



UNITARIAN UNIVERSALIST ASSOCIATION

Financial Statements and Supplemental Schedules

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

UNITARIAN UNIVERSALIST ASSOCIATION

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Independent Auditors' Report

The Board of Trustees
Unitarian Universalist Association:

We have audited the accompanying statements of financial position of the Unitarian Universalist Association (the Association) as of June 30, 2009 and 2008, and the related statements of unrestricted revenues and expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules I through VII, as of and for the year ended June 30, 2009, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

November 4, 2009

UNITARIAN UNIVERSALIST ASSOCIATION

Statements of Financial Position

June 30, 2009 and 2008

(Dollars in thousands)

Assets	2009	2008
Cash and cash equivalents	\$ 9,007	10,373
Accounts receivable, net	2,220	1,784
Receivables for investments sold	—	20
Pledges receivable, net (note 5)	1,090	1,321
Inventories	1,402	1,542
Other assets	835	566
Investments (note 3)	99,100	122,496
Funds held in trust by others	33,362	42,598
Funds held in support of split interest agreements	11,116	13,632
Loans to member congregations, net (note 6)	7,424	6,572
Property and equipment, net (note 7)	6,398	6,549
Total assets	\$ 171,954	207,453
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,953	8,456
Payables for investments purchased	—	118
Annuity liabilities	2,735	3,081
Bank debt (note 8)	2,366	1,569
Assets held in trust for others	37,032	43,911
Accumulated postretirement benefit obligation (note 10)	1,689	1,948
Total liabilities	52,775	59,083
Net assets:		
Unrestricted	12,277	19,656
Temporarily restricted	43,834	64,423
Permanently restricted	63,068	64,291
Total net assets	119,179	148,370
Commitments and contingencies (note 9)		
Total liabilities and net assets	\$ 171,954	207,453

See accompanying notes to financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION

Statements of Unrestricted Revenue and Expenses

Years ended June 30, 2009 and 2008

(Dollars in thousands)

	<u>2009</u>	<u>2008</u>
Operating:		
Revenues:		
Fundraising (APF, Friends, and unrestricted gifts and bequests) \$	11,271	13,392
Net sales from publishing activities	6,181	6,500
Sales and administrative services	1,441	2,416
Investment return authorized for operations (note 3)	4,851	4,698
Other investment income (note 3)	411	403
Other income	4,929	5,648
Net assets released from restriction	<u>4,045</u>	<u>3,742</u>
Total revenues and funds authorized to be used in operations	<u>33,129</u>	<u>36,799</u>
Expenses:		
Programs and costs (note 2(o))	26,001	26,774
General and administration	4,991	6,993
Stewardship and development	<u>2,142</u>	<u>2,560</u>
Total operating expenses	<u>33,134</u>	<u>36,327</u>
Change in unrestricted net assets from operations	<u>(5)</u>	<u>472</u>
Nonoperating:		
Other changes in net assets	(625)	114
Increase in value of split-interest agreements	205	—
Investment return (deficiency) in excess of amounts authorized for operations (note 3)	<u>(6,954)</u>	<u>(2,874)</u>
Total nonoperating items	<u>(7,374)</u>	<u>(2,760)</u>
Change in unrestricted net assets	<u><u>\$ (7,379)</u></u>	<u><u>(2,288)</u></u>

See accompanying notes to financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION

Statements of Changes in Net Assets

Years ended June 30, 2009 and 2008

(Dollars in thousands)

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
Total operating revenues	\$ 33,129	36,799
Total operating expenses	(33,134)	(36,327)
Nonoperating items, net	<u>(7,374)</u>	<u>(2,760)</u>
Decrease in unrestricted net assets	<u>(7,379)</u>	<u>(2,288)</u>
Changes in temporarily restricted net assets:		
Gifts and bequests	606	27
Investment (loss) return (note 3)	(10,782)	(4,536)
Investment return appropriated but not spent (note 3)	172	539
Distributions from Holdeen, Veatch, and capital campaign contributions	1,448	1,473
Decrease in value of split-interest agreements and master trusts	(8,101)	(4,298)
Other	113	(718)
Net assets released from restrictions	<u>(4,045)</u>	<u>(3,742)</u>
Decrease in temporarily restricted net assets	<u>(20,589)</u>	<u>(11,255)</u>
Changes in permanently restricted net assets:		
Gifts and bequests	796	517
Decrease in value of split-interest agreements and master trusts	(2,019)	(869)
Other	<u>—</u>	<u>(807)</u>
Decrease in permanently restricted net assets	<u>(1,223)</u>	<u>(1,159)</u>
Decrease in net assets	(29,191)	(14,702)
Net assets as of beginning of year	<u>148,370</u>	<u>163,072</u>
Net assets as of end of year	\$ <u><u>119,179</u></u>	<u><u>148,370</u></u>

See accompanying notes to financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION

Statements of Cash Flows

Years ended June 30, 2009 and 2008

(Dollars in thousands)

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ (29,191)	(14,702)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	404	403
Net realized and unrealized losses on investments	15,450	4,319
Contributions restricted for long-term investment	(796)	(517)
Net change in value of split-interest and master trust agreements	9,915	5,167
Changes in assets and liabilities:		
Accounts receivable, net	(436)	1,447
Pledges receivable, net	231	260
Inventories	140	(344)
Other assets	(269)	(68)
Accounts payable and accrued expenses	497	(472)
Amounts due to member congregations	—	(14)
Annuity liabilities	(346)	(58)
Accumulated postretirement benefit obligation	(259)	(130)
Net cash used in operating activities	(4,660)	(4,709)
Cash flows from investing activities:		
Cost of purchases of investments	(12,819)	(55,765)
Proceeds from sales of investments	22,602	66,146
Payables for investments purchased	(118)	(285)
Receivables for investments sold	20	114
Purchases of property and equipment	(253)	(437)
Change in assets held in trust for others	(6,879)	(3,623)
Change in loans to member congregations, net	(852)	(118)
Net cash provided by investing activities	1,701	6,032
Cash flows from financing activities:		
Repayment of bank debt	(932)	(898)
Proceeds from bank debt	1,729	763
Contributions restricted for long-term investment	796	517
Net cash provided by financing activities	1,593	382
Change in cash and cash equivalents	(1,366)	1,705
Cash and cash equivalents as of beginning of year	10,373	8,668
Cash and cash equivalents as of end of year	\$ 9,007	10,373
Supplemental disclosure:		
Cash paid for interest	\$ 98	118

See accompanying notes to financial statements.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(1) **The Association's Background and History**

The Unitarian Universalist Association (the Association) was formed in 1961, when the American Unitarian Association and the Universalist Church of America merged to form one entity with the purpose of creating an association of congregations in support of liberal religion. The Association's central office is at 25 Beacon Street in Boston, Massachusetts. District and other offices are located throughout the country. The Association is governed by a Board of Trustees consisting of District Trustees and at-large Trustees. An elected president, a board-appointed executive vice-president, a board-appointed treasurer and nine other staff group directors form the leadership council, which manages the day-to-day business of the Association.

The primary purposes of the Association are to serve the needs of its member congregations, organize new congregations, extend and strengthen Unitarian Universalist institutions, and implement its principles. The stewardship of assets and the fiscal management of the Association are composed of four business segments: Current, Beacon Press, Congregational Properties and Loan Fund (CPLF), and Unitarian Universalist Common Endowment Fund (UUCEF).

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

(a) *Basis of Financial Statement Presentation*

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

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

Temporarily restricted net assets – result from contributions and other inflows of assets whose use by the Association is limited by donor-imposed stipulations that expire by passage of time and/or can be fulfilled and removed by actions of the Association pursuant to those stipulations. Net appreciation (depreciation) of permanently restricted long-term investments is recognized within the temporarily restricted net asset category until such monies are available for expenditure under the Association's spending policy and a qualifying expenditure is incurred. Charitable lead trusts, in which a donor establishes and funds a trust with distributions to be made to the Association over a specified period no matter what duration, are categorized as temporarily restricted net assets.

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

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

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

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

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

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

Amounts reported as nonoperating in the statement of unrestricted revenues and expenses include investment return in excess of amounts authorized for operations and other miscellaneous nonrecurring events or activities such as contributions of long-lived assets or contributions of cash or other assets that must be used to acquire long-lived assets. Operating revenues and expenses consist of all other items attributable to the Association’s ongoing efforts. Certain amounts included in operations as defined for purposes of the statements of activities differ from amounts reported as cash flows for operating activities.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The current economic environment increases the uncertainty of those estimates.

(c) Cash and Cash Equivalents

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

(d) Property and Equipment

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

(e) Investments

Investments are reported at fair value. If an investment is held directly by the Association and an active market with quoted prices exists, the Association reports the fair value as the market price of an identical security. The Association also holds shares or units in nonmarketable securities including alternative investments such as private equity, venture capital, hedge funds, and real asset strategies. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets which require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

In connection with the adoption of FAS 157, the Association adopted the accounting provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent)*, to its alternative investments. This Standard amends FAS 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value (NAV) per share or its equivalent as a practical expedient.

These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds

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June 30, 2009 and 2008

(Dollars in thousands)

and, consequently, the fair value of the Association's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the Association's interest in the funds. Although certain investments may be sold in secondary market transactions, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the Association were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different than the reported value.

The Association's and member congregations' endowments and investment funds are combined and invested in the UUCEF. Activity in the UUCEF is accounted for using a unit method whereby ownership is based on the number of units held in relation to the total units of the pool. The modified unit value for the UUCEF was determined on a quarterly basis until the third quarter of FY 2009 ending on March 31, 2009 and on a monthly basis starting in April 2009. The unit value is derived by dividing the value of the assets of the UUCEF at the end of the period by the number of units of the UUCEF.

UUCEF assets are invested by several outside investment managers in a wide array of investment vehicles with the objective of maximizing the UUCEF total return, while minimizing risk through diversification. Distributions are made quarterly based upon a 13-quarter rolling average value.

(f) Inventory

Finished goods inventories, consisting primarily of books, are stated at the lower of weighted average cost or market. Outside preparation costs related to preparing a manuscript for printing are capitalized over the first printing of the book. All incurred costs on a book printing remain as work-in-progress assets until the book begins to ship from the warehouse, at which time the costs are transferred to the books on hand using the weighted average method.

(g) Perpetual Trust Assets

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

The fair values of perpetual trust assets were \$8,728 and \$10,722 at June 30, 2009 and 2008, respectively.

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Notes to Financial Statements

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(Dollars in thousands)

(h) Temporarily Restricted Net Assets

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

	2009	2008
Amounts restricted by donors for programs	\$ 3,926	3,865
Net realized and unrealized gains on temporarily and permanently restricted net assets	14,573	26,311
Amounts to be unrestricted in later periods	701	2,370
Holdeen Trusts*	24,634	31,877
	\$ 43,834	64,423

* Includes the charitable lead trusts established by Jonathan Holdeen (the Holdeen Trusts) in which the Association has an irrevocable right to the trust income for periods ranging from 500 to 1,000 years 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.

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

	2009	2008
Purpose restrictions	\$ 4,045	3,742
	\$ 4,045	3,742

(i) Permanently Restricted Net Assets

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

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

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

	<u>2009</u>	<u>2008</u>
Assets for which earnings are restricted as to purpose	\$ 54,340	53,569
Perpetual trusts	8,728	10,722
	<u>\$ 63,068</u>	<u>64,291</u>

(j) *Publishing Sales Recognition*

Sales are recorded upon shipment of books. The Association accepts returns for as long as the book remains in print and estimates returns by recording a return reserve at the time of sale.

(k) *Outstanding Legacies*

From time to time, the Association is named as a beneficiary under various wills and trust agreements, the total realizable amounts of which are not immediately determinable. Such bequests are recorded only when there is an irrevocable right to the bequest and the proceeds are determinable.

(l) *Split-Interest Agreements*

Split-interest agreements include (i) assets placed in trust for the benefit of the Association, (ii) contributions received which require payment of an annuity to a specified beneficiary and (iii) contributions received which require payment of income earned on the investment of such contribution to a specified beneficiary. Assets are recorded at fair value when received. Obligations to beneficiaries, including deferred contribution revenue, are recorded at estimated fair value. The fair value of these obligations is based on the present value of the annual distribution specified in the agreements and the estimated life expectancy of the beneficiaries. The discounted rate used in the present value calculations is 6% for both the years ended June 30, 2009 and 2008. Initial contribution revenue is recognized based upon the present value of the net anticipated benefit. Subsequent changes in fair value are reported as a change in value of split-interest and master trust agreements.

(m) *Royalty Advances*

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

(n) *Income Taxes*

The Association is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes pursuant to Section 501(a) of the Code.

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Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(o) Allocations

The Association adheres to the AICPA's *Not-for-Profit Organizations Audit and Accounting Guide* in reporting expenses by their functional classification. Total fundraising costs for the years ended June 30, 2009 and 2008 were \$1,390 and \$1,680, respectively, and are included in stewardship and development expense in the statements of unrestricted revenues and expenses.

The Association's program expenses and costs in 2009 and 2008 were as follows:

	2009	2008
Advocacy and witness	\$ 2,302	2,373
Congregational services	1,912	3,329
Communications	2,748	2,519
Costs of goods sold and publishing expenses	5,601	5,833
District services	3,892	4,046
Ministry and professional development	4,690	4,291
Other programs	4,856	4,383
Total	\$ 26,001	26,774

(p) Disclosure about Fair Value of Financial Instruments

In accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 107, *Disclosures About the Fair Value of Financial Instruments*, the estimated fair values of the Association's financial instruments as of June 30, 2009 have been determined by using, where practicable, appropriate valuation methodologies.

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

(q) Asset Retirement Obligations

The fair value of a liability for legal obligations associated with asset retirements is recognized in the period in which it is incurred, in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations* (SFAS 143), and Financial Accounting Standards Board (FASB) Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligations is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of unrestricted revenues and expenses.

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Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(r) Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

(3) Investments

Total investment return from working capital investments, long-term investments, and restricted cash consisted of the following for the years ended June 30:

	2009	2008
Investment income	\$ 3,148	2,549
Net realized (loss) gain on investments	(1,314)	3,688
Net change in unrealized loss on investments	(14,136)	(8,007)
Total return	\$ (12,302)	(1,770)

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

	2009	2008
Unrestricted	\$ 3,626	9,315
Temporarily restricted	15,043	28,071
Permanently restricted	49,894	49,097
Assets held in trust for others (member congregations)	30,537	36,013
Total	\$ 99,100	122,496

Following is a reconciliation of total investment return to amounts reported in the statements of unrestricted revenues and expenses and statements of changes in net assets for the years ended June 30:

	2009	2008
Investment return authorized for operations	\$ 4,851	4,698
Other investment return – operating activities	411	403
Investment return (deficiency) in excess of amounts authorized for operations – nonoperating	(6,954)	(2,874)
Investment return – temporarily restricted	(10,782)	(4,536)
Investment return appropriated but not spent – temporarily restricted	172	539
Total return	\$ (12,302)	(1,770)

Effective July 1, 2008, the Association adopted the recognition and disclosure provisions of Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP for both recurring and nonrecurring measurements, whether accounted for or disclosed in the financial statements,

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(Dollars in thousands)

and expands disclosures about fair value measurements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. SFAS No. 157 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 – unobservable inputs are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The Association owns interests in alternative investment funds rather than in the securities underlying each fund, and therefore it is generally required to consider such investments as Level 2 or 3 for purposes of applying SFAS No. 157, even though the underlying securities may not be difficult to value or may be readily marketable. Also, because of the use of NAV as a practical expedient to estimate fair value, the level in the fair value hierarchy in which each fund's fair value measurement is classified is based primarily on the Association's ability to redeem interest in the fund at or near the date of the statement of financial position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments or a reflection on the liquidity of each fund's underlying assets and liabilities.

The following is a summary of investments as of June 30, 2009 valuing the Association's investments carried at fair value, using the hierarchy of values described above:

UUCEF investments					
	2009				2008
	Level 1	Level 2	Level 3	Total	Total
Equity securities:					
Domestic	\$ 23,758	—	—	23,758	24,198
Foreign	13,428	—	—	13,428	26,871
Fixed income:					
Domestic	2,313	22,484	—	24,797	36,120
Foreign	86	5,154	—	5,240	6,102
Alternative assets	—	30,688	—	30,688	28,044
Community investments	—	—	1,103	1,103	1,071
Cash and equivalents	86	—	—	86	90
Total UUCEF investments	\$ 39,671	58,326	1,103	99,100	122,496

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Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

Other investments					
	2009				2008
	Level 1	Level 2	Level 3	Total	Total
Split interest agreements:					
Charitable Gift Annuity	\$ 6,554	—	—	6,554	8,004
Charitable Remainder Trust	1,530	—	—	1,530	1,882
Pooled income funds	3,032	—	—	3,032	3,745
Funds held by others:					
Holdeen trusts	—	—	24,634	24,634	31,877
Outside trusts	—	—	8,728	8,728	10,722
Total split interest agreements and funds held by others	\$ 11,116	—	33,362	44,478	56,230

The investments in levels 2 and 3 are substantially valued using NAV as a practical expedient.

Level 3 roll forward			
	2009		
	UUCEF investments	Holdeen trusts	Outside trusts
Beginning balance	\$ 1,070	31,877	10,722
Additions/purchases	45	1,432	423
Redemptions/sales	(12)	(2,148)	(382)
Unrealized loss	—	(6,527)	(2,035)
Ending balance	\$ 1,103	24,634	8,728

(4) Endowment

Effective July 1, 2008, the Association adopted FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), and requires comprehensive disclosures regarding both donor-restricted endowment funds and board-designated (quasi) endowment funds. As of June 30, 2009, the Commonwealth of Massachusetts had enacted the provisions of UPMIFA and, accordingly, the effect of FSP 117-1 on the Association's 2009 financial statements included additional disclosures regarding the Association's endowment funds.

The Association's endowment consists of approximately 1,479 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

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(Dollars in thousands)

Board of Trustees to function as endowments. In addition, it includes investments from UUA congregations and related organizations. 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.

Interpretation of Relevant Law

The Board of Trustees of the Association has interpreted the Uniform Management of Institutional Funds Act (UMIFA), 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 classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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.

On July 2, 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was adopted by the Commonwealth of Massachusetts. UPMIFA updates the fundamental investment principles contained in UMIFA by providing precise standards to establish investing in a prudent manner. UPMIFA establishes a duty to minimize costs, diversify the investments, investigate facts relevant to the investment of the fund, consider tax consequences of investment decisions and require investment decisions be made in light of the fund's entire portfolio as a part of an investment strategy having risk and return objectives reasonably suited to the fund and to the Association. UPMIFA also permits the Association to appropriate for expenditure or accumulate so much of an endowment fund as the Association determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, thereby eliminating the restriction that a fund could not be spend below its historical dollar value. Seven criteria are to be used to guide the Association in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the Association and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the Association; and, 7) the investment policy of the Association. The Association will be reviewing the provisions of the UPMIFA to determine what changes, if any, may be required to the investing and spending policies of the Board.

UPMIFA is effective for June 30, 2009 and governs decisions made or actions taken on or after its effective date. The act has no impact on the classification or presentation of net assets in the financial statements as required by FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Fund*.

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(Dollars in thousands)

Changes in endowment net assets for the fiscal year ended in June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 10,185	27,549	49,039	86,773
Investment return:				
Investment income (net of expenses)	678	1,263	—	1,941
Net depreciation (realized and unrealized)	<u>(5,385)</u>	<u>(10,065)</u>	<u>—</u>	<u>(15,450)</u>
Total investment return	(4,707)	(8,802)	—	(13,509)
Contributions	—	559	796	1,355
Investment return authorized for operations	(2,730)	(2,121)	—	(4,851)
Other net asset transfers	<u>(695)</u>	<u>(2,169)</u>	<u>—</u>	<u>(2,864)</u>
Endowment net assets, end of year	\$ <u>2,053</u>	<u>15,016</u>	<u>49,835</u>	<u>66,904</u>

Endowment net asset composition by type of fund consists of the following at June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (900)	15,016	49,835	63,951
Unrestricted quasi endowment funds	<u>2,953</u>	<u>—</u>	<u>—</u>	<u>2,953</u>
Total endowed net assets	\$ <u>2,053</u>	<u>15,016</u>	<u>49,835</u>	<u>66,904</u>

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Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

Changes in endowment net assets for the fiscal year ended in June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 13,631	33,348	48,037	95,016
Investment return:				
Investment income (net of expenses)	(339)	435	—	96
Net depreciation (realized and unrealized)	<u>(1,545)</u>	<u>(2,778)</u>	<u>—</u>	<u>(4,323)</u>
Total investment return	(1,884)	(2,343)	—	(4,227)
Contributions	22		558	580
Investment return authorized for operations	(1,998)	(2,700)	—	(4,698)
Other net asset transfers	<u>414</u>	<u>(756)</u>	444	102
Endowment net assets, end of year	\$ <u>10,185</u>	<u>27,549</u>	<u>49,039</u>	<u>86,773</u>

Endowment net asset composition by type of fund consists of the following at June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	27,549	49,039	76,588
Unrestricted quasi endowment funds	<u>10,185</u>	<u>—</u>	<u>—</u>	<u>10,185</u>
Total endowed net assets	\$ <u>10,185</u>	<u>27,549</u>	<u>49,039</u>	<u>86,773</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$900 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies as of June 30, 2008.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

Return Objectives and Risk Parameters

The UUA 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 organization 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 UUA expects its endowment funds, over time, to provide an average rate of return of approximately 8.5% annually. Actual returns in any given year may vary from this amount.

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 organization 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 has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 13 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In addition, for a limited period ending June 30, 2010, the UUA has a policy of appropriating an additional amount, up to 2% calculated as above, to fund campaign fundraising expenses. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to maintain its value adjusted for inflation. This is consistent with the organization'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.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(5) Promises to Give

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

	2009	2008
Pledge purpose:		
Campaign for Unitarian Universalism	\$ —	2
Now is the Time Campaign	1,243	1,561
	\$ 1,243	1,563
Amounts due in:		
Less than one year	\$ 967	280
Two to five years	260	1,258
Over five years	16	25
	1,243	1,563
Less allowance for uncollectible pledges and present value discount	(153)	(242)
Pledges receivable, net	\$ 1,090	1,321

The rate used to discount pledges receivable was 6% as of both June 30, 2009 and 2008.

(6) Loans to Member Congregations

Loans and advances totaling \$7,424 and \$6,572, net of allowance for uncollectible loans, as of June 30, 2009 and 2008, respectively, represent loans to member churches for capital purposes, primarily buildings. In accordance with the policy of the Association, certain loans were granted so as to be noninterest-bearing for a certain length of time. Approximately 4% and 5% of the outstanding balance of these loans is noninterest-bearing as of June 30, 2009 and 2008, respectively. The loans mature at various dates from December 2009 to February 2034, and bear interest at rates ranging from 0% to 7%.

The allowance for uncollectible loans was \$407 as of both June 30, 2009 and 2008.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(7) Property and Equipment

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

	2009	2008
Land, buildings and improvements	\$ 10,075	9,945
Computer equipment	1,147	1,036
Office furniture and fixtures	600	588
Vehicles	23	23
	11,845	11,592
Less accumulated depreciation	(5,447)	(5,043)
Property and equipment, net	\$ 6,398	6,549

(8) Bank Debt

The Association has an agreement with a bank for a \$6,000 line of credit (the member lending credit line) and a commercial real estate mortgage note of \$1,600 (the mortgage note). The agreement contains financial and nonfinancial covenants and is collateralized by the Association's real estate mortgages on 39-41 Mount Vernon Street, Boston, MA and 6 and 7 Mount Vernon Place, Boston, MA.

(a) Member Lending Credit Line

The member lending credit line is a revolving line of credit with an aggregate borrowing limit of \$6,000 and expires on November 30, 2009, at which time it will be reviewed for renewal. This line of credit is used to provide mortgage loan financing to member congregations according to the existing CPLC lending standards. Draws on the line of credit bear interest at various rates between 3.09% and 4.88%, and mature at various dates through March 30, 2016. Amounts owed under the line of credit total \$1,633 and \$702 as of June 30, 2009 and 2008, respectively.

(b) Mortgage Note

The mortgage note bears interest at a fixed rate per annum equal to 5.78% and is payable over consecutive quarters with equal principal installments of \$33 and payments of interest calculated based upon the then-outstanding principal in arrears on each quarterly payment date. Effective as of February 12, 2007 the mortgage note was extended to February 29, 2012. The outstanding balance as of June 30, 2009 and 2008 was \$733 and \$867, respectively.

Interest expense was \$98 for both years ended June 30, 2009 and 2008.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

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

2010	\$	240
2011		224
2012		177
2013		211
2014		240
Thereafter		<u>1,274</u>
Total	\$	<u><u>2,366</u></u>

(9) Leases and Other Commitments

The Association leases certain office equipment and office space under lease agreements classified as operating leases. Future minimum rental payments required under operating leases and office rental agreements that have initial or remaining noncancelable terms in excess of one year as of June 30, 2009 were:

2010	\$	194
2011		176
2012		144
2013		138
2014		138
Thereafter		<u>104</u>
Total	\$	<u><u>894</u></u>

Rental expense charged to operations was \$200 and \$196 for the years ended June 30, 2009 and 2008, respectively.

The Association guarantees certain loans extended by various lending institutions to member congregations. The outstanding guarantees were \$2,585 and \$2,910 as of June 30, 2009 and 2008, respectively, on loans totaling \$6,116 and \$6,766, respectively. The loan guarantees were obtained by the member congregations via the Association's loan guarantee program. The Association's policy is to guarantee 50% of the outstanding loan principal up to a maximum of \$450.

On January 1, 2007, the Unitarian Universalist Organizations Health Plan (the Plan) was established and began operations. The Plan was organized to operate as an employee welfare benefit plan described in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended. The Plan is 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 evaluate the process of 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

UNITARIAN UNIVERSALIST ASSOCIATION

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June 30, 2009 and 2008

(Dollars in thousands)

the trust. As of June 30, 2009, the Plan was sufficiently funded to cover all actuarially determined obligations.

(10) Benefit Plans

The Association has a defined contribution retirement plan covering all employees who have satisfied initial age and hourly requirements. The policy of the Association is to fund pension costs accrued. Participants' interests are fully vested immediately. The provision for retirement plan costs was \$1,005 and \$935 for the years ended June 30, 2009 and 2008, 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.

The following table presents the plan's funded status reconciled with amounts recognized in the Association's statements of unrestricted revenues and expenses at June 30, 2009 and 2008:

	2009	2008
Changes in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,948	2,078
Service cost	5	6
Interest cost	129	126
Actuarial (gain) loss	(262)	(101)
Benefits paid	(131)	(161)
Benefit obligation at end of year	1,689	1,948
Change in plan assets:		
Employer contribution	131	161
Benefits paid	(131)	(161)
Fair value of plan assets at end of year	—	—
Accrued post-retirement benefit obligation	\$ 1,689	1,948

Assumptions used to determine the benefit obligation as of June 30, 2009 and 2008 are as follows:

	2009	2008
Discount rate	6.55%	6.90%
Rate of increase in healthcare costs	8.40	9.00

The ultimate healthcare cost trend rate assumption of 5.25% used to calculate the benefit obligation is expected to be reached by 2014.

UNITARIAN UNIVERSALIST ASSOCIATION

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June 30, 2009 and 2008

(Dollars in thousands)

A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	<u>One- percentage- point increase</u>	<u>One- percentage- point decrease</u>
Effects on total service and interest cost components for 2009	\$ 147	123
Effects on year-end 2009 accumulated postretirement benefit obligation	1,838	1,559

The following expected future benefit payments are as follows:

Year-end:	
2010	\$ 138
2011	144
2012	148
2013	151
2014	154
2015 – 2017	751

The expected benefits are based on the same assumptions used to measure the Association's benefit obligation at June 30, 2009.

Net periodic postretirement benefit cost reported as expense in the statements of unrestricted revenues and expenses included the following components:

	<u>2009</u>	<u>2008</u>
Service cost	\$ 5	6
Interest cost	129	126
Unrecognized net actuarial gain	5	12
Net periodic benefit cost	\$ <u>139</u>	<u>144</u>

Assumptions used to determine the net periodic postretirement benefit cost as of June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Discount rate	6.90%	6.30%
Rate of increase in healthcare costs	9.00	9.00

The ultimate healthcare cost trend rate assumption of 5.25% used to calculate the net periodic postretirement benefit cost is expected to be reached by 2014.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(11) Subsequent Events

In May 2009, FASB issued SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes principles and requirements for subsequent events. This statement applies to the accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. In accordance with the standard, management has evaluated events subsequent to June 30, 2009 and through October ____, 2009, the date on which the financial statements were issued. The adoption of the statement did not have a material effect on the Association's financial position, results of operations or cash flows.

UNITARIAN UNIVERSALIST ASSOCIATION

Assets by Business Segment

June 30, 2009

(Dollars in thousands)

	<u>Current</u>	<u>Beacon Press</u>	<u>CPLC</u>	<u>UUCEF</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:						
Cash and cash equivalents	\$ 4,399	1,435	138	3,035	—	9,007
Investments	86	55	1,003	99,014	(1,058)	99,100
Accounts receivable, net	1,134	1,086	—	—	—	2,220
Pledges receivable, net	1,090	—	—	—	—	1,090
Inventories	504	898	—	—	—	1,402
Amounts due from other business segments	3,588	—	474	—	(4,062)	—
Other current assets	177	—	—	28	—	205
Total current assets	10,978	3,474	1,615	102,077	(5,120)	113,024
Funds held in trust by others	33,362	—	—	—	—	33,362
Funds held in support of split interest agreements	11,116	—	—	—	—	11,116
Other assets	200	—	—	—	—	200
Loans to member congregations, net	—	—	7,424	—	—	7,424
Property and equipment, net	6,398	—	—	—	—	6,398
Royalty advances	—	430	—	—	—	430
Total assets	\$ 62,054	3,904	9,039	102,077	(5,120)	171,954

See accompanying independent auditors' report and notes to schedules.

UNITARIAN UNIVERSALIST ASSOCIATION

Liabilities and Net Assets by Business Segment

June 30, 2009

(Dollars in thousands)

	<u>Current</u>	<u>Beacon Press</u>	<u>CPLC</u>	<u>UUCEF</u>	<u>Eliminations</u>	<u>Total</u>
Current liabilities:						
Accounts payable and accrued expenses	\$ 5,653	1,270	2	2,028	—	8,953
Current portion of annuity liabilities	396	—	—	—	—	396
Current portion of bank debt	133	—	107	—	—	240
Amounts due to (from) other business segments	1,472	(18)	—	2,608	(4,062)	—
Total current liabilities	7,654	1,252	109	4,636	(4,062)	9,589
Bank debt	600	—	1,526	—	—	2,126
Annuity liability and deferred revenue	2,339	—	—	—	—	2,339
Assets held in trust for others	6,495	—	—	30,537	—	37,032
Accumulated postretirement benefit obligation	1,689	—	—	—	—	1,689
Total liabilities	18,777	1,252	1,635	35,173	(4,062)	52,775
Net assets:						
Unrestricted	5,918	2,518	1,918	2,053	(130)	12,277
Temporarily restricted	28,538	93	630	15,016	(443)	43,834
Permanently restricted	8,821	41	4,856	49,835	(485)	63,068
Total net assets	43,277	2,652	7,404	66,904	(1,058)	119,179
Total liabilities and net assets	\$ 62,054	3,904	9,039	102,077	(5,120)	171,954

See accompanying independent auditors' report and notes to schedules.

UNITARIAN UNIVERSALIST ASSOCIATION

Unrestricted Activities by Business Segment

Year ended June 30, 2009

(Dollars in thousands)

	Current	Beacon Press	CPLC	UUCEF	Eliminations	Total
Operating:						
Support and revenue:						
Fundraising	\$ 11,171	100	—	—	—	11,271
Administrative fees	734	—	—	—	(388)	346
Investment return authorized for operations	4,851	—	—	—	—	4,851
Other investment income	—	32	379	956	(956)	411
Other income	4,766	173	—	—	(10)	4,929
Net sales from publishing activities	1,107	5,074	—	—	—	6,181
General assembly	1,095	—	—	—	—	1,095
Net realized gains and losses on investments	—	—	—	(459)	459	—
Net unrealized gains and losses on investments	—	—	(159)	(4,926)	5,085	—
Transfers to current segment	—	—	—	(2,525)	2,525	—
Net assets released from restriction	3,938	62	45	—	—	4,045
Total support and revenue	27,662	5,441	265	(6,954)	6,715	33,129
Expenses:						
Board and volunteer leadership	663	—	—	—	—	663
Advocacy and witness	2,302	—	—	—	—	2,302
Congregational services	1,912	—	—	—	—	1,912
District services	3,892	—	—	—	—	3,892
Identity-based ministries	947	—	—	—	—	947
Lifespan faith development	1,122	—	—	—	—	1,122
Ministry and professional development	4,690	—	—	—	—	4,690
UU Funding Program	1,095	—	—	—	—	1,095
Crisis Relief Program	658	—	—	—	—	658
Communications	2,748	—	—	—	—	2,748
Cost of goods sold and publishing expenses	316	5,285	—	—	—	5,601
Administration	1,480	—	—	—	—	1,480
Stewardship and development	2,142	—	—	—	—	2,142
Information technology services	1,093	—	—	—	—	1,093
Internal services	1,469	—	—	—	—	1,469
General assembly	1,034	—	—	—	—	1,034
Expenses associated with investment pools	—	—	308	278	(398)	188
Interest expense	48	—	50	—	—	98
Total expenses	27,611	5,285	358	278	(398)	33,134
Increase (decrease) in unrestricted net assets from operations	51	156	(93)	(7,232)	7,113	(5)
Nonoperating:						
Other changes in net assets	275	—	289	(900)	(289)	(625)
Increase in value of split-interest agreements	205	—	—	—	—	205
Investment return below amounts authorized for operations	—	—	—	—	(6,954)	(6,954)
Total decrease in net assets from nonoperating activities	480	—	289	(900)	(7,243)	(7,374)
Increase (decrease) in unrestricted net assets	\$ 531	156	196	(8,132)	(130)	(7,379)

See accompanying independent auditors' report and notes to schedules.

Schedule IV**UNITARIAN UNIVERSALIST ASSOCIATION**

Unitarian Universalist Common Endowment Fund Assets and Liabilities

June 30, 2009

(Dollars in thousands)

Assets:

Cash and cash equivalents	3,035
Investments in securities, at fair value (cost of \$108,790)	\$ 99,014
Other current assets	<u>28</u>
Total assets	<u>\$ 102,077</u>

Liabilities:

Distributions payable	\$ 1,853
Unvested principal	803
Accounts payable and accrued expenses	<u>150</u>
Total liabilities	2,806

Net UUCEF funds (equivalent to \$5.817 per unit based on 17,065,666.2352
outstanding shares)

	<u>99,271</u>
Total liabilities and net UUCEF funds	<u>\$ 102,077</u>

See accompanying independent auditors' report and notes to schedules.

UNITARIAN UNIVERSALIST ASSOCIATION

Unitarian Universalist Common Endowment Fund Operations

Year ended June 30, 2009

(Dollars in thousands)

Investment income	\$ <u>3,885</u>
Expenses:	
Investment manager fees	563
Consultant and other expenses	323
UUA administrative fees	203
Audit fees	<u>45</u>
Total expenses	<u>1,134</u>
Net investment income	<u>2,751</u>
Realized and unrealized loss from investments:	
Net realized loss from investments sold	(1,866)
Net change in unrealized depreciation	<u>(19,966)</u>
Net realized and unrealized loss from investments	<u>(21,832)</u>
Net decrease in UUCEF funds from operations	<u><u>\$ (19,081)</u></u>

See accompanying independent auditors' report and notes to schedules.

UNITARIAN UNIVERSALIST ASSOCIATION

Unitarian Universalist Common Endowment Fund Changes in Net UUCEF Funds

Year ended June 30, 2009

(Dollars in thousands)

Decrease in net UUCEF funds from operations:	
Net investment income	\$ 2,751
Net realized loss from investments sold	(1,866)
Net change in unrealized appreciation	<u>(19,966)</u>
Net decrease in net UUCEF funds from operations	(19,081)
Distributions to participants	(7,497)
Net increase in net UUCEF funds from participant transactions	<u>3,022</u>
Net decrease in net UUCEF funds	(23,556)
Net UUCEF funds:	
Beginning of year	<u>122,827</u>
End of year	<u><u>\$ 99,271</u></u>

See accompanying independent auditors' report and notes to schedules.

UNITARIAN UNIVERSALIST ASSOCIATION

Unitarian Universalist Common Endowment Fund Financial Highlights

Year ended June 30, 2009

(For a unit of participation outstanding throughout the year)

Selected per unit data:

Net asset value – beginning of year	\$ 7.4500
Net investment income	0.1810
Net realized and unrealized loss from investments	<u>(1.3640)</u>
Total from investment operations	6.2670
Distributions to participants	<u>(0.4500)</u>
Net asset value – end of year	<u>\$ 5.8170</u>
Total return (%) (a)	(15.80)%
Ratio of expenses to net assets (%)	1.12%

(a) The UUCEF 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.

See accompanying independent auditors' report and notes to schedules.

UNITARIAN UNIVERSALIST ASSOCIATION

Notes to Unitarian Universalist Common Endowment Fund Schedules

June 30, 2009

(Dollars in thousands)

(1) Investment Transactions

Purchases and proceeds from sales of securities during the year ended June 30, 2009 were \$19,560 and \$22,609, respectively.

(2) Units of Participation

Participant transactions for the UUCEF for the year ended June 30, 2009 were as follows:

	<u>Units</u>		<u>Amount</u>
Units issued	880,125	\$	5,322
Units redeemed	(775,357)		(5,147)
Reinvestments	<u>473,987</u>		<u>2,889</u>
Total	<u><u>578,755</u></u>	\$	<u><u>3,064</u></u>

(3) Reconciliation of UUCEF Accounting Methods

The following reconciles net assets of the fund per the accompanying basic financial statements with amounts reported in the accompanying supplemental schedules.

Net assets per assets by business segment:			
Unrestricted		\$	2,053
Temporarily restricted			15,016
Permanently restricted			<u>49,835</u>
Total net assets per assets by business segment			66,904
Assets held in trust for others			<u>30,537</u>
Total net assets and funds held for others per assets by business segment			97,441
Add:			
Amount due to others business segments			<u>1,830</u>
Total investments per assets by business segment		\$	<u><u>99,271</u></u>
Net UUCEF funds per accompanying supplemental schedule of UUCEF assets and liabilities (unitized)		\$	99,271