

Unitarian Universalist Church of Berkeley
Statements of Financial Position

June 30, 2015 and 2014

Draft

ASSETS

	2015			2014	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Current assets					
Cash and equivalents	\$ 1,158,571	\$ -	\$ -	\$ 1,158,571	\$ 647,080
Interfund receivable (payable)	(894,776)	885,063	9,713	-	-
Prepaid expenses and receivables	9,977	-	-	9,977	37,494
Total current assets	<u>273,772</u>	<u>885,063</u>	<u>9,713</u>	<u>1,168,548</u>	<u>684,574</u>
Investments	1,346,584	126,561	178,673	1,651,818	1,675,934
Property and equipment, net of accumulated depreciation of \$2,147,033 at June 30, 2015, and \$2,090,591 at June 30, 2014 (Note 5)	1,427,545	-	-	1,427,545	1,430,389
Other assets					
Ownership interest in housing (Note 4)	-	-	-	-	129,164
Assets of charitable remainder trust (Note 7)	-	299,470	-	299,470	311,712
Interest in pooled income trusts (Notes 3 and 7)	-	28,271	-	28,271	27,831
					-
	<u>\$ 3,047,901</u>	<u>\$ 1,339,365</u>	<u>\$ 188,386</u>	<u>\$ 4,575,653</u>	<u>\$ 4,259,603</u>

LIABILITIES AND NET ASSETS

Current liabilities					
Accounts payable	\$ 5,879	\$ -	\$ -	\$ 5,879	\$ 5,106
Accrued wages and payroll taxes	33,925	-	-	33,925	24,738
Accrued vacation	15,582	-	-	15,582	16,601
Rental deposits	10,410	-	-	10,410	13,000
Total current liabilities	<u>65,797</u>	<u>-</u>	<u>-</u>	<u>65,797</u>	<u>59,446</u>
Net assets					
Unrestricted	1,588,558	-	-	1,588,558	1,449,988
Unrestricted - Board designated	1,393,546	-	-	1,393,546	1,345,467
Temporarily restricted (Note 7)	-	1,339,365	-	1,339,365	1,221,433
Permanently restricted	-	-	188,386	188,386	1,833,269
	<u>2,982,104</u>	<u>1,339,365</u>	<u>188,386</u>	<u>4,509,856</u>	<u>4,200,157</u>
	<u>\$ 3,047,901</u>	<u>\$ 1,339,365</u>	<u>\$ 188,386</u>	<u>\$ 4,575,653</u>	<u>\$ 4,259,603</u>

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UNITARIAN UNIVERSALIST CHURCH OF BERKELEY
STATEMENTS OF ACTIVITY

Year Ended June 30, 2015
With Comparative Totals for June 30, 2014

	2015			2014	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Support and revenue					
Contributions	\$ 505,279	\$ 174,858	\$ -	\$ 680,137	\$ 1,068,999
Bequests	40,441	-	-	40,441	42,396
Facilities rentals	312,844	984	-	313,828	248,530
Church events	25,699	10	-	25,709	26,988
Program fees	60,338	84,815	-	145,153	19,122
Other income	19,739	-	-	19,739	39,949
Change in value of trusts	-	(11,801)	-	(11,801)	15,845
Investment gains (losses)	168,085	(1,573)	9,067	175,579	204,304
Interest and dividends	9,604	973	1,648	12,224	21,906
Income from trusts	1,713	-	-	1,713	1,682
Net assets released from restriction	135,931	(130,333)	(5,598)	-	-
	<u>1,279,674</u>	<u>117,932</u>	<u>5,117</u>	<u>1,402,723</u>	<u>1,689,720</u>
Expenses					
Program	772,740	-	-	772,740	786,500
General and administrative	320,284	-	-	320,284	309,817
Fundraising	-	-	-	-	-
	<u>1,093,024</u>	<u>-</u>	<u>-</u>	<u>1,093,024</u>	<u>1,096,317</u>
Change in net assets	186,650	117,932	5,117	309,699	593,404
Net assets, beginning of year	<u>2,795,455</u>	<u>1,221,433</u>	<u>183,269</u>	<u>4,200,157</u>	<u>3,606,753</u>
Net assets, end of year	<u>\$ 2,982,105</u>	<u>\$ 1,339,365</u>	<u>\$ 188,386</u>	<u>\$ 4,509,856</u>	<u>\$ 4,200,157</u>

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UNITARIAN UNIVERSALIST CHURCH OF BERKELEY
STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015
With Comparative Totals for June 30, 2014

	2015					2014	
	Direct costs			Shared costs		Total	
	Programs	General and administrative	Fundraising	Facilities	Other		Total
Salaries and wages	\$ 211,590	144,959		\$ 103,303		\$ 459,852	\$ 514,239
Payroll taxes	11,363	11,103		8,118		30,584	28,981
Employee benefits	37,616	40,244		27,702		105,562	108,982
Accounting fees		9,485				9,485	5,250
Professional fees	11,647	2,922		15,203		29,772	22,256
Fundraising expenses	1,193					1,193	
Investment management fees		0				0	12,922
Insurance				7,437	34,241	41,678	22,097
Property taxes				1,240	8,997	10,237	7,572
Building repairs and landscaping				32,867		32,867	41,087
Advertising/public relations		7,882				7,882	2,933
Supplies and equipment	9,782			18,485	20,029	48,297	29,850
Printing and copying	372				1,775	2,147	651
Utilities				32,098	8,557	40,656	30,142
Postage and delivery	334				5,138	5,472	5,187
Staff/professional development	14,757	1,748				16,505	22,530
Unitarian Universalist contribution		38,003				38,003	39,474
Donations to other nonprofits	24,092					24,092	17,269
Outreach						0	536
Thursday night suppers	14,560					14,560	13,249
Program committee expenses	52,784					52,784	58,492
Depreciation					56,441	56,441	66,476
Bank fees		2,773				2,773	5,495
Other expenses		57,671			4,510	62,181	40,648
Allocation of shared costs	382,649	3,493		-246,453	-139,689	0	0
	<u>\$ 772,740</u>	<u>320,284</u>	<u>0</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 1,093,024</u>	<u>\$ 1,096,316</u>

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UNITARIAN UNIVERSALIST CHURCH OF BERKELEY
STATEMENTS OF CASH FLOWS

Year Ended June 30, 2015
With Comparative Totals for June 30, 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 309,699	\$ 593,404
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Investment (gains)/losses	(175,579)	(204,304)
Change in value of trusts	11,801	(15,845)
Depreciation expense	56,441	66,476
Changes in assets and liabilities:		
(Increase) decrease in prepaid expenses and receivables	27,517	(6,299)
Increase (decrease) in accounts payable	773	4,784
Increase (decrease) in accrued salaries	9,187	2,602
Increase (decrease) in accrued vacation	(1,019)	4,362
Increase (decrease) in deferred revenue	-	(2,300)
Increase (decrease) in rental deposits	(2,590)	2,900
Net cash provided by operating activities:	236,230	445,781
Cash flows from investing activities:		
Net proceeds from sales (purchases) of investments	328,858	(14,169)
Purchase of fixed assets	(53,597)	(185,771)
Net cash provided (used) used by investing activities	275,261	(199,940)
Net increase in cash and equivalents	511,491	245,841
Cash and equivalents, beginning of year	647,080	401,238
Cash and equivalents, end of year	\$ 1,158,571	\$ 647,080

See independent accountant's review report.

UNITARIAN UNIVERSALIST CHURCH OF BERKELEY
NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

1. The Church

Nature of activities

Located in Kensington, California, Unitarian Universalist Church of Berkeley fosters liberal religious living through worship, study, service and fellowship.

Unitarian Universalist Church of Berkeley is a nonprofit religious Church, exempt from income taxes under IRS Code Section 501(c)(3). The Church is governed by a 12-member Board of Trustees.

Funding

The Church receives the majority of its funding through contributions and bequests from individuals. Rental income is received from leasing a portion of its space to two schools, as well as renting the facility for day events. In addition, income is received through church events and investment activities.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the church have been prepared on the accrual basis in conformity with generally accepted accounting principles.

Restricted and unrestricted revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated assets

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated property and equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions or cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Church reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Fair value measurements accounting for restricted support

The Church reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Generally accepted accounting principles (GAAP) provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation

UNITARIAN UNIVERSALIST CHURCH OF BERKELEY
NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using best information available when there is little or no market

The Church is required to measure certain investments at fair value in accordance with GAAP. The technique used to measure the fair value of investments is described below.

Cash and equivalents

Cash and cash equivalents include a bank checking account as well as brokerage account money funds with an initial maturity date of three months or less.

Investments

The Church records equity securities with readily determinable fair market values and all debt securities at fair market value with unrealized gains and losses included in the statement of activities. All of the Church's investments are traded on national exchanges. Accordingly, the exchanges' quoted price determines the fair market value (Level 1 inputs).

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value because of the short maturity of these instruments.

Intentions to give

Each year, the Church asks the members of the congregation to submit pledge cards indicating the donations the members intend to give for various special projects during the upcoming year. The pledge cards clearly indicate that the information is to be used only for the Church's budgetary purposes and the members may rescind the pledges at any time. Since these pledges do not meet the criteria for revenue recognition under SFAS No. 116 they are not reflected as contributions in the statement of activities until the pledges are collected.

Fixed assets

Fixed assets are stated at cost. Items exceeding \$2,500 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from five to fifty years.

Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain facility-related costs and other shared expenses have been allocated among the programs and supporting services benefited, based on the relative amount of square footage used by these functions. Since all fundraising activities are conducted by volunteers, the Church has very little fundraising expense.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

UNITARIAN UNIVERSALIST CHURCH OF BERKELEY
NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

Comparative data

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principle. Accordingly, such information should be read in conjunction with the church's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Contributed services

Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Church, but these services do not meet the criteria for recognition as contributed services

3. Investments

Investments at June 30, 2015 and 2014 consisted of the following:

	2015	2014
Unitarian Universalist Association -		
Common/Collective/Pooled Funds	\$ 1,633,854	\$ 1,655,830
Mutual funds	17,964	20,104
	\$ 1,651,818	\$ 1,675,934
Unrestricted - designated for long term investment	\$ 1,346,584	\$ 1,365,211
Temporarily restricted	126,561	131,704
Permanently restricted	178,673	179,019
	\$ 1,651,818	\$ 1,675,934

4. Ownership interest in housing

In 2001, the Church invested \$129,164 for improvements to a home owned by the Co-Ministers. An agreement specifying the terms of this investment was executed and filed with the County. The agreement provided that, upon sale of the house, the Church and Co-Ministers will share in the gain on the sale of the house according to the respective portions of their cash investments in the home. The house was sold during the current year. The church recognized gain of \$172,022 on the sale. The church set aside its share of the total proceeds on the sale, \$301,186, to be invested in the new co-ministers' housing in the year ending June 30, 1917.

5. Property and equipment

Property and equipment at June 30, 2015 and 2014 consisted of the following:

	2015		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book Value</u>
Land	\$ 120,133	\$ -	\$ 120,133
Buildings and improvements	3,002,573	1,903,062	1,099,511
Equipment and furniture	451,872	243,971	207,902
	\$ 3,520,980	\$ 2,147,033	\$ 1,427,546

UNITARIAN UNIVERSALIST CHURCH OF BERKELEY
NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

5. Property and equipment, continued

	2014		Book Value
	Cost	Accumulated Depreciation	
Land	\$ 120,133	\$ -	\$ 120,133
Buildings and improvements	2,948,977	1,859,506	1,089,471
Equipment and furniture	451,872	231,087	220,785
	\$ 3,520,982	\$ 2,090,593	\$ 1,430,389

6. Temporarily restricted net assets

Temporarily restricted net assets at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
<u>Charitable remainder trust</u>		
The Church acts as Trustee for a Charitable Remainder Trust, whose assets are invested in marketable securities. One individual has a 50% life income interest, and a second beneficiary has a 25% life income interest. Upon their deaths, the Church receives 7/8 of the trust principal. The amount on the books is the current fair market value of the Church's 7/8 interest.	\$ 299,470	\$ 311,712
<u>Pooled income trust</u>		
The pooled income trust consists of "life income gifts", whereby donor/income beneficiaries receive the income generated on their principal gift during their lifetime and a remainder interest at death. Upon the death of the beneficiaries, their portion of the trust principal becomes the property of the Church.	28,271	27,831
<u>Contributions restricted by time</u>		
General support	51,994	46,785
<u>Contributions restricted by use</u>		
Lawrence Lecture	56,939	56,964
Peace Fund	13,652	13,652
Armstrong Gardens Fund	19,687	20,104
Ellis Fund- Music Program	122,834	31,615
Freestone Repairs and Maintenance Fund	14,646	13,662
Anna Spatz Fund for Education	54,578	54,636
Ladd Griffith Fund	5,347	5,347
Beloved Café		10,274
Capital campaign	644,449	586,244
Music Memorial Fund	1,908	500
Coordinating Team Designated Fund	10,418	32,083
Other various small funds	20,175	10,024
Total temporarily restricted net assets	\$ 1,339,365	\$ 1,221,433

Contributions to the capital campaign fund for the year ended June 30, 2015 totaled \$111,801.

UNITARIAN UNIVERSALIST CHURCH OF BERKELEY
NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

7. Board designated endowment

The Church manages its board designated endowment like a true endowed fund. Church bylaws provide that the objective of this fund is to "provide income to the General Fund and to increase the Endowment asset base in order to maintain the real purchasing power of the Endowment Fund after distributions. To attain these objectives, the annual distribution shall be fixed at 5% of the market value of the Endowment Fund at the end of the calendar year proceeding the year that distributions are made." For the years ended June 30, 2015 and 2014, \$49,645 and \$68,131 respectively was transferred from the Endowment Fund to the operating fund.

8. Operating leases

The Church leases part of its space to schools under operating leases as follows:

Skytown Preschool

The current lease is from July 1, 2014 through June 30, 2017. Total rent was \$59,766 for the year ended June 30, 2015, and \$58,361 for the year ended June 30, 2014.

Shu Ren International School

The current lease was from June 2013 through June 2015. Total rent was \$128,177 for the year ended June 30, 2015, and \$103,200 for the year ended June 30, 2014.

Both the Skytown lease and the Shu Ren lease consist of a base rent plus a cost of living adjustment annually.

9. Pension plan

Unitarian Universalist Church of Berkeley maintains a 403(b) retirement plan for staff members who have been employed with the Church for at least one year and work at least 20 hours per week. Each eligible worker is entitled to a contribution equal to 10% of his or her annual salary. Employer contributions for the 2015 and 2014 fiscal years were \$41,059 and \$40,985 respectively.

10. Concentration of risk

Unitarian Universalist Church of Berkeley has invested in brokerage money funds which are not federally insured. In addition, significant investment has been made in securities which are subject to fluctuation in market value. Although this potentially subjects the Church to a concentration of investment risk, management believes that the investment portfolio is adequately diversified and that there is no significant exposure to credit risk.