-	-	269	4,613	-	(159)	125,738
Total net assets	170,519	(298)	1,820	6,064	5,741	90,305	(90,378)	183,773
Total liabilities and net assets	\$ 194,471	\$ -	\$ 1,820	\$ 8,452	\$ 5,659	\$ 199,002	\$ (91,885)	\$ 317,519

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

For the Year Ended June 30, 2019

(in thousands)

	Current	General Assembly	Group Insurance Plan	Beacon Press	CPLF	UUCEF	Eliminations	Total
Operating:								
Support and revenue:								
Fundraising and gifts and bequests	\$ 12,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,213
Net sales from publishing activities	916	-	-	9,834	-	-	-	10,750
Sales and administrative services	1,666	1,198	-	-	-	-	(801)	2,063
Investment return authorized for operations	4,480	-	-	-	19	-	-	4,499
Distributions from Holdeen Trusts	1,121	-	-	-	-	-	-	1,121
Other investment income	-	-	-	27	179	-	-	206
Rental income	1,685	-	-	-	-	-	-	1,685
Other income	3,607	-	1,832	711	-	-	(300)	5,850
Net assets released from restriction	2,718	-	-	203	-	-	-	2,921
Total support and revenue	28,406	1,198	1,832	10,775	198	-	(1,101)	41,308
Expenses:								
Board and volunteer leadership	748	-	-	-	-	-	-	748
Justice Organizing Strategy	651	-	-	-	-	-	-	651
International	1,963	-	-	-	-	-	-	1,963
Congregational life	5,889	-	-	-	-	-	-	5,889
Ministry and faith development	6,388	-	1,518	-	-	-	(461)	7,445
UU Funding Program and Crisis Relief	1,864	-	-	-	-	-	-	1,864
Communications	2,559	-	-	-	-	-	-	2,559
Cost of goods sold and publishing expenses	532	-	-	9,015	-	-	(300)	9,247
Administration	2,474	-	-	-	-	-	-	2,474
Stewardship and development	2,169	-	-	-	-	-	-	2,169
Information technology services	1,593	-	-	-	-	-	-	1,593
Internal services	1,048	-	-	-	-	-	-	1,048
Rental expense	703	-	-	-	-	-	-	703
General assembly	-	1,506	-	-	-	-	-	1,506
Expenses associated with investment pools	-	-	-	-	233	-	(160)	73
Interest expense	235	-	-	-	23	-	-	258
Total expenses	28,816	1,506	1,518	9,015	256	-	(921)	40,190
Increase (decrease) in net assets without donor restrictions from operations	(410)	(308)	314	1,760	(58)	-	(180)	1,118
Nonoperating:								
Investment income	4,355	-	-	88	-	11,079	(10,899)	4,623
Investment return - debt financing	906	-	-	-	-	-	-	906
Increase in value of funds held in support of split-interest agreements and trusts	(82)	-	-	-	-	-	-	(82)
Postretirement benefit plan expense	201	-	-	-	-	-	-	201
Unfunded depreciation	(664)	-	-	-	-	-	-	(664)
Total decrease in net assets from nonoperating activities	4,716	-	-	88	-	11,079	(10,899)	4,984
Minority interest in investment earnings of UUCEF	(6,018)	-	-	-	-	-	-	(6,018)
Increase (decrease) in net assets without donor restrictions	\$ (1,712)	\$ (308)	\$ 314	\$ 1,848	\$ (58)	\$ 11,079	\$ (11,079)	\$ 84



Financial Statements

Unitarian Universalist Common Endowment Fund LLC

June 30, 2019 and 2018



UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Financial Statements

Table of Contents

Financial Statements:

Independent Auditors' Report	1-2
Statements of Net Assets	3
Schedules of Investments	4-5
Statements of Operations	6
Statements of Changes in Net Assets	7
Statements of Cash Flows	8
Notes to Financial Statements	9-15



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Unitarian Universalist Common Endowment Fund LLC ("UUCEF"), which comprise the statements of net assets, including the schedules of investments, as of June 30, 2019 and 2018, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UUCEF as of June 30, 2019 and 2018, and the operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maye Heyman McCann P.C.

November 12, 2019
Boston, Massachusetts

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Net Assets

June 30,

(in thousands)

	2019	2018
Assets:		
Investments, at fair value (Cost \$162,462 in 2019 and \$159,174 in 2018)	\$ 196,987	\$ 189,135
Cash and cash equivalents	1,990	1,381
Other current assets	25	33
Software implementation costs, net of accumulated amortization of \$103 and \$90, respectively	-	13
Total assets	199,002	190,562
Liabilities:		
Accrued expenses and other liabilities	203	408
Net assets	\$ 198,799	\$ 190,154

(in units and dollars)

Shares of beneficial interest outstanding	21,270,431.2602	21,560,160.0964
Net asset value per share	\$ 9.3463	\$ 8.8197

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Schedule of Investments

June 30, 2019

(in thousands)

Description	Security Type	Initial Investment Date	Cost Basis	Fair Value	% of Net Assets
Domestic Equity					
	Traded Equities	Various	\$ 42,104	\$ 54,908	27%
	Pooled Fund	4/1/2016	6,985	8,548	4%
			<u>49,089</u>	<u>63,456</u>	
International Equity					
	Traded Equities	5/1/2010	12,349	15,161	8%
	Mutual Fund	4/1/2013	10,906	15,609	8%
	Pooled Fund	Various	18,425	25,328	12%
			<u>41,680</u>	<u>56,098</u>	
Fixed Income					
	Traded Fixed Income	11/1/2014	12,649	13,258	7%
	Mutual Fund	6/17/2019	11,759	11,792	6%
	Pooled Fund	Various	28,158	31,064	16%
			<u>52,566</u>	<u>56,114</u>	
Opportunistic					
	Northern European Focused Fund	4/1/2015	5,500	6,032	3%
	Hedge Fund of Funds	8/1/2009	604	551	0%
	Global Asset Allocation Mutual Fund	1/1/2008	6,151	6,107	3%
			<u>12,255</u>	<u>12,690</u>	
Private Markets					
	UK Sterling Pooled Real Estate Fund	8/1/2015	124	847	0%
	Private Investment Fund	6/1/2014	2,294	2,996	2%
	Opportunistic Expansion	Various	2,750	3,082	2%
			<u>5,168</u>	<u>6,925</u>	
Other					
	Loans and Depository Agreements	Various	1,704	1,704	1%
Total Investments			<u>\$ 162,462</u>	<u>\$ 196,987</u>	99%

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Schedule of Investments

June 30, 2018

(in thousands)

Description	Security Type	Initial Investment Date	Cost Basis	Fair Value	% of Net Assets
Domestic Equity	Traded Equities	Various	\$ 37,886	\$ 51,984	27%
	Pooled Fund	4/1/2016	6,835	8,459	4%
			<u>44,721</u>	<u>60,443</u>	
International Equity	Traded Equities	5/1/2010	11,827	15,093	8%
	Mutual Fund	4/1/2013	12,436	16,190	9%
	Pooled Fund	Various	18,425	22,867	12%
			<u>42,688</u>	<u>54,150</u>	
Fixed Income	Traded Fixed Income	11/1/2014	13,651	13,445	7%
	Pooled Fund	Various	26,677	27,844	15%
			<u>40,328</u>	<u>41,289</u>	
Opportunistic	Northern European Focused Fund	4/1/2015	5,500	6,308	3%
	Hedge Fund of Funds	8/1/2009	805	780	0%
	Global Asset Allocation Mutual Fund	1/1/2008	19,365	19,278	10%
			<u>25,670</u>	<u>26,366</u>	
Private Markets	UK Sterling Pooled Real Estate Fund	8/1/2015	610	993	1%
	Private Investment Fund	6/1/2014	1,470	1,628	1%
	Opportunistic Expansion	Various	2,000	2,579	1%
			<u>4,080</u>	<u>5,200</u>	
Other	Loans and Depository Agreements	Various	1,687	1,687	1%
Total Investments			<u>\$ 159,174</u>	<u>\$ 189,135</u>	99%

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Operations

For the Years Ended June 30,

(in thousands)

	2019	2018
Investment income	\$ <u>2,734</u>	\$ <u>2,311</u>
Expenses:		
Investment manager fees	1,255	1,287
Consultant and other expenses	484	489
UUA administrative fees	375	374
Audit fees	<u>38</u>	<u>37</u>
Total expenses	<u>2,152</u>	<u>2,187</u>
Net investment income	<u>582</u>	<u>124</u>
Realized and unrealized gains from investments:		
Net realized gain from investments sold	5,933	7,564
Net change in unrealized investment gains	<u>4,564</u>	<u>7,710</u>
Net realized and unrealized gains from investments	<u>10,497</u>	<u>15,274</u>
Net increase in net assets from operations	<u>\$ 11,079</u>	<u>\$ 15,398</u>

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Changes in Net Assets

For the Years Ended June 30, 2019 and 2018

(in thousands)

Net assets July 1, 2017	\$ <u>182,418</u>
Change in net assets from operations:	
Net investment gains	124
Net realized gains	7,564
Net change in unrealized appreciation	<u>7,710</u>
Change in net investment return	15,398
Change in net assets from fund share transactions	<u>(7,662)</u>
Total change in net assets	<u>7,736</u>
Net assets June 30, 2018	<u>190,154</u>
Change in net assets from operations:	
Net investment gains	582
Net realized gains	5,933
Net change in unrealized appreciation	<u>4,564</u>
Change in net investment return	11,079
Change in net assets from fund share transactions	<u>(2,434)</u>
Total change in net assets	<u>8,645</u>
Net assets June 30, 2019	\$ <u><u>198,799</u></u>

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Cash Flows

For the Years Ended June 30,

(in thousands)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 11,079	\$ 15,398
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in realized and unrealized gains from investments	(10,497)	(15,274)
Amortization	13	26
Purchase of investments	(15,033)	(13,891)
Proceeds from sales and maturities of investments	17,678	20,991
Changes in assets and liabilities:		
Other current assets	8	(1)
Accrued expenses and other liabilities	(205)	165
	<u>3,043</u>	<u>7,414</u>
Net cash provided by operating activities	3,043	7,414
Cash flows from financing activities:		
Capital contributions	9,676	6,472
Capital withdrawals	(12,110)	(14,134)
	<u>(2,434)</u>	<u>(7,662)</u>
Net cash used in financing activities	(2,434)	(7,662)
Net change in cash and cash equivalents	609	(248)
Cash and cash equivalents as of beginning of period	<u>1,381</u>	<u>1,629</u>
Cash and cash equivalents as of end of period	\$ <u>1,990</u>	\$ <u>1,381</u>

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 1 - Business and Organization

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

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

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

Cash and Cash Equivalents

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

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments

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

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

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

Software Implementation Costs

Software is stated at cost at the date of acquisition and is being amortized on a straight-line basis over 4 years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the financial statements relate to the valuation of portfolio investments and accruals. Actual results could differ from those estimates.

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

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

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

UUCEF reports required types of financial instruments in accordance with the fair value standards of accounting. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The fair value standards also provide for a practical expedient of fair value allowing for the use of net asset value per share ("NAV") when certain requirements are met.

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

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

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

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

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

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Income Taxes

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

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

UUCEF accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. UUCEF has a number of tax positions, none of which result in an uncertainty requiring recognition. UUCEF is not currently under examination by any taxing jurisdiction. As a tax-exempt church related organization, UUCEF is exempt from filing certain non-profit filings. UUCEF does file a Form 990T.

Note 3 - Fair Values of Financial Instruments

The following tables present financial assets as of June 30, 2019 and 2018 that UUCEF measures fair value on a recurring basis, by level, within the fair value hierarchy:

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

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 3 - Fair Values of Financial Instruments (Continued)

	<i>Investments</i>			
	<i>2018</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Investments Measured at NAV</i>	<i>Total</i>
Domestic Securities	\$ 51,984	\$ 8,459	\$ -	\$ 60,443
International Equity	15,093	39,057	-	54,150
Fixed Income	13,445	18,376	9,468	41,289
Opportunistic	19,278	-	7,088	26,366
Private Markets	-	-	5,200	5,200
Other	-	1,687	-	1,687
Total investments	\$ 99,800	\$ 67,579	\$ 21,756	\$ 189,135

Investments have the following redemption notice periods at June 30, 2019:

Daily	\$ 136,490
Monthly	26,026
Bi-monthly	19,259
Quarterly	6,033
Illiquid	<u>9,179</u>
Total	\$ <u>196,987</u>

Unfunded commitments to the investment vehicles amounted to \$9,607 and \$5,995 at June 30, 2019 and 2018, respectively. Funds allow for managers to limit normal redemptions under certain circumstances which could impact the ultimate availability of funds. In addition, funds in trust are controlled by outside organizations and thus are not redeemable.

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

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 4 - Membership Interest and Related Party Transactions

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

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

The Association's endowment owned 45.4% and 47.3% of the units outstanding as of June 30, 2019 and 2018, respectively. Association administered trusts for the benefit of affiliated congregations and qualified entities accounted for 8.3% and 8.4% of the units outstanding as of June 30, 2019 and 2018, respectively.

The Association earned administrative fees of \$375 and \$374 to manage UUCEF during the years ended June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, the amount due to the Association was \$73 and \$218, respectively.

Note 5 - Financial Highlights (in per share amounts)

Per unit operating performance (for a participating unit outstanding) for years the ended June 30, 2019 and 2018:

Net asset value at July 1, 2017	\$	8.1175
Net investment income		0.0058
Net realized and unrealized gain		0.6964
Net asset value at June 30, 2018		8.8197
Net investment income		0.0274
Net realized and unrealized gain		0.4992
Net asset value at June 30, 2019	\$	9.3463
	2019	2018
Total return (a)	6.00%	8.70%
Ratio of expenses to net assets	1.08%	1.16%
Ratio of net investment income	5.57%	8.10%

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

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

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

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.

Rollforward of number of beneficial shares in units outstanding for the years ended June 30, 2019 and 2018:

Beneficial shares in units outstanding at July 1, 2017	22,472,093
Units issued	707,751
Units redeemed	(1,657,010)
Pending issuance	<u>37,326</u>
Beneficial shares in units outstanding at June 30, 2018	21,560,160
Units issued	999,347
Units redeemed	(1,373,055)
Pending issuance	<u>83,979</u>
Beneficial shares in units outstanding at June 30, 2019	<u><u>21,270,431</u></u>

Note 6 - Subsequent Events

UUCEF has evaluated subsequent events through November 12, 2019, the date the financial statements were authorized to be issued.

Memorandum

To: UUA Board of Trustees

From: Andrew McGeorge, Treasurer/CFO

Re: Approval of New Borrowing by UUA for tenant improvements and mortgage refinancing

Date: January 24, 2020

Section 2.7 of the UUA governance manual requires approval of the Board of Trustees for the Association entering into any secured debt over \$50,000.

UUA currently owes just under \$5.5 million on the mortgage for 24 Farnsworth. At the time this loan was taken out, much of the discussion was about leverage, namely the notion that borrowing money at 3.60%, in the case of our current loan, in order to keep additional cash invested in the endowment, where we have a stated return goal of 6.75%, represented a wise financial decision.

UUA has an extremely strong balance sheet, with this current loan representing the sole bank debt held by the Association. We do have access to a \$4 million facility to fund the building loan program, plus an additional \$500k line of credit, but there are currently no draws on either of these lines. With net assets of nearly \$184 million as of June 30, 2019, our debt position represents only about 3% of our total net assets.

The UUA will have upcoming cash needs to fund the tenant improvement allowances specified in our new leases. We are scheduled to advance almost \$2.2 million to WeWork for leasehold improvements, while the lease with DiMella Shaffer has \$1.24 million in tenant improvement allowance. Adding in a small cushion for costs that UUA has borne as part of the tenant conversion, we asked Eastern Bank to quote on \$3.6 million of total new borrowing.

We should also consider refinancing the existing mortgage as part of the new debt package. As mentioned above, we currently owe just under \$5.5 million at a rate of 3.60%. We pay \$94,685 per month and the loan matures on 4-1-2022. However, at maturity we will still owe a \$3.3 million balloon payment which we will either need to pay off in cash or refinance. I think it makes sense to refinance this amount, and we should consider refinancing it now while rates remain relatively low. This will improve our current cash flow position and also align the repayment of the building-related debt to a longer time scale, a schedule more in line with the long-term nature of the building as an asset.

Between the new borrowing and the mortgage refinancing, we would be entering into a new \$9.1 million loan: \$5.5 million for the refinancing, plus \$3.6 million of new borrowing related to the new leases.



Eastern Bank has given us the option to borrow for 7 years at a rate of 3.96% or for 10 years at 4.13%. They are also very flexible with the amortization schedule we choose. (A longer amortization reduces our payments but creates the balloon payment at the end of the loan like we face now.) Finally, the bank has offered us a 24-month interest only period, which I think we should absolutely take for cash flow reasons.

The table below shows a handful of options from the large number of customizations we could choose. I've presented below 7- and 10-year loans, with 10- and 25-year amortization schedules and with and without the interest only payment. From a budget standpoint, the interest expense line is of most interest. Interest expense is paid from our operating budget, whereas the principal payments on the mortgage are just balance sheet entries where we use our cash to decrease the loan payable on the balance sheet. Our current interest expense is around \$260k per year, so we are facing a material increase, but one that is more than offset by higher lease income.

Meanwhile, the current cash required to service our debt is about \$1.14 million per year—this represents the sum of our interest expense and principal payments.

Term	Rate	Interest only period	Amortization	Year 1 Interest exp.	Year 1 cash flow	Year 3+ cash flow	Terminal Payment
7 years	3.96%	0 mo.	10 yr.	346,455	1,102,673	1,102,673	3,114,242
7 years	3.96%	24 mo.	10 yr.	360,083	360,083	1,328,016	3,750,669
7 years	3.96%	0 mo.	25 yr.	356,156	573,547	573,547	7,374,351
7 years	3.96%	24 mo.	25 yr.	360,083	360,083	602,958	7,752,495
10 years	4.13%	0 mo.	10 yr.	361,449	1,111,501	1,111,501	-
10 years	4.13%	24 mo.	10 yr.	375,541	375,541	1,336,654	-
10 years	4.13%	0 mo.	25 yr.	371,553	583,816	583,816	6,519,704
10 years	4.13%	24 mo.	25 yr.	375,541	375,541	613,039	6,846,053

**Assumes \$9.093mm in borrowing taken on Day 1. We will actually borrow around \$5.5mm upfront and draw another \$3.6mm over the next several months

I prefer the two highlighted options above. The 10-year amortization period lets us aggressively pay down the debt, and the extra cash required, once we begin making principal payments, is a small enough increase over today that the new leases alone can fund it. The second highlighted option, a 10-year loan, 10-year amortization, with a 24-month interest only period, would leave us debt free in 10 years. The 7-year term offers marginally lower interest expense and loan payments, but we would have to refinance the balloon payment of \$3.75 million in 7 years' time. This exposes us to the risk of higher interest rates in the future. And while we would benefit from lower rates in this scenario, this benefit also exists for the 10-year loan, since we have the option to refinance it. **Overall, my recommendation is the 10-year loan, 10-year amortization, with a 24-month interest only period.**

MOTION: The board approves entering into a new \$9.1 million mortgage with Eastern Bank that will be secured by 24 Farnsworth Street. The term of the loan shall not exceed 10 years. Further, the board authorizes Andrew McGeorge, Treasurer/CFO, to execute the mortgage on behalf of the UUA.

**Financial Secretary's Report
Values & Resources Alignment Working Group Report**

As Financial Secretary, I've been working with members of the Values and Resources Alignment Working Group.

As noted in our December report, we recommend that the Board convene a separate Task Force to work collaboratively with the Administration to find funding for the recommendations of the Commission on Institutional Change.

We completed a draft charge for the Working Group. Earlier drafts have been shared with the Board.

We continued to contact leaders of our UUA Boards and Commissions about spending for FY 20 and beginning the budget development process for FY 21. All expressed a desire for training on how to monitor their budgets, spending guidelines, and preparation for putting together next year's budget. We will work with the Administration to put such training together for February 2020, at the start of the FY 21 budget cycle, and also for August 2020, when there will be turnover in the leadership of some Boards and Commissions. The Working Group discussed making sure that in the future, Boards and Commissions chairs include their membership in understanding their financial responsibilities, so that there is continuity when transitions occur.

The Working Group will put together training on the Board's fiduciary responsibilities prior to the April Board meeting where the budget will be reviewed and adopted.

Board members have been copies on agendas and notes, and invited to meetings of the Working Group. I regret that I failed to notice our COIC representatives were not on the invitation list for the January Working Group meeting. I apologize for the oversight, and have a Zoom meeting scheduled to get them up to speed.

Respectfully submitted,

Kathy Burek

Values-Resources Alignment Task Force – DRAFT—Version 6

- 1) Intentions—the end results we are seeking
 - a) Ensure that our commitment to an anti-racist, anti-oppressive, multicultural faith that is grounded in dismantling structural and cultural oppression and racism is fully integrated into both how we make decisions and how resources are allocated
 - b) Support principles and values of our faith, as well as the mission and priorities of the UUA
 - i) By reviewing spending and investment patterns and proposals through the lens of how they contribute to achieving the UUAs vision and mission
 - c) Ensure there are adequate and appropriate resources to fund the UUA mission
 - i) By understanding, supporting, and monitoring fundraising as part of our leadership responsibility
 - d) Ensure that all Board members understand their fiduciary responsibilities, particularly as they relate to financial matters
 - i) Including the role of the financial committees of the board, the high-level decisions that are being made, and what role each entity plays in making everything function and roll smoothly.
 - e) Ensure annual evaluation of UUA financial status
 - f) ...
 - i) By providing orientation and training to information about fiduciary responsibilities
 - g) Ensure all board members are competent to make decisions about the financial information they receive, so that we can fulfill our fiduciary responsibilities
 - i) By building capacity among the entire board
 - ii) By keeping the Board informed regarding the fiscal status of the UUA
 - h) Ensure that the board's Policies relating to finances are up-to-date and provide adequate protection for the UUA
 - i) Ensure that there is adequate time on the Board's agenda to review and understand financial documents
 - j) Ensure that the UUA Board has a permanent structure and framework for financial oversight
 - k) ...
- 2) Guiding Values—criteria for how we do our work, and how we assess results
 - a) How we will do our work
 - i) We will be focused on how the UUA's spending and investing support our mission and priorities
 - ii) We will be open and transparent to the entire UUA Board
 - iii) We are clear and understandable and will support individual board members and the board as a whole to understand what they are reading, voting on, and the impact of the decision We will make good use of everyone's time at Board meetings and between Board meetings
 - iv) We will include as many Board members as are interested in serving on this group over the course of their terms
 - v) We will use technology that is accessible to all Task Force members and the Board and which meets the UUA's information technology security standards
 - vi) We will use an anti-oppressive, anti-racist and multicultural analysis of participation, process, decision making, etc.

- b) Criteria for the results of our work (e.g., reports and presentations)
 - i) Timely
 - ii) The board and Values & Resources Alignment Working Group shall receive quarterly and yearly financial statements. The CFO will submit a financial report/memo alongside the statements. The Values and Resources Alignment Working Group will submit a memo if there are material issues that need board discussion.
 - iii) Complete
 - iv) Truthful
 - v) Understandable to Board members and our constituents (i.e., minimize or define the professional jargon)
 - vi) Fulfills standards for fiduciary responsibilities
 - vii) ...
- 3) Focus—what is and is not the responsibility of this Task Force
 - a) Scope
 - i) Everything needed to provide the Board with skills needed to fulfil their financial fiduciary responsibilities
 - (1) Financial literacy training for board members
 - (a) Budget
 - (b) Investments
 - ii) Everything needed to enable the Board to ensure the UUA’s financial health
 - iii) Everything needed to allow the Board to determine whether the budget and investments are aligned with our mission and priorities
 - b) Monitor spending
 - i) Monitor budgets quarterly
 - ii) Draw board’s attention to significant issues (green/yellow/red light)
 - c) Develop/maintain Board Financial Policy (e.g., is \$50K the right cap)
 - i) Including financial review schedule
 - d) Tee up board discussions about whether our budgets reflect our priorities
 - i) Opportunity costs for our spending decisions
 - e) Every few years, participate with the Administration as partners in strategic discussions regarding focus of spending as well as areas of reduced spending, or programs and projects defunded, and impacts of those decisions
 - f) Not: making decisions for the Board
 - g) Not: responsible for developing or implementing fundraising campaigns
 - h) Not: creating or managing the overall budget
 - i) Not: finding money for implementing COIC recommendations
 - j) ...
- 4) Context—key facts, assumptions, risks/opportunities, freedoms/constraints that everyone needs to understand
 - a) Task Force members include
 - i) UUA Treasurer
 - ii) UUA Financial Advisor
 - iii) Board Financial Secretary
 - iv) Co-Moderators
 - v) UUA Chief Operating Officer

- vi) Other UUA staff or board members as needed and/or willing
 - b) Board meets in person 4 times per year, by Zoom 8 times per year
 - c) Membership in the group is reviewed annually
 - d) Board has a lot of work to do; often doesn't get to everything we plan
 - e) Most board members work full-time, as students or as paid workers
 - f) Some board members work in institutions that have high degrees of internet security; Google docs and Dropbox does not work for them. We need to use email in addition to collaboration tools.
 - g) There have been a variety of financial oversight structures over the past decade
 - h) The level of financial knowledge among the members of the Board is variable
 - i) Risk: we will have a hard time finding times to meet
 - j) Opportunity: we will find creative ways to fund our priorities
 - k) Constraint: we do not make decisions for the board
 - l) Monitoring and supporting fundraising includes review and assessment of fundraising systems such as the formula for assessing congregational contributions and strategies for special campaigns, e.g., Promise and the Practice, UU the Vote
 - m) ...
- 5) Candidate Solutions (things we might try to achieve our Intentions, consistent with our Guiding Values)
- a) Develop a system of rotation for board members to serve on this Task Force
 - b) Develop a system of regular meetings, sending notice to the full Board of meeting times and agendas
 - c) Invite other Board members to submit items for the agenda and to sit in on meetings
 - d) Develop a financial calendar
 - e) ...
- 6) Short-term Tasks (Month is suggested due date)
- a) November: Develop recommendations for helping Board/Lay Leadership committees control budgets in FY20 and communicate them
 - b) December: Develop language for policy around GA rolling 5-year break-even
 - c) November/December: Develop schedule for financial training and reviews
 - d) January: Find funds for implementing COIC recommendations
 - e) January: Find funds for Moderator coaching
 - f) January: collect proposals for FY 21 Board spending
 - g) ...

Draft Charge to Article II Study Commission

Preface: Article II of the UUA Bylaws, Principles and Purposes, is the foundation for all of the work of our UUA and its member congregations and covenanted communities. It is the covenant to which all of our congregations and covenanted communities pledge themselves when they become members of our UUA. Our current Principles and Purposes were last revised in 1987. At GA 2017, there was discussion of amending the Principles to add an 8th Principle, addressing racism, and an amended 1st Principle, addressing non-human life. The 5th Principle was the subject of a report in 2009, which dealt with the ways in which GA and other UU gatherings do and don't embody an inclusive democratic process. The 7th Principle has also been the subject of discussions about possible amendments. There have been many projects, resolutions, task forces and other strategies that have come from the Board, Commission on Appraisal and grassroots groups which encourage us to take a look at our principles, purposes, bylaws and rules. It is time for us to do a review and make changes so that we are living into the Unitarian Universalism of the future, a Unitarian Universalism that holds us in times of great need and ethical, moral and spiritual crises. We are in one of those times now.

In response to those discussions, the UUA Board committed to establishing an Article II Study Commission to consider possible amendments to this Article. In fulfillment of that commitment, the UUA Board hereby establishes the Article II Study Commission.

Charge: The Article II Study Commission is hereby charged to review Article II of the UUA Bylaws, and propose any revisions that will enable our UUA, our member congregations, and our covenanted communities to be a relevant and powerful force for spiritual and moral growth, healing, and justice. Proposed changes should articulate core UU theological values. The Board believes that one core theological value, shared widely among UUs, is love. The Commission on Appraisal, in its report, *Engaging Our Theological Diversity*, cites Robert Miller's study of Unitarian Universalism, stating "UUs ranked loving as an instrumental value and mature love as a terminal value more highly than did respondents from other groups, religious and nonreligious." Our commitment to anti-racism, anti-oppression, and multiculturalism is love in action, and should be centered in any revision of Article II. Finally, the Principles and Purposes should lead us into the second quarter of the 21st Century, while honoring the historic roots of our liberal, progressive faith. **We therefore charge this commission to root its work in Love as a principal guide in its work; attending particularly to the ways that we (and our root traditions) have understood and articulated Love, and how we have acted out of Love.**

As it conducts its work, the Commission shall seek to engage the active participation of UUs across all demographics, identities, and theological/philosophical beliefs. The commission shall be open and transparent in its work, communicating progress frequently with UUs through as many channels and communication media as possible. Further, the Commission shall de-center habitual practices that reinforce white supremacy culture.

The commission is instructed to include in its considerations and deliberations the clear call at GA 2017 for the inclusion of another principle, explicitly calling us to be committed to active anti-racism (see attachments about the 8th Principle Project). We also note that there is a growing urging (heard even before the last review of the Principles, at Minneapolis, in 2010) for us to better articulate our recognition of rights of being for all beings. The commission should consider how this might be included. We specifically direct their attentions to the 2010 proposals, recognizing how very close those came to passing; there is good work there that should be salvaged for our time.

The Commission is charged with reviewing all sections of Article II, and is free to revise, replace, or restructure them as needed to meet the objectives stated above. There is nothing sacred about the number of principles or sources, nor their specific wordings, nor in the way that Article II is laid out. We encourage creativity. The Board would like to see an Article II that is inspirational, memorable and poetic. The language should be inclusive and welcoming, and explicitly anti-racist. Article II, it must be remembered, are broad statements of Principle and Purpose, not detailed programmatic or implementation plans.

The commission is urged to carefully consider the existing language for its implications, and for the errors or inadequacies of those implications. We recognize that one steady criticism over decades has been that the language of the principles is not poetic. We encourage the Commission to consider framings of our principles that allows them to be brief and poetic (perhaps by transferring explanatory clauses and expansions to a subsidiary document that expounds on what the Commission sees as included and intended in that shorter form).

We particularly urge the Commission to review the Sources; the revised listing from the 2010 proposal and its explicit inclusion of Unitarianism and Universalism as *our* Sources seems timely to us. And there are other recommended Sources in that proposal. In addition, there have been energetic discussions about how other faith traditions such as Buddhism and Islam (among others) might be included or put on footings more equal to those of Christianity and Judaism.

Proposed changes must be submitted to the UUA Board of Trustees in January 2022, so that they may be considered by the Board, and then be placed on the 2022 General Assembly Business Agenda for the first vote. (See Bylaws, Article XV Amendment).

The Commission is further charged with submitting regular reports to the Board of Trustees on its plans and progress to meeting its goals and deadlines. (See Board and Commission Responsibilities, p. z).

The Board of Trustees is grateful for the work of this Commission. Please call on us if we can support you in any way.

Mr. Barb Greve and Elandria Williams, Co-Moderators

Article II History

Article II is one of the “C” Bylaws, dating to the merger of the American Unitarian Association and the Universalist Association in 1961. Much of the “C” Bylaws reflects compromises that were made in order to achieve merger. Different pieces of the “C” Bylaws were important enough to one side or the other that these were made harder to amend than non-“C” Bylaws. The first major rewrite of the Principles and Purposes post-merger were adopted in 1984. Some slight changes were made after that, but the language is largely unchanged. (See <http://archive.uuworld.org/ideas/articles/3643.shtml> and <https://www.uua.org/leadership/learning-center/governance/polity/47006.shtml>).

The Principles guide our actions and priorities, encouraging us to “affirm and promote” core values, while our Sources provide the context and grounding for those Purpose and Principles. This Article states our purpose, our very reason for existing. Section 2.3 commits us to being inclusive, and to replacing barriers that have kept some people and groups from full participation in our faith. Article II ends by ensuring freedom of conscience, and prohibiting creedal tests.

For some religious institutions, the equivalent of Article II would be regarded as a permanent statement of belief. Ours, however, is a Living Tradition. We commit ourselves to regularly revisiting our Principles and Purposes to ensure that we are relevant, that as we grow in understanding, our Principles and Purposes grow, too. Since “new occasions teach new duties”, we must continuously examine our Principles and Purposes to see what is missing, what is no longer important, and whether the language communicates our core values to the current times.

Since then, General Assembly committed the UUA to working toward being an Anti-Racist, Anti-Oppression, and Multicultural Association. Recent events have caused UUs to explore more deeply institutional and cultural oppressions that exist in our Association and its member congregations and covenanted communities.

We are now well into the second quarter of the 21st Century. Our Association has grown in its understanding of systemic oppressions, such as racism, ableism, and heteronormative beliefs. However, many people feel the language of Article II does not reflect these learnings. The Board believes we need an Article II which leads us into the future.

Love as a Common Theological Core

In calling for this commission to root itself in a shared, core theological value, we—the Board—are asking the question “what is it that lies *behind* all the statements of principles that we agree to as our common associational points of covenant?” What lies beneath the principles, on which a commission can re-envision and re-articulate the

ideas that are expressed currently in our existing principles *and* include, potentially, other ideas put forth to be considered for that restated covenant?

Asserting that there is such a commonality is bold; it potentially flies in the face of the Commission on Appraisal's 2005 Report, "Engaging Our Theological Diversity," which failed to identify such a core in its conclusion.

We hold that the Commission did not fail to identify that core, only to recognize it at the time, as our theological core.

In its report, it cites Robert Miller's study of Unitarian Universalism, stating "UUs ranked loving as an instrumental value and mature love as a terminal value more highly than did respondents from other groups, religious and nonreligious."

UUs were more likely, even before 2005, to assert the importance of love than any other group, religious or nonreligious. And this was *before* the Standing on the Side of Love campaign (now Side with Love) began. Since that time, we have seen and heard expressions of love, and displays of love-in-action, by UUs.

We assert that our deepest common theological grounding and value is this: Love.

We find it peeking through the words of the currently existing Principles. We see it in our insistence on the worth and dignity of every person (and the calls by some that this insistence needs to extend to all other beings, as well). We see it in the call for demanding and embodying justice, equity, and compassion in human relations. We hear it in our urging of acceptance of one another and our support for each person's spiritual growth. We discern an accountable love in our call for a responsible search for truth and meaning. Our affirmation of the right of conscience, and the right of every individual to participate in shaping those institutions that govern them, displays a deep respect and love for every person. We hold up the goal of a peaceful, free, and just world community as an expression of what love can and should bring into being. And we believe that our call to respect the interdependent web that we are a part of is an articulation of love for all that is and our own place and role in that web.

We see love called out as what demands that we be active in our justice work and justice-making.

We note that our hymnals are littered with assertions of what we aspire to, and what love can do, and be; "Let us build a home where love can dwell," "Love will guide us," and "we are answering the call of love" among them.

We respond to the call of love because it *is* our common theological core. It is what can and does motivate us and illuminates our deepest commitments to each other.

Stakeholders

In conducting its work, the Commission should actively reach out to these groups of stakeholders (and any others the Commission deems relevant):

- Congregational leaders, lay* and professional*
- Professional Associations*
- Identity Groups* (e.g., DRUUMM, BLUU, TRUUsT, EqUUal, etc.)
- Philosophical and Theological Groups* (e.g., UU Humanists, UU Christians, etc.)
- 8th Principle and 1st Principle advocates*
- Past GA attendees* (these people are the ones most likely to be voting on the proposed Principles)
- Commission on Institutional Change*
- Journey Toward Wholeness Transformation Committee*
- Former UUs who have left the faith* (i.e., those who left because they were harmed)
- Unchurched UUs who still identify as UUs, but don't belong to UU congregations* (i.e., those who just don't feel compelled to be members of a UU congregation)
- Members of 2010 Commission on Appraisal
- UUA staff
- UU seminaries
- UUSC
- UU Issues groups (e.g., UU Earth Justice Ministry, UUs for Justice in the Middle East, etc.)
- ...

*Denotes critical stakeholders (Do we want to label these as such)?

Timeline

This table contains important deadlines and responsibilities for the Commission and for the UUA Board.

Month	UUA Board	Article II Commission
2020		
January Prior to Board meeting	Approve draft charge Publicize charge Art II WG ask Appointments, Nom Com, COIC and others if they can think of good folks to be on the Article II commission	
January Board Meeting	Discuss potential commissioners and make some strategic recommendations (7-10 people just in case a couple say no)	
February	WG call potential commissioners	
March	WG call potential commissioners WG select potential commissioners	

Month	UUA Board	Article II Commission
	Board appoint commissioners	
April	Closing date for comments on draft charge	
May	Revise draft charge	Commissioners meet virtually to develop work plan, including communications plan
June	Introduce Article commissioners at GA, early in the week	Attend GA Commissioners will be able to listen in on conversations, help facilitate small groups or whatever can help support their work at General Assembly
July		
August		
September		
October	Receive report from Article II Commission	Report to Board on progress
November		
December		
2021		
January	Receive report from Article II Commission	Report to Board on progress
February		
March		
April	Receive report from Article II Commission	Report to Board on Progress
May		
June	Structure time for GA activities around Article II (depending on status)	Conduct listening/feedback sessions on work to date
July		
August		
September		
October	Receive report from Article II Commission	Report to Board on Progress
November		
December		
2022		
January	Review, amend, accept draft	Present draft Articles to board
February	Place draft on General Assembly Business Agenda for first vote. GA 2022 will have to revolve heavily around this. And we need to determine if and *how* to allow some level of amendments from the mini-assembly for June 2022	Publicize draft to be voted on in all ways possible
March		
April	Receive report from Article II Commission	Report to Board on feedback
May		
June	1 st Vote on Proposed Article II changes Debrief GA action (at post-GA Board meeting?)	Facilitate small groups Debrief GA action

Month	UUA Board	Article II Commission
July		
August	Debrief GA action, if not done in June	Debrief GA action, if not done in June
September		
October	Receive report from Article II Commission	Report to Board on Progress
November		
December		
2023		
January	Receive report from Article II Commission	Report to Board
February	Place proposed changes on GA Agenda for 2 nd vote	
March		
April	Receive report from Article II Commission	Final report to Board
May		Package and archive work products
June	2 nd Vote Celebrate success	Present Article II Revisions for final vote Celebrate success

Resources

The following documents should be reviewed by the Commission in the course of its work. Some of these discuss specific amendment language; others relate to ways in which the UUA can conduct business in a more truly inclusive and democratic manner.

- Commission on Appraisal, *Engaging Our Theological Diversity*, <https://www.uua.org/sites/live-new.uua.org/files/documents/coa/engagingourtheodiversity.pdf>
- 8th Principle <https://www.8thprincipleuu.org/>
- 2017 1st Principle Amendment Proposal <https://www.uua.org/ga/past/2017/business/iv>
- Proposed 2010 Bylaws Revisions <https://www.uua.org/uuagovernance/ga/covenant-for-bylaws>
- 1997 GA Resolution on Anti-Racism, Anti-Oppression, and Multi-Culturalism <https://www.uua.org/action/statements/toward-anti-racist-unitarian-universalist-association>
- Report of the Task Force on Reimagining Covenant https://www.uua.org/sites/live-new.uua.org/files/re-imag_cov_tf_04122017.pdf
- 5th Principle Task Force Report https://www.uua.org/sites/live-new.uua.org/files/documents/boardtrustees/5thprinciple/0912_report.pdf