

2010 ANNUAL REPORT





OUR MISSION

United Church Funds strengthens the Church's ministries through the faithful stewardship of resources by offering all parts of the United Church of Christ sound financial management services.

OUR VISION

As we begin our second century of ministry guided by the principles and beliefs of the United Church of Christ, United Church Funds strives to be the preferred provider of financial services to the churches, associations, conferences and other institutions of the United Church of Christ and to expand our ministry to include ecumenical partners and beyond.

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FROM THE PRESIDENT

Despite a few fits and starts, the US economy continued to improve in 2010, giving United Church Funds the pleasure of ending 2010 with positive results, building on our success in 2009. Three of our four funds of funds finished the year with returns exceeding 12% — and our Small Cap Equity Fund posted an impressive 23.05% return for the year. As we noted last year, the US economy still has room to improve, and will undoubtedly experience a few hiccups, but we look forward to continuing progress in 2011.

We began our second century of service with several significant new offerings. In response to requests from our larger investors, United Church Funds (UCF) now offers alternative investments as part of our family of fund options. The Alternatives Fund currently includes investments in both a fund of hedge funds and real estate, and gives investors the opportunity to choose their own alternatives allocations for their overall portfolio. The Alternatives Balanced Fund provides a blend of Total Equity and Fixed Income investments similar to the Moderate Balanced Fund, but with a 10% allocation to the Alternatives Fund. Alternatives are not appropriate for every investor,

as these investments carry different risk characteristics, require longer terms, and may not be liquidated as easily as UCF's other funds. If you're interested in discussing these options, please give us a call.

Alternatively, you can join us for our 2012 Investor Conference — a new offering that UCF launched in October of 2010 in Chicago. Our first conference featured a Friday evening dinner and keynote address from a senior economist of the Federal Reserve and a Saturday full of relevant talks, workshops and discussions. The 2012 Conference will be held in New Orleans in January, so be sure to visit us online at conference.unitedchurchfunds.org for details.

In 2010, we also launched a new Regional Representatives program to provide more local churches around the country with personal attention. In the west, we're represented by Jonathan (JB) Gans; in the northeast, by Dave Williams; and in the middle of the country, by Sandy Lueschen Lindahl. While our New York staff will continue to meet with local churches and attend annual meetings, we're pleased to be able to extend our outreach with the services of these three committed professionals.

UCF saw a number of other highlights in 2010 —

- As the Trustee for the Richard & Helen Brown Endowment for Pastoral Scholarships, United Church Funds funded scholarships for students at our seven UCC-related seminaries for approximately \$90,000. Additionally, the five organizations comprising the Council for Racial and Ethnic Ministries nominated UCC students attending a variety of seminaries for approximately \$64,000.
- The Board of Directors also voted to make available for wider use those Brown Endowment funds for which no nominations are made in a given year. In 2011, the Endowment will enable seminarians selected by each UCC seminary to attend General Synod in Tampa.
- As the year ended, Catherine Waterworth, our Chief Investment Officer, announced her retirement in mid-2011. We are sad to see Kate go, and have been grateful for her skilled leadership through a tumultuous time.

The coming year will undoubtedly present a range of challenges as the US economy continues its recovery. At United Church Funds, we look forward to rising to those challenges and serving our investors with professionalism, determination and skill.

Sincerely,



Donald G. Hart
President



Catherine Waterworth
Chief Investment Officer

MARKET REVIEW AND OUTLOOK

MARKET REVIEW

Over the course of 2010, global equity markets experienced some rocky periods but generally ended the year on a strong note. Earlier in the year, concerns about the potential defaults of weaker, over-indebted countries in the European Union on their debt obligations rattled the markets only to be followed by the tragic explosion of an oil well in the Gulf of Mexico that took 11 lives and more than three months to cap. The May 6 “flash crash,” which saw the Dow Jones Industrial Average plunge more than 600 points in several minutes before recovering much of the plunge moments later, made investors wary. By early summer, worries over growing deficits, decelerating growth and deflation in developed markets, including the US, and rising interest rates in some emerging economies had equity markets in a swoon.

However, by late summer, economic releases had diminished the probability of a double dip recession, optimism over growing corporate profits returned and the Federal Reserve announced additional purchases of government securities (known as quantitative easing or QE2). With worries abating, the S&P 500 recorded its strongest September advance since 1939. This, combined with strong results in the final quarter of the year, propelled many world stock markets to a second consecutive year of double-digit gains.

Emerging markets, although weakening in the latter part of 2010, topped the performance charts with a return of 18.88% as measured by the MSCI Emerging Markets Index. The US was not far behind, with the S&P 500 returning 15.06%. International developed stocks recovered from double-digit losses in the earlier part of the year to return 7.75% as measured by the MSCI Europe, Asia, Far East (EAFE) Index.

Bond returns were also healthy in 2010. US bonds, as represented by Barclays Capital US Government/Credit Index, had a 6.59% return. Concerns about deflation and the sustainability of economic growth in the first three quarters kept US Treasury yields on a downward trajectory. The drop in yield levels more than offset a widening of corporate credit spreads (the extra yield over Treasuries) during this period. In the fourth quarter, however, interest rates rose amid renewed economic optimism, and corporate spreads narrowed. In the final quarter of the year, returns for bonds overall were negative, shaving off some of the return posted in earlier quarters.

INVESTMENT PERFORMANCE AS OF DECEMBER 31, 2010

AVERAGE TOTAL RATES OF RETURNS		ANNUALIZED					
<i>Returns on UCF funds are presented net of fees</i>	Year End	Three Years	Five Years	Ten Years	Current Yield	Unit Value	Market Value
Fixed-Income Fund	5.88%	5.93%	5.79%	5.71%	4.71%	\$4.6175	\$244.6M
Barclays Capital Gov't Credit Bond Index (BCGC)	6.59%	5.60%	5.56%	5.83%			
Domestic Core Equity Fund	14.58%	-3.92%	1.62%	N/A	1.87%	\$10.0826	\$217.3M
S&P 500 Index	15.06%	-2.86%	2.29%				
Small Cap Equity Fund	23.05%	-4.02%	0.41%	N/A	0.58%	\$10.1864	\$76.2M
Russell 2000 Index	26.86%	2.22%	4.47%				
International Equity Fund	15.57%	-2.90%	4.03%	N/A	2.53%	\$11.7275	\$107.6M
EAFE Index	7.75%	-7.02%	2.46%				
Cash & Equivalent Fund (annualized)	0.04%	0.74%	4.03%	N/A	0.01%	\$1.0000	\$4.2M
Lipper Money Market Funds Index (annualized)	0.03%	0.89%	2.55%				
Total Equity Fund (54.16% Domestic Core Equity, 18.92% Small Cap Equity Fund, 26.92% International Equity Fund)	16.15%	-3.70%	1.85%	1.37%	1.80%	\$10.6032	\$398.4M
Policy Index: 55% S&P 500, 20% Russell 2000, 20% EAFE, 5% MSCI Emerging Markets Net	16.17%	-2.37%	2.98%	2.11%			
Conservative Balanced Fund (40.13% Equity, 59.9% Fixed-Income)	9.73%	3.18%	4.88%	N/A	3.54%	\$10.6538	\$4.5M
Policy Index: 35% Equity Policy, 65% BCGC	10.44%	3.41%	5.10%				
Moderate Balanced Fund (65.07% Equity, 34.93% Fixed-Income)	12.20%	0.80%	3.89%	3.17%	2.82%	\$8.0890	\$317.1M
Policy Index: 60% Equity Policy, 40% BCGC	12.87%	1.44%	4.48%	4.00%			
Aggressive Balanced Fund (79.26% Equity, 20.74% Fixed-Income)	13.92%	-0.76%	3.30%	N/A	2.40%	\$10.5434	\$8.4M
Policy Index: 75% Equity Policy, 25% BCGC	14.20%	0.11%	3.99%				

Marked by fits and starts, the US economy grew 2.9% in 2010 — a welcome rebound after receding 2.6% in 2009 but slower than many post-recession recoveries. With job creation remaining sluggish, unemployment remained uncomfortably high, ending the year at 9.4%. Concerns about deflation and inflation rose and fell throughout the year. As measured by the Consumer Price Index, inflation increased 1.5% in 2010. With core measures of inflation remaining below target and high unemployment, the Federal Reserve maintained its benchmark federal funds rate unchanged through 2010 — with a target range of 0% to .25% — and committed to keeping it low for an extended period to bolster the economic recovery.

MARKET OUTLOOK

As we head into 2011, some economists are convinced that the US economy is on firmer footing while others are skeptical that the US is on a sustainable growth path. The issues that contributed to market volatility in 2010 are still with us while new issues have come to the fore early in 2011. Increased geopolitical risk in the Middle East, higher commodity prices (especially oil which has breached \$100 per barrel), and proposed legislative measures to reign in the US budget deficit have the potential to unnerve investor optimism. According to *The Economist*, a rule of thumb is that a 10% increase in the price of oil will cut a quarter of a percentage point off global growth. Although the oil price may not rise enough to stop growth cold, higher, sustained prices are likely to sap some growth and raise inflation expectations. As of this writing, economists expect the US economy to grow 3.0% and the global economy to grow 4.1%. The unemployment rate in the US is expected to average 8.9% in 2011 while inflation expectations remain modest at 2.3%. The Federal Reserve is likely to keep interest rates on hold for much of the year. According to Thomson Reuters, operating earnings are expected to increase slightly more than 11% in 2011. Improving economic conditions, low interest rates, growing earnings and relatively attractive stock valuations contribute to an environment conducive to further market gains in 2011. However, further gains will nonetheless face hurdles along the way. High unemployment, fiscal deficits at the federal, state and municipal level, rising commodity prices (especially food and energy), and social unrest in the Middle East will challenge consumer confidence. If these challenges are successfully addressed, financial assets should continue to deliver positive returns, with equities in 2011 once again delivering higher returns than bonds.





Kathryn O'Neill McCloskey
Director of
Corporate Social Responsibility

SOCIAL RESPONSIBILITY

United Church Funds pioneered in the socially responsible investing arena. Now more and more of the assets under professional management in the US are invested in a responsible manner, making the clients of United Church Funds (UCF) part of an ever-growing movement. In 2010, UCF's corporate social responsibility office worked to make operational and policy improvements on environmental, human rights, and governance issues at the companies in which we invest.

As part of an ecumenical body, UCF participated in a corporate engagement-focused trip to Israel-Palestine, meeting with representatives of US corporations and companies in their supply chains, as well as with officials from the US Department of State. The UCF Social Action Fund, created in 2009, specifically engages with companies directly profiting from the continued Occupation of the Palestinian territories by provision of goods and/or services to Israel and the Israeli Defense Force.

Engagements on issues of social impact also included dialogues with credit card-issuing banks on how their lending practices contribute to American borrowers' financial troubles. On the international front, UCF continued its collaboration with investors and issue-experts on cocoa farming practices in West Africa and how chocolate companies should structure their supply chain monitoring systems to prevent child labor.

Environmental concerns led to continued dialogues on issues of corporate water usage in water-stressed and water-scarce areas of the world, greenhouse gas

Our corporate social responsibility activities go beyond engagement. We voted the ballots of more than 400 domestic and global corporate annual meetings in accordance with our Proxy Voting Guidelines. We also screen our investments, excluding companies that derive significant revenue from the manufacture, sale, or distribution of tobacco, alcohol, gambling or military weapons. We also keep close watch on legislative changes that have potential impacts on socially responsible investors including the Dodd Frank Financial Reform Act which called for mandatory say-on-pay, by which corporations must give investors the right to vote on the executive compensation packages of executives, and the *Citizens United* Supreme Court decision which has prompted requests for more transparency around the issue of corporate expenditures to political campaigns.

UCF uses strategic partnerships with the Interfaith Center on Corporate Responsibility and the United Nations Principles for Responsible Investment to strive toward the goal of corporate sustainability. In this way UCF believes we provide the best opportunities for long-term client benefits.

BOARD OF DIRECTORS

At United Church Funds (UCF), we are blessed with a cadre of highly skilled professionals who offer their time and share their expertise for no monetary reward. In the for-profit world, corporate board members receive handsome compensation for their time and service. Our Board Members' incredible gift of time and service enables UCF to benefit from the wisdom of individuals who could easily sit on the boards of large mutual funds, but who instead place their talents in the church's service. Their volunteer service on our board saves UCF thousands of dollars and ensures that our investors pay some of the lowest fees anywhere. We're proud of the people who serve the United Church of Christ in this way, and honor their contribution.

The Rev. Edward Davis
Mr. William Epke, Chair
Ms. Barbara Everett
Ms. Sylvia G. Ferrell-Jones
The Rev. Stephen C. Gray
Mr. Steven J. Guy
The Rev. Dr. Laurinda M. Hafner
The Honorable Brian F. Holeman
Ms. Susan S. Huang
The Rev. Dr. Sandra Hulse
Dr. Nesa Joseph
The Rev. Gwendolyn V. Kirkland
Ms. Stella A. Schoen

The Rev. Harold S. Schultz
Ms. Serilda J. (Pete) Thompson

Member Emeritus

Mr. Richard A. Hopkins
The Rev. Dr. Harold C. Smith

Ex-officio

The Rev. Geoffrey A. Black
General Minister & President
Mr. Pierson G. Kemp
Chair, UCC Executive Council

Ms. Sylvia G. Ferrell-Jones*
Lexington, MA

Mr. Steven J. Guy*, Chair
Pottstown, PA

Mr. Donald G. Hart
Cliffside Park, NJ

Mr. Douglas Hatfield
Hillsboro, NH

Ms. Susan S. Huang*
Greenwich, CT

The Rev. Sandra S. Hulse*
Tallahassee, FL

Mr. William R. Kiesel
Trafalgar, IN

The Rev. Gwendolyn V. Kirkland*
Matteson, IL

Mr. David Klassen
New York, NY

Mr. Mark Parthemer
West Palm Beach, FL

Dr. Harold C. Smith*, Emeritus
New York, NY

* Members of the Board of Directors

Donald G. Hart, *President*

Doreen Forrest, *Executive Assistant*

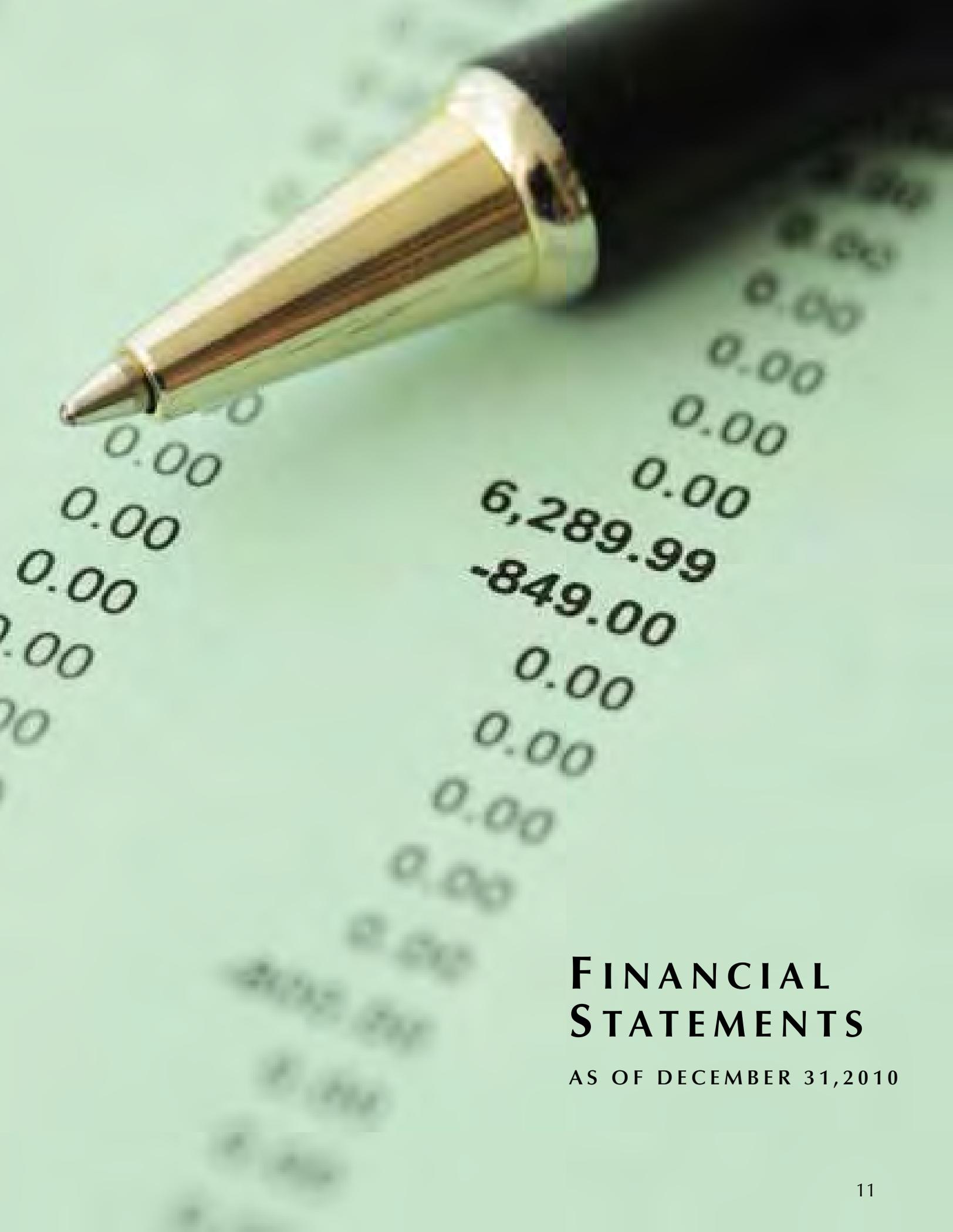
Milly Hernandez, *Account Representative*

Nelson R. Murphy, *Director of Investor Development*

Michelle Andrée, *Treasurer*

Fred Vitek, *Accountant*

Michele Hamilton, *Accounting Assistant*



FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2010

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
United Church Funds, Inc.

We have audited the accompanying statement of financial position of United Church Funds, Inc. (“UCF”) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of UCF’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from UCF’s 2009 financial statements and, in our report dated May 28, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of UCF’s internal control over financial reporting. Our audit included 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 UCF’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, and evaluating the overall financial statement presentation. We believe that our audit provides 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 United Church Funds, Inc. at December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other financial information 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 our 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.



May 31, 2011

UNITED CHURCH FUNDS, INC.

Statements of Financial Position

December 31, 2010 and 2009

ASSETS	2010	2009
Cash	\$ 754,032	\$ 293,785
Cash and securities held under securities lending program	7,080,983	13,165,914
Investments and investments on loan under securities lending program	660,033,153	607,699,280
Accrued investment income	3,306,013	3,497,134
Receivable from UCF Common Investment Funds	431,763	359,145
Accounts receivable	40,830	84,943
Prepaid expenses	77,724	46,442
Other assets	73,958	96,879
TOTAL ASSETS	<u>\$ 671,798,456</u>	<u>\$ 625,243,522</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ 626,704	\$ 471,241
Payable to brokers and dealers in securities	7,080,983	13,165,914
Total	<u>7,707,687</u>	<u>13,637,155</u>
Funds held for benefit of others		
UCF Common Investment Funds	578,844,339	529,840,084
New Hampshire Conference Consolidated Investment Fund	6,090	6,019
Liabilities under split-interest agreements	30,147,364	30,428,034
Endowments	46,795,960	43,843,923
Total funds held for benefit of others	<u>655,793,753</u>	<u>604,118,060</u>
TOTAL LIABILITIES	<u>663,501,440</u>	<u>617,755,215</u>
Net Assets		
Unrestricted	1,586,335	1,213,202
Temporarily restricted	1,186,853	759,968
Permanently restricted	5,523,828	5,515,137
TOTAL NET ASSETS	<u>8,297,016</u>	<u>7,488,307</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 671,798,456</u>	<u>\$ 625,243,522</u>

See notes to financial statements

UNITED CHURCH FUNDS, INC.

Statement of Activities

For the Year Ended December 31, 2010 with Summarized Financial Information for 2009

	2010			2009
	Unrestricted	Temporarily restricted	Permanently restricted	Total
REVENUES, GAINS (LOSSES) AND RECLASSIFICATIONS				
Contributions	\$ 3,171	\$	\$ 8,691	\$ 11,862
Income earned on investments	11,387	110,140		121,527
Fees earned on managed funds	4,310,805			4,310,805
Reimbursement for services rendered to other entities	63,299			63,299
Net realized gains (losses) on investments sold	2,868	934,315		937,183
Unrealized appreciation (depreciation) on investments	66,531	(294,009)		(227,478)
Net assets released from restriction	323,561	(323,561)		-
TOTAL REVENUES, GAINS (LOSSES) AND RECLASSIFICATIONS	4,781,622	426,885	8,691	5,217,198
EXPENSES AND GRANTS				
Administration of Common Investment Funds	1,606,188			1,606,188
Investment-related expenses	1,919,730			1,919,730
Corporate social responsibility coordination	85,297			85,297
Marketing program expenses	463,507			463,507
Grants and other distributions paid from endowments	333,767			333,767
TOTAL EXPENSES AND GRANTS	4,408,489			4,408,489
INCREASE IN NET ASSETS	373,133	426,885	8,691	808,709
NET ASSETS, BEGINNING OF YEAR	1,213,202	759,968	5,515,137	7,488,307
NET ASSETS, END OF YEAR	\$ 1,586,335	\$ 1,186,853	\$ 5,523,828	\$ 8,297,016

See notes to financial statements

UNITED CHURCH FUNDS, INC.

Statements of Cash Flows

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 808,709	\$ 723,936
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Unrealized depreciation (appreciation) on investments	227,478	(1,028,999)
Net realized (gains) losses on investments sold	(937,183)	52,779
Depreciation and amortization	43,220	32,594
Contributions to permanently restricted net assets	(8,691)	(4,536)
Changes in operating assets and liabilities:		
Increase in assets related to funds held for benefit of others	(51,675,693)	(70,629,229)
Increase in funds held for benefit of others	51,675,693	70,629,229
Net decrease (increase) in other assets and liabilities	134,793	(333,694)
Net cash provided by (used in) operating activities	<u>268,326</u>	<u>(557,920)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from liquidation of units of participation in the UCF Common Investment Funds	324,050	344,271
Purchases of units of participation in the UCF Common Investment Funds and other investments	(120,007)	(178,863)
Decrease in collateral under securities lending arrangement, net	6,084,931	4,748,069
Purchases of equipment and other capitalized items	(20,813)	(27,007)
Net cash provided by investing activities	<u>6,268,161</u>	<u>4,886,470</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of cash collateral under securities lending arrangement, net	(6,084,931)	(4,748,069)
Contributions to permanently restricted net assets	8,691	4,536
Net cash used in by financing activities	<u>(6,076,240)</u>	<u>(4,743,533)</u>
NET INCREASE (DECREASE) IN CASH	460,247	(414,983)
CASH, BEGINNING OF YEAR	293,785	708,768
CASH, END OF YEAR	<u>\$ 754,032</u>	<u>\$ 293,785</u>

See notes to financial statements

UNITED CHURCH FUNDS, INC.

Notes to the Financial Statements

Years Ended December 31, 2010 and 2009

1. ORGANIZATION AND PURPOSE

United Church Funds Inc. (UCF), an associated ministry of the United Church of Christ (UCC), is a tax-exempt, not-for-profit entity established to receive gifts from individuals and organizations, to hold such funds and property as may be entrusted or conveyed to it by UCC-related organizations, and administer and invest such funds. In that respect, UCF provides professional investment management services to local churches, conferences and other entities affiliated with the UCC. UCF is also the designated fiscal agent of the planned giving program of the UCC, which is directed by the Financial Development Ministries of the Office of General Ministries. Funds raised through the planned giving programs are managed by UCF in a gift annuity fund, a pooled income fund and in separate trusts. From time to time UCF is also named as trustee of endowments that benefit other UCC-related entities.

On November 1, 2010, a request to change the name from United Church Foundation, Inc. to United Church Funds, Inc. was accepted by the Secretary of State of Connecticut, the state in which UCF is chartered.

UCF carries out its investment management services through various Common Investment Funds. Investors receive units of participation in the Common Investment Funds based on the determinations of market values. Units may be issued or redeemed daily. Net investment income is accrued daily and included in the unit value. At the end of each quarter, a dividend is declared and either credited to each account or paid to each account holder based on the units of participation owned on the date of declaration.

Investments are made pursuant to guidelines established by the Investment Committee of UCF, which include parameters requiring exclusion of investment in securities of entities considered unsuitable because of social or moral concerns.

UCF is a not-for-profit organization exempt from income taxes under Section 501(a) of the Internal Revenue Code (the "Code") and, accordingly, is qualified as a tax-exempt organization under Section 501(c)(3) of the Code. As a not-for-profit organization, UCF is exempt from New York State and New York City income and sales taxes. UCF has been classified as an organization which is not a private foundation and has been designated as a publicly supported organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction for donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Net asset classifications

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of UCF are classified and reported as follows:

Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained in perpetuity, but permit UCF to expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Temporarily restricted net assets contain donor-imposed restrictions that permit UCF to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of UCF.

When a prior year donor restriction expires, the restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. UCF reports restricted contributions whose stipulations were met in the same year as unrestricted contributions.

Unrestricted net assets represent resources over which the Board of Directors and management of UCF have full discretion with respect to use.

b. Investments

Investments in marketable equity and fixed-income securities are stated at fair value as determined by quoted market prices. For certain thinly-traded fixed-income securities, market prices are obtained from UCF's investment brokers. Mutual funds are carried at fair values based on their published unit values. When marketable securities are acquired by gift or transfer, they are recorded at market value on the date of receipt.

Investment transactions are accounted for on the date the securities are purchased or sold. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned. Realized gains and losses on the sale of investments are the differences between proceeds received and the average cost of the securities sold.

In the Common Investment Funds and the Pooled Income Fund, the net realized gains are reinvested, while net investment income is distributed quarterly to participants in the funds in the form of additional units of participation or a cash payment.

Pursuant to a total return investment policy, UCF uses a spending rate to determine the amount to be made available for spending from some of its endowment funds. The spending rate on these endowments is 5%, which is applied to the funds' average quarterly market values for the 5 years preceding the fiscal year.

At December 31, 2010, UCF holds an alternative investment (non-traditional, not readily marketable asset), which represents an interest in an offshore investment fund. The investment is stated at fair value as estimated in an unquoted market. Fair value is determined by UCF's management based on the net asset value reported to UCF, with consideration of other factors, such as liquidity, that might affect fair value determination in accordance with Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (ASC 820). Financial information used by UCF to evaluate its alternative investment is provided by the investment fund. The investee is a "fund of funds" and therefore fair values are primarily based on financial data supplied by the underlying investment funds. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment gains, losses, income, and expenses.

c. Contributions

UCF records as revenue the following types of contributions when they are received unconditionally at their fair value: cash, securities, and gifts of long-lived and other assets.

d. Cash and cash equivalents

UCF considers all highly liquid investments with an original maturity of three months or less, other than cash held for the benefit of others and those held in the investment portfolio, to be cash equivalents.

e. Other assets

Other assets include the cost of purchased software and equipment, which is amortized over the estimated useful lives of the assets, typically 3 to 5 years.

f. Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the amounts reported in the financial statements for revenue and expenses during the

reporting period and amounts reported in the accompanying notes. Actual results could differ from those estimates.

g. Benefit costs

Pension and medical insurance costs are funded by quarterly payments as determined by The Pension Boards-United Church of Christ (Pension Boards), a related entity of the UCC. Such costs totaled approximately \$245,000 in 2010 and \$246,000 in 2009.

h. Summarized Prior Year Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with UCF's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

i. Reclassifications

Certain prior year amounts were reclassified to conform to the current year presentation.

3. INVESTMENTS

a. Composition of investments

Investments are comprised of the following types of securities:

	2010		2009	
	Cost*	Fair value	Cost*	Fair value
Fixed-income investments				
Short-term investments and cash	\$ 23,670,193	\$ 23,670,193	\$ 30,850,006	\$ 30,850,006
Corporate bonds	171,157,778	181,191,960	167,407,657	176,900,367
U.S. Government and agency bonds	46,707,620	44,295,317	41,237,710	40,476,539
Mortgage-backed securities	7,644,351	6,868,097	10,533,457	8,706,902
Private placement	22,150	22,150	22,150	22,150
Life insurance contracts	75,866	131,825	75,866	127,509
Government insured or guaranteed mortgage loans	-	-	4,862	4,862
Total fixed-income investments	<u>249,277,958</u>	<u>256,179,542</u>	<u>250,131,708</u>	<u>257,088,335</u>
Equity investments				
Mutual funds				
Domestic - Small Cap	38,814,914	38,575,101	34,008,421	24,849,954
International - Emerging markets	18,495,745	27,314,211	15,843,920	19,374,556
Common stocks				
Domestic - Large Cap	185,881,829	215,072,684	179,837,715	202,041,982
Domestic - Small Cap	29,661,998	35,546,386	27,938,058	32,390,485
International - Developed markets	74,033,079	80,556,600	72,153,156	71,953,969
Futures	-	65,929	-	-
Total equity investments	<u>346,887,565</u>	<u>397,130,911</u>	<u>329,781,270</u>	<u>350,610,946</u>
Alternative investment				
Fund of hedge funds	6,225,000	6,722,700	-	-
Total alternative investment	<u>6,225,000</u>	<u>6,722,700</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 602,390,523</u>	<u>\$ 660,033,153</u>	<u>\$ 579,912,978</u>	<u>\$ 607,699,281</u>

* For fixed-income securities cost is amortized cost

b. Income earned on investments

Income earned on investments in the accompanying statement of activities excludes that portion attributable to funds held for benefit of others. Including amounts held for the benefit of others, the total investment income earned during 2010 and 2009 was as follows:

Portion attributable to -	2010	2009
Foundation assets	\$ 121,527	\$ 178,843
Funds held for benefit of others	17,223,020	17,964,235
TOTAL	<u>\$ 17,344,547</u>	<u>\$ 18,143,078</u>

c. Net realized gains (losses) on investments sold

Net realized gains (losses) on investments sold in the accompanying statement of activities exclude gains (losses) attributable to funds held for benefit of others. Including amounts held for benefit of others, the net gains (losses) on investments sold during 2010 and 2009 were as follows:

Portion attributable to -	2010	2009
Foundation assets	\$ 937,183	\$ (52,779)
Funds held for benefit of others	14,197,351	(39,447,166)
TOTAL	<u>\$ 15,134,534</u>	<u>\$ (39,499,945)</u>

d. Unrealized appreciation (depreciation) on investments

Unrealized appreciation (depreciation) on investments in the accompanying statement of activities excludes that portion attributable to funds held for benefit of others. Including amounts held for benefit of others, the total unrealized appreciation on investments in 2010 and 2009 was as follows:

	Year ended December 31,	
	2010	2009
Beginning of year	\$ 27,786,303	\$ (94,179,939)
End of year	57,642,630	27,786,303
Change in unrealized appreciation	<u>\$ 29,856,327</u>	<u>\$ 121,966,242</u>

The change in unrealized appreciation (depreciation) includes the change in value of investments, or the difference between average cost and current fair value of the portfolio, as follows:

Portion attributable to -	2010	2009
Foundation assets	\$ (227,478)	\$ 1,028,999
Funds held for benefit of others	30,083,806	120,937,243
TOTAL	<u>\$ 29,856,328</u>	<u>\$ 121,966,242</u>

e. Risks and Uncertainties

UCF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in

the near term and such changes could materially affect amounts reported in the financial statements.

The Investment Committee of UCF establishes guidelines to ensure that the investments in each of UCF's Common Investment Funds meet the ethical, moral and social expectations of the United Church of Christ, and that appropriate diversification within each Fund is maintained. Investment managers retained by UCF are monitored by the Investment Committee to ensure that each manager adheres to these guidelines. Each of UCF's Common Investment Funds spreads investment risk across many securities in the portfolio to minimize potential losses. UCF's funds also diversify across asset classes (stocks and bonds), investment styles (growth and value) and capitalization size (large and small caps). While such broad diversification cannot prevent loss, it can mitigate losses suffered in one part of the market that may be offset by gains realized in another part.

UCF has established diversification guidelines in an effort to achieve an appropriate combination of asset classes within the Total Equity and Balanced Funds. Asset classes are identified based on their appropriateness for UCF's investment program, their long-term return and volatility characteristics and the diversification benefits offered within a multiple manager and a multiple asset class structure. The actual distribution of assets within the Total Equity and Balanced Funds will be allowed to fluctuate within the policy guidelines, and it may be adjusted as deemed appropriate to mitigate risk.

The investment guidelines for cash and cash equivalents or fixed-income portfolios limit the amount of credit concentration by limiting the percentage of a particular manager's portfolio to a maximum of 5% of any one issuer (excluding the US Government or its agencies or instrumentalities). In addition, any manager's portfolio should be appropriately diversified. For equity portfolios, the same 5% limit on any single issuer applies to 75% of the value of each manager's portfolio. For the remaining 25% of the value of the manager's portfolio, a more concentrated risk of up to 8% of the value of the portfolio may be taken on any one issuer.

In addition to the limits on concentration in UCF's portfolio related to a single issuer, no more than 25% of the market value of each manager's portfolio may be invested in companies in which the combined holdings of the manager's clients constitute 10% or more of the outstanding stock.

There is uncertainty in determining the fair value of the alternative investment, arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings and the subjective evaluation of liquidity restrictions. As a result, the estimated fair value reported in the accompanying statement of financial position at December 31, 2010 might differ from the value that would have been used had a ready market for the alternative investment interest existed. Furthermore, there is at least a reasonable possibility that estimates will change by material amounts in the near term.

The financial statements of the investee are audited annually by independent auditors, although the timing for finalizing the results of the audit does not coincide with UCF's annual financial statement reporting.

The alternative investment is a fund of funds and underlying investment funds may indirectly expose UCF to securities lending, short sales of securities, trading in derivative products

and other complex investment strategies. While these financial instruments may contain varying degrees of risk, UCF's risk with respect to such transactions is limited to its capital balance in the alternative investment.

The alternative investment has liquidity restrictions under which UCF's capital may be divested only at specified times. UCF is subject to an initial lock-up period through June 2013 and therefore cannot redeem its interest until this period expires. After expiration of the lock-up period, UCF may elect to exchange its shares for a different class of shares and may then liquidate its interest quarterly, with 65 days notice. If UCF does not elect to exchange its shares for the new class of shares, then the interest will be subject to an additional three year lock-up period. No valuation adjustments have been made related to liquidity restrictions at December 31, 2010 because it is not probable that UCF will sell its investment at an amount other than net asset value per share.

4. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

UCF classifies and discloses the fair value of financial instruments according to a fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The three levels of fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Level 3 assets consist primarily of an alternative investment, the valuation for which is described in Note 1. UCF is not able to redeem this investment at or near to fiscal year end at the net asset value per share reported by the fund due to an initial lock-up period on the investment.

A review of fair value hierarchy classifications is conducted annually. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur.

The following tables set forth by level within the fair value hierarchy investment assets and liabilities as of December 31, 2010 and 2009 and changes in fair value of UCF's Level 3 investments during the years ended December 31, 2010 and 2009:

FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2010

	Total	Quoted market prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fixed-income investments				
Short-term investments and cash	\$ 23,670,193	\$ 23,670,193	\$	\$
Corporate bonds	181,191,960		181,191,960	
U.S. Government and agency bonds	44,295,317	31,893,101	12,402,216	
Mortgage-backed securities	6,868,097		6,868,097	
Private placement	22,150			22,150
Life insurance contracts	131,825			131,825
Total fixed-income investments	<u>256,179,542</u>	<u>55,563,294</u>	<u>200,462,273</u>	<u>153,975</u>
Equity investments				
Mutual funds				
Domestic - Small Cap	38,575,101	38,280,588	294,513	
International - Emerging markets	27,314,211	27,314,211		
Common stocks				
Domestic - Large Cap	215,072,684	215,072,684		
Domestic - Small Cap	35,546,386	35,546,386		
International - Developed markets	80,556,600	80,556,600		
Futures	65,929		65,929	
Total equity investments	<u>397,130,911</u>	<u>396,770,469</u>	<u>360,442</u>	<u>-</u>
Alternative investment				
Fund of hedge funds	6,722,700			6,722,700
Total alternative investments	<u>6,722,700</u>	<u>-</u>	<u>-</u>	<u>6,722,700</u>
Total investments	<u>\$ 660,033,153</u>	<u>\$ 452,333,763</u>	<u>\$ 200,822,715</u>	<u>\$ 6,876,675</u>

CHANGES IN LEVEL 3 INVESTMENTS*
YEAR ENDED DECEMBER 31, 2010

	Beginning balance	Net purchases, sales issuances and settlements	Unrealized gains	Ending balance
Fixed-income investments				
Private placement	\$ 22,150	\$	\$	\$ 22,150
Life insurance contracts	127,509		4,316	131,825
Government insured or guaranteed mortgage loans	4,862	(4,862)		
Total fixed-income investments	154,521	(4,862)	4,316	153,975
Alternative investments				
Fund of hedge funds	-	6,225,000	497,700	6,722,700
Total alternative investments	-	6,225,000	497,700	6,722,700
Total investments	\$ 154,521	\$ 6,220,138	\$ 502,016	\$ 6,876,675

*All Level 3 investments continue to be held at December 31, 2010. Unrealized gains (losses) on level 3 investments are reflected within funds held for the benefit of others in the accompanying statements of financial position.

FAIR VALUE MEASUREMENTS
AS OF DECEMBER 31, 2009

	Total	Quoted market prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fixed-income investments				
Short-term investments and cash	\$ 30,850,006	\$ 30,850,006	\$	\$
Corporate bonds	176,900,367		176,900,367	
U.S. Government and agency bonds	40,476,539	31,573,993	8,902,546	
Mortgage-backed securities	8,706,902		8,706,902	
Private placement	22,150			22,150
Life insurance contracts	127,509			127,509
Government insured or guaranteed mortgage loans	4,862			4,862
Total fixed-income investments	257,088,335	62,423,999	194,509,815	154,521
Equity investments				
Mutual funds				
Domestic - Small Cap	24,849,954	24,582,020	267,934	
International - Emerging markets	19,374,556	19,374,556		
Common stocks				
Domestic - Large Cap	202,041,982	202,041,982		
Domestic - Small Cap	32,390,485	32,390,485		
International - Developed markets	71,953,969	71,953,969		
Total equity investments	350,610,946	350,343,012	267,934	
Total investments	\$ 607,699,281	\$ 412,767,011	\$ 194,777,749	\$ 154,521

CHANGES IN LEVEL 3 INVESTMENTS
YEAR ENDED DECEMBER 31, 2009

	Beginning balance	Net purchases, sales issuances and settlements	Unrealized gains (losses)	Ending balance
Fixed-income investments				
Private placement	\$ 22,150	\$	\$	\$ 22,150
Life insurance contracts	121,879		5,630	127,509
Government insured or guaranteed mortgage loans	9,493	(4,631)		4,862
Total fixed-income investments	153,522	(4,631)	5,630	154,521
Total investments	\$ 153,522	\$ (4,631)	\$ 5,630	\$ 154,521

5. SECURITIES LENDING PROGRAM

UCF participates in a securities lending program through its custodian bank. It is the policy to hold, as collateral, cash in amounts at least equal to the market value of the investments on loan until the loaned securities are returned. UCF is able to redeem or repurchase the securities under loan at anytime. The market value of securities under loan at December 31, 2010 and 2009 was approximately \$7 million and \$13 million, respectively. Cash held as collateral under the securities lending program is classified as payable to brokers and dealers in securities in the accompanying statements of financial position. At December 31, 2010 and 2009, all collateral held is cash.

6. FUNDS HELD FOR BENEFIT OF OTHERS

UCF is the agent for third-party beneficiaries or the beneficiary of a number of split-interest agreements with donors. Some of these split-interest agreements are gift annuity contracts that provide that UCF shall pay to the designated beneficiaries an annual amount until the death of the designated beneficiaries. The payments continue even if the assets of the gift annuity fund have been exhausted. UCF records the assets received at fair value. UCF issues charitable gift annuity contracts in several states. The highest actuarially determined gift annuity reserve required under applicable state (New York) insurance laws as of December 31, 2010 and 2009 was \$17,950,074 and \$17,206,261, respectively. These gift annuity reserve amounts do not represent liabilities to annuitants as they would be calculated under U.S. GAAP. The U.S. GAAP calculations would involve discount rates, mortality tables and other inputs that differ from inputs used for state insurance requirement calculations. Upon the death of the beneficiaries, the assets of the gift annuity fund are distributed by UCF in accordance with the agreements.

The assets of split-interest agreements related to a pooled income fund and charitable remainder trusts are included in the total assets and the related liabilities to lifetime and remainder third-party beneficiaries are classified as liabilities under split-interest agreements in the accompanying statements of financial position. Under these agreements, UCF controls the donated assets and distributes to the donor or donor's designee a predetermined amount or percentage or, in the case of pooled income funds, all of the income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or donor's designee). UCF will distribute to any third-party beneficiaries their respective remainder interests upon the death

of the respective life income beneficiary and be able to use any portion of the gifts in which it has a beneficial interest.

Some states in which UCF issues charitable gift annuity contracts require UCF to register with the appropriate agencies of that state and to file reports with those agencies annually. In addition, some states require UCF to hold a certain amount of unrestricted net assets or other reserves. UCF believes it has met all legal requirements in most states and that it has adequate reserves to meet all state requirements. In those states that require registration and reporting but where UCF has not completed the process of registration, UCF is near completion of meeting the necessary legal requirements imposed by those states. There is a possibility that some states may impose penalties for the contracts that have been written prior to meeting the state's legal requirements, or that UCF will be precluded from issuing new contracts until the filing requirements are met. In the opinion of UCF's management, these matters will not have a material adverse effect on UCF's financial position, changes in net assets or cash flows.

UCF manages certain investments on behalf of local congregations and other entities affiliated with the UCC. Because UCF has no ownership of or residual interest in these investments, a liability equal to the fair value of the investments is included in the accompanying statements of financial position as funds held for the benefit of others.

When UCF is named as trustee of an endowment fund to be held for the benefit of another charitable beneficiary, the fair value of the assets received is recorded at fair value and included in the assets of UCF. UCF also records an equal amount as a liability in funds held for benefit of others and the income is paid to the third-party beneficiary in accordance with the instructions of the donor.

7. NET ASSET CLASSIFICATIONS

The State of Connecticut adopted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) effective October 1, 2007. UCF is registered in the State of Connecticut; however its offices are located and its business conducted in the State of New York. UPMIFA serves as a basis for the primary laws governing the investment and management of donor-restricted endowment funds held by not-for-profit organizations. The Board of Directors, the governing body of UCF, determined that the Richard and Helen Brown Endowment

Fund meets the definition of endowment funds under the definition of UPMIFA.

In accordance with UPMIFA, UCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of UCF and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of UCF
7. The investment policies of UCF.

Generally, if the corpus of an endowment must be maintained in perpetuity, it is classified as permanently restricted. The portion of the endowment not classified as permanently restricted is classified as temporarily restricted until appropriated for expenditure.

The donors of the Richard and Helen Brown Endowment Fund stipulated that the fund be used for pastoral scholarships. Based on this stipulation, the Board of Directors has designated the principal as permanently restricted net assets. The Board of Directors has set up specific guidelines and policies for the income available for distribution, administrative expenses and annual distributions criteria that would best serve the needs of the

United Church of Christ pastoral scholarship support. The amount available for distribution is classified as temporarily restricted net assets. When an appropriation for expenditure occurs, the temporarily restricted net assets are released of the restriction.

Endowment Investment and Spending Policies

UCF has adopted investment and spending policies for endowment assets based on the Board approved guidelines and policies 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. UCF's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The income available for distribution is 5% of the 5-year moving average value of the endowment fund. All expenses for administration of the endowment fund as well as scholarships are paid from the amount available for distribution. Annual distributions are made in accordance with policy guidelines.

UCF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters. This is consistent with UCF's objective to maintain the purchasing power of endowment assets.

CHANGES IN ENDOWMENT NET ASSETS
YEAR ENDED DECEMBER 31, 2010

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment assets, beginning of year	\$ -	\$ 759,968	\$ 5,515,137	\$ 6,275,105
Contributions			8,691	8,691
Income earned on investments		110,140		110,140
Net realized gains on investments sold		934,315		934,315
Unrealized depreciation on investments		(294,009)		(294,009)
Endowment assets appropriated for expenditure	323,561	(323,561)		
Grants paid from endowments	(323,561)			(323,561)
Net change in endowment assets	-	426,885	8,691	435,576
Endowment assets, end of year	\$ -	\$ 1,186,853	\$ 5,523,828	\$ 6,710,681

COMPOSITION OF ENDOWMENT NET ASSETS
DECEMBER 31, 2010

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted endowment funds	\$ -	\$ 1,186,853	\$ 5,523,828	\$ 6,710,681

CHANGES IN ENDOWMENT NET ASSETS
YEAR ENDED DECEMBER 31, 2009

	2009			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment assets, beginning of year	\$ -	\$ 54,175	\$ 5,510,601	\$ 5,564,776
Contributions			4,536	4,536
Income earned on investments		163,580		163,580
Net realized losses on investments sold		(43,751)		(43,751)
Unrealized appreciation on investments		920,761		920,761
Endowment assets appropriated for expenditure	334,797	(334,797)		
Grants paid from endowments	(334,797)			(334,797)
Net change in endowment assets	-	705,793	4,536	710,329
Endowment assets, end of year	\$ -	\$ 759,968	\$ 5,515,137	\$ 6,275,105

COMPOSITION OF ENDOWMENT NET ASSETS
DECEMBER 31, 2009

	2009			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor restricted endowment funds	\$ -	\$ 759,968	\$ 5,515,137	\$ 6,275,105

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for pastoral scholarships. During 2010 and 2009, temporarily restricted net assets were released in the amounts of \$323,561 and \$334,797, respectively, representing payments of pastoral scholarships.

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent contributions made into the Richard and Helen Brown Endowment for Pastoral Scholarships.

10. RELATED PARTY TRANSACTIONS

A portion of the operating expenses is incurred and billed to UCF by the Pension Boards, a related entity of the UCC. Such expenses are allocated on the basis of formulae, which are approved by the respective Boards of Trustees/Directors. Rent is allocated based upon square footage occupied. The total of such costs allocated by or paid to the Pension Boards in 2010 and 2009 was approximately \$1,191,000 and \$1,133,000, respectively. As of December 31, 2010 and 2009, amounts due to the Pension Boards of approximately \$205,000 and \$86,000, respectively, are included in accrued expenses in the accompanying statements of financial position. In addition, UCF compensates the Financial Development Ministry of the Office of General Ministries for certain activities performed on behalf of UCF. Such amounts are not material.

11. SUBSEQUENT EVENTS

UCF evaluated events and transactions occurring between January 1, 2011 and May 31, 2011, which is the date that the financial statements were available to be issued, for disclosure and recognition in the financial statements.

SCHEDULE A

UNITED CHURCH FUNDS, INC.

COMMON INVESTMENT FUNDS

Schedules of Assets, Liabilities and Fund Balances

December 31, 2010 and 2009

ASSETS	2010	2009
Investments	\$ 659,074,080	\$ 606,772,488
Cash and securities held under securities lending program	7,080,983	13,165,914
Accrued investment income	3,306,013	3,497,134
TOTAL ASSETS	<u>\$ 669,461,076</u>	<u>\$ 623,435,536</u>
LIABILITIES		
Unsettled investment transactions net of cash and cash equivalents	\$ 107,940	\$ 34,222
Payable to brokers and dealers in securities	7,080,983	13,165,914
Payable to United Church Foundation, Inc.	431,763	359,145
Accrued expenses	80,319	85,860
TOTAL LIABILITIES	<u>7,701,005</u>	<u>13,645,141</u>
FUND BALANCES		
Income account	(2,584,941)	(3,571,779)
Investors' principal account	664,345,012	613,362,174
TOTAL FUND BALANCES	<u>661,760,071</u>	<u>609,790,395</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 669,461,076</u>	<u>\$ 623,435,536</u>

The above schedules reflect the assets, liabilities, and fund balances of the funds held in UCF's Common Investment Funds. The Common Investment Funds hold investments for the funds held under split-interest agreements, endowments held for others and UCF's assets. The total fund balances not included in these categories (\$578,844,339) are included in the Statements of Financial Position as funds held for benefit of others-UCF Common Investment Funds. Cash and cash equivalents that UCF holds for the benefit of others are reported as investments in UCF's Statements of Financial Position. Changes in fund balances are shown on the following page.

UNITED CHURCH FUNDS, INC.

COMMON INVESTMENT FUNDS

Schedules of Changes in Fund Balances

For the Years Ended December 31, 2010 and 2009

Income Account	<u>2010</u>	<u>2009</u>
INCOME AND EXPENSES		
Income earned on investments	\$ 17,330,463	\$ 17,891,563
Management fee paid to UCF operating fund	(4,310,805)	(3,801,754)
Net investment income	<u>13,019,658</u>	<u>14,089,809</u>
DISTRIBUTIONS TO INVESTORS		
Income paid to investors	2,215,307	3,509,226
Income used to purchase additional units	<u>9,817,513</u>	<u>13,096,121</u>
Total distributions to investors	<u>12,032,820</u>	<u>16,605,347</u>
DECREASE (INCREASE) IN FUND DEFICIENCY	986,838	(2,515,538)
FUND DEFICIENCY, BEGINNING OF YEAR	(3,571,779)	(1,056,241)
FUND DEFICIENCY, END OF YEAR	<u>\$ (2,584,941)</u>	<u>\$ (3,571,779)</u>
Investors' Principal Account		
INVESTORS ACTIVITY		
Purchase of units of participation	\$ 25,385,073	\$ 17,735,146
Income used to purchase additional units	9,817,513	13,096,121
Liquidation of units of participation	<u>(28,684,130)</u>	<u>(39,246,039)</u>
NET INCREASE (DECREASE) IN UNITS OF PARTICIPATION	<u>6,518,456</u>	<u>(8,414,772)</u>
INVESTMENT ACTIVITY		
Investment expenses charged against principal	(96,965)	(86,462)
Net realized gains (losses) on investments sold	14,751,690	(39,513,166)
Unrealized appreciation on investments	<u>29,809,657</u>	<u>121,962,480</u>
NET INVESTMENT ACTIVITY	<u>44,464,382</u>	<u>82,362,852</u>
INCREASE IN FUND BALANCES	50,982,838	73,948,080
FUND BALANCES, BEGINNING OF YEAR	613,362,174	539,414,094
FUND BALANCES, END OF YEAR	<u>\$ 664,345,012</u>	<u>\$ 613,362,174</u>

SCHEDULE B

UNITED CHURCH FUNDS, INC.

SPLIT-INTEREST AGREEMENT FUNDS

Schedules of Assets, Liabilities and Fund Balances

December 31, 2010 and 2009

	2010			2009	
	Gift Annuity Fund	Pooled Income Fund	Charitable Remainder Trusts	Total	Total
ASSETS					
Cash	\$ 254,638	\$ 4,637	\$ 154,500	\$ 413,775	\$ 279,731
Investment in UCF Common Investment Funds (CIF)	16,746,047	2,262,171	10,337,848	29,346,066	29,704,814
Other investments	131,809	18,000	184,431	334,240	394,415
Accrued investment income	72,866	19,583	46,282	138,731	168,080
TOTAL ASSETS	<u>\$ 17,205,360</u>	<u>\$ 2,304,391</u>	<u>\$ 10,723,061</u>	<u>\$ 30,232,812</u>	<u>\$ 30,547,040</u>
LIABILITIES					
Accrued expenses payable					33,557
Accrued income payable to participants		19,583		19,583	21,276
TOTAL LIABILITIES	<u>-</u>	<u>19,583</u>	<u>-</u>	<u>19,583</u>	<u>54,833</u>
FUND BALANCES	<u>\$ 17,205,360</u>	<u>\$ 2,284,808</u>	<u>\$ 10,723,061</u>	<u>\$ 30,213,229</u>	<u>\$ 30,492,207</u>

The amounts shown above as Fund Balances represent the liabilities payable to life-income and remainder beneficiaries under split-interest agreements. Changes in these balances appear on the following page.

UNITED CHURCH FUNDS, INC.

SPLIT-INTEREST AGREEMENT FUNDS

Schedules of Changes in Fund Balances

For the Year Ended December 31, 2010 with Summarized Financial Information for 2009

	2010			2009	
	Gift Annuity Fund	Pooled Income Fund	Charitable Remainder Trusts	Total	Total
REVENUES					
Received from participants	\$ 1,033,525	\$ 1,560	\$ 59,967	\$ 1,095,052	\$ 771,450
Income earned on CIF investments	278,426	81,684	190,273	550,383	657,141
Income earned on other investments	115	-	9,583	9,698	246,166
TOTAL REVENUES	1,312,066	83,244	259,823	1,655,133	1,674,757
EXPENSES					
Administration of Planned Giving Funds	87,404	19,333	123,418	230,155	338,623
TOTAL EXPENSES	87,404	19,333	123,418	230,155	338,623
DISTRIBUTIONS TO PARTICIPANTS					
Annuities paid	2,091,296			2,091,296	2,164,000
Payments to life income beneficiaries		82,957	664,030	746,987	756,513
Payments to charitable remainder beneficiaries	804,170	71,033	986,991	1,862,194	1,558,123
TOTAL DISTRIBUTIONS TO PARTICIPANTS	2,895,466	153,990	1,651,021	4,700,477	4,478,636
INVESTMENT GAINS					
Net realized gains on CIF investments sold	526,996	13,190	185,345	725,531	724,419
Net realized gains on other investments sold	412,329	-	(32,404)	379,925	23,546
Unrealized appreciation on CIF investments	1,045,596	44,878	782,565	1,873,039	3,611,048
Unrealized appreciation (depreciation) on other investments	4,300	-	13,726	18,026	(51,920)
NET INVESTMENT GAINS	1,989,221	58,068	949,232	2,996,521	4,307,093
INCREASE (DECREASE) IN FUND BALANCES, BEGINNING OF YEAR	16,886,943	2,316,819	11,288,445	30,492,207	29,327,616
FUND BALANCES, END OF YEAR	\$ 17,205,360	\$ 2,284,808	\$ 10,723,061	\$ 30,213,229	\$ 30,492,207
COMPOSITION OF FUND BALANCES					
Held for the benefit of United Church Funds, Inc.				\$ 65,865	\$ 64,173
Held for the benefit of other charitable remainder beneficiaries				30,147,364	30,428,034
TOTAL FUND BALANCES				\$ 30,213,229	\$ 30,492,207





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