



Financial Statements

**Unitarian Universalist
Common Endowment Fund LLC**

June 30, 2020 and 2019



UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Financial Statements

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

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, 2020 and 2019, 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, 2020 and 2019, 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.

Mayer Hoffman McCann P.C.

November 17, 2020
Boston, Massachusetts

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Net Assets

June 30,

(in thousands)

	2020	2019
Assets:		
Investments, at fair value		
(Cost \$170,236 in 2020 and \$162,462 in 2019)	\$ 198,134	\$ 196,987
Cash and cash equivalents	555	1,990
Other current assets	26	25
Total assets	198,715	199,002
Liabilities:		
Accrued expenses and other liabilities	249	203
Net assets	\$ 198,466	\$ 198,799

(in units and dollars)

Shares of beneficial interest outstanding	20,902,866.7096	21,270,431.2602
Net asset value per share	\$ 9.4947	\$ 9.3463

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Schedule of Investments

June 30, 2020

(in thousands)

<i>Description</i>	<i>Security Type</i>	<i>Initial Investment Date</i>	<i>Cost Basis</i>	<i>Fair Value</i>	<i>% of Net Assets</i>
Domestic Equity					
	Traded Equities	Various	\$ 41,548	\$ 49,887	25%
	Pooled Fund	4/1/2016	7,136	6,760	3%
			<u>48,684</u>	<u>56,647</u>	
International Equity					
	Traded Equities	5/1/2010	9,039	12,079	6%
	Mutual Fund	4/1/2013	9,247	13,845	7%
	Pooled Fund	Various	23,125	28,963	15%
			<u>41,411</u>	<u>54,887</u>	
Fixed Income					
	Traded Fixed Income	11/1/2014	11,845	13,290	7%
	Pooled Fund	Various	46,700	49,832	25%
			<u>58,545</u>	<u>63,122</u>	
Opportunistic					
	Northern European Focused Fund	4/1/2015	5,500	5,527	3%
	Hedge Fund of Funds	8/1/2009	604	513	0%
	Global Asset Allocation Mutual Fund	4/28/2020	5,000	5,472	3%
			<u>11,104</u>	<u>11,512</u>	
Private Markets					
	UK Sterling Pooled Real Estate Fund	8/1/2015	347	1,257	1%
	Private Investment Fund	6/1/2014	4,221	4,312	2%
	Opportunistic Expansion	Various	3,250	3,723	2%
			<u>7,818</u>	<u>9,292</u>	
Other					
	Loans and Depository Agreements	Various	2,674	2,674	1%
Total Investments			<u><u>\$ 170,236</u></u>	<u><u>\$ 198,134</u></u>	100%

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Schedule of Investments

June 30, 2019

(in thousands)

<i>Description</i>	<i>Security Type</i>	<i>Initial Investment Date</i>	<i>Cost Basis</i>	<i>Fair Value</i>	<i>% of Net Assets</i>
Domestic Equity					
	Traded Equities	Various	\$ 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	4/1/2013	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	<u>1,704</u>	<u>1,704</u>	1%
Total Investments			<u><u>\$ 162,462</u></u>	<u><u>\$ 196,987</u></u>	99%

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Operations

For the Years Ended June 30,

(in thousands)

	2020	2019
Investment income	\$ <u>1,934</u>	\$ <u>2,734</u>
Expenses:		
Investment manager fees	1,282	1,255
Consultant and other expenses	423	484
UUA administrative fees	388	375
Audit fees	<u>40</u>	<u>38</u>
Total expenses	<u>2,133</u>	<u>2,152</u>
Net investment income (loss)	<u>(199)</u>	<u>582</u>
Realized and unrealized gains from investments:		
Net realized gain from investments sold	9,862	5,933
Unrealized investment gains (losses)	<u>(6,627)</u>	<u>4,564</u>
Net realized and unrealized gains from investments	<u>3,235</u>	<u>10,497</u>
Net increase in net assets from operations	\$ <u><u>3,036</u></u>	\$ <u><u>11,079</u></u>

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Changes in Net Assets

For the Years Ended June 30, 2020 and 2019

(in thousands)

Net assets July 1, 2018	\$ <u>190,154</u>
Change in net assets from operations:	
Net investment gain	582
Net realized gains	5,933
Unrealized gains	<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>198,799</u>
Change in net assets from operations:	
Net investment loss	(199)
Net realized gains	9,862
Unrealized losses	<u>(6,627)</u>
Change in net investment return	3,036
Change in net assets from fund share transactions	<u>(3,369)</u>
Total change in net assets	<u>(333)</u>
Net assets June 30, 2020	\$ <u><u>198,466</u></u>

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Statements of Cash Flows

For the Years Ended June 30,

(in thousands)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 3,036	\$ 11,079
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in realized and unrealized gains from investments	(3,235)	(10,497)
Amortization	-	13
Purchase of investments	(42,428)	(15,033)
Proceeds from sales and maturities of investments	44,516	17,678
Changes in assets and liabilities:		
Other current assets	(1)	8
Accrued expenses and other liabilities	46	(205)
Net cash provided by operating activities	1,934	3,043
Cash flows from financing activities:		
Capital contributions	12,506	9,676
Capital withdrawals	(15,875)	(12,110)
Net cash used in financing activities	(3,369)	(2,434)
Net change in cash and cash equivalents	(1,435)	609
Cash and cash equivalents as of beginning of year	1,990	1,381
Cash and cash equivalents as of end of year	\$ 555	\$ 1,990

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.

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 - Investments and Fair Value

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

	2020			
	Level 1	Level 2	Investments Measured at NAV	Total
Domestic Equity	\$ 49,887	\$ 6,760	\$ -	\$ 56,647
International Equity	20,768	34,119	-	54,887
Fixed Income	29,257	21,857	12,008	63,122
Opportunistic	5,472	-	6,040	11,512
Private Markets	-	-	9,292	9,292
Other	-	2,674	-	2,674
Total investments	\$ 105,384	\$ 65,410	\$ 27,340	\$ 198,134

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 3 - Investments and Fair Value (Continued)

	2019			
	Level 1	Level 2	Investments Measured at NAV	Total
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
Total investments	\$ 101,226	\$ 71,489	\$ 24,272	\$ 196,987

Investments have the following redemption notice periods at June 30, 2020:

Daily	\$ 124,800
Monthly	41,484
Bi-Monthly	13,845
Quarterly	5,527
Illiquid	12,478
Total	\$ 198,134

Unfunded commitments to the investment vehicles amounted to \$5,675 and \$9,607 at June 30, 2020 and 2019, respectively. Funds allow for managers to limit normal redemptions under certain circumstances which could impact the ultimate availability of funds.

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

Note 4 - Membership Interest and Related Party Transactions

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

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

Note 4 - Membership Interest and Related Party Transactions (Continued)

The Association's endowment owned 43.6% and 45.4% of the units outstanding as of June 30, 2020 and 2019, respectively. Association administered trusts for the benefit of affiliated congregations and qualified entities accounted for 7.9% and 8.3% of the units outstanding as of June 30, 2020 and 2019, respectively.

The Association earned administrative fees of \$388 and \$375 to manage UUCEF during the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the amount due to the Association was \$108 and \$73, respectively.

Note 5 - Financial Highlights (in per share amounts)

Per unit operating performance (for a participating unit outstanding) for years the ended June 30, 2020 and 2019:

Net asset value at July 1, 2018	\$	8.8197
Net investment income		0.0274
Net realized and unrealized gain		<u>0.4992</u>
Net asset value at June 30, 2019		9.3463
Net investment loss		(0.0094)
Net realized and unrealized gain		<u>0.1578</u>
Net asset value at June 30, 2020	\$	<u>9.4947</u>
	2020	2019
Total return (a)	1.60%	6.00%
Ratio of expenses to net assets	1.07%	1.08%
Ratio of net investment return	1.53%	5.57%

(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.

Financial highlights are calculated for members taken as a whole. A member's return and ratio may vary based on timing of capital transactions. The net investment income ratio does not reflect the income and expenses incurred by underlying private investment companies.

UNITARIAN UNIVERSALIST COMMON ENDOWMENT FUND LLC

Notes to Financial Statements (in thousands)

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

Rollforward of number of beneficial shares in units outstanding for the years ended June 30, 2020 and 2019:

Beneficial shares in units outstanding at July 1, 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	21,270,431
Units issued	1,322,985
Units redeemed	(1,700,989)
Pending issuance	<u>10,440</u>
Beneficial shares in units outstanding at June 30, 2020	<u>20,902,867</u>

Note 6 - Subsequent Events

UUCEF has evaluated subsequent events through November 17, 2020, the date the financial statements were authorized to be issued.