Office of General Ministries

The Rev. Geoffrey A. Black, general minister and president, and Ms. Edith A. Guffey, associate general minister

The work of the Office of General Ministries includes the nitty-gritty essentials of the national setting, including common services; human resources; financial services; affirmative action and diversity initiatives, research; archives; communication; financial development; and Conference and ecumenical relations.

OGM also plays a pivotal role in the wider church by planning the UCC's biennial General Synod, providing administrative support for the Executive Council and the ongoing work of responding to the Synod's request for a Unified Governance proposal.

In early 2010, the Rev. Geoffrey A. Black, general minister and president, concluded a year-long "listening tour" with 12 multi-day visits to every region of the church. At every session, participants offered support and appreciation for the distinctive, justice-focused voice of the UCC, one that embraces our "God is still speaking" identity and engages popular culture. Black also heard clearly that people crave vitality and quality in worship and expect the whole church to invest in youth and young adult ministries, even during times of economic hardship. Over and over, people told Black that they join and stay in the UCC — and invite others — specifically because we are a church that is committed to inclusion, justice and peace.
http://www.ucc.org/news/in-listening-tour-geoffrey.html

At the 2010 Annual Consultation — a time when Conference Ministers, Seminary Presidents and Covenanted Ministries' board leadership and staff gathered for strategic conversation — it became clear that the time has come to let go of institutional preservation in order to find new ways of being a mission-directed movement. We must let go of structural boundaries that only serve to reinforce initials other than "UCC," and we must let go of denominational structures based solely on geography or history to make room for sustainable configurations that can be based on other ways of linking and relating. Most importantly, we must let go of our need to be right so that, instead, we can serve God.

These same conversations permeated multiple conversations in 2010, including the formation of an "Alternative Futures Working Group," which includes representation from National and Conference settings, and local churches, that is envisioning and articulating practical next steps forward for the denomination, with the Collegium's leadership.

The Financial Development Ministry continued to cultivate greater support for ministries across every setting of the church. In April, in conjunction with Rev. Geoffrey A. Black's installation as general minister and president, the UCC hosted a major fundraising banquet in downtown Cleveland that attracted 500 guests and raised more than $35,000 for the UCC's Strategic Initiatives Fund.
http://www.ucc.org/news/installation-weekend-packed.html

In 2010, OGM's communication and marketing efforts were merged with LCM's book and curricula publishing work to form the Publishing, Identity and Communication Ministry Team. The cross-ministry team, which has proven successful, is helping to make visible the emerging commitment to be one UCC staff, regardless of Covenanted Ministry affiliation. http://www.ucc.org/news/the-pilgrim-press-joins-uccs.html

Also, in 2010, the UCC premiered its first issue of StillSpeaking Magazine, a high-end publication that offers compelling stories and engaging photography to tell the stories of how the UCC is changing lives, offering extravagant welcome, and proclaiming and responding to God's continuing testament in the world.
http://www.ucc.org/magazine

Edith A. Guffey, associate general minister, in partnership with JWM Executive the Rev. M. Linda Jaramillo, continued to offer leadership in support of the Sacred Conversation on Race — launched in 2008 — that continued to deepen its roots in congregations and settings across the church.
http://www.ucc.org/sacred-conversation

The Office of General Ministries continues to work behind the scenes to reinforce the essential work of our Covenanted Ministries, as well as strengthen the ties of the whole church, especially through Conference and ecumenical relationships.

The Rev. M. Linda Jaramillo, executive minister, UCC Justice and Witness Ministries

Justice and Witness Ministries

In the fall of 2010, Justice and Witness Ministries joined with First Lady Michelle Obama and other organizations in the launching of her "Let's Move" Challenge, which asks U.S. citizens to get up and begin moving about. Mrs. Obama and the United Church of Christ believe that the nation's problem of obesity cannot be solved by passing laws in Washington, D.C. This campaign includes a 3-million miles walking challenge which conclude in the fall. http://www.ucc.org/justice/health/lets-move.

JWM's Centers for Education and Social Transformation (CEST) continue to gain greater awareness for their uniqueness of ministry. During the 2010 fall meeting of the JWM board, it was agreed and voted on that JWM would partner with the Pacific Northwest Conference to launch a new CEST site emphasizing environmental justice programming at Pilgrim Firs Retreat Center. The debut program will occur in 2011. http://www.ucc.org/justice.

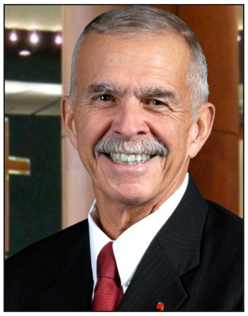
While the struggle against racism has been a formative and highly visible priority for the UCC, 30 people representing 15 countries gathered at the UCC Church House in Cleveland to be a part of a global race conversation in the summer of 2010. This monumental ecumenical event that sought to overcome racial intolerance was hosted by JWM. The primary focus was to discuss furthering ecumenical involvement in addressing the global issues of racism, caste based discrimination, xenophobia and all related forms of discrimination. To learn more visit http://www.tinyurl.com/3muxnqu.

In March, JWM helped to sponsor the 8th annual Ecumenical Advocacy Days (EAD) in Washington, D.C. EAD's theme was "Development, Security and Economic Justice: What's Gender Got to Do with It?" which focused women and economic justice, domestic violence, and ministry in the United States and around the world. Nearly 650 people of faith gathered to hear the prophetic words of the Rev. Peg Chemberlin, the Rev. John and Monique Nunes, Regina Oldak, Daisy Machado and Rita Sharma as well the soaring music of St. Camillus Multicultural Choir. For more information about EAD visit http://www.advocacydays.org.

Justice Leaders Engaging and Developing (LED) training curriculum continues to thrive. It empowers congregations and individuals to be part of creating a more just, compassionate and peaceful world that honors all creation while offering leadership development for clergy and laity, faith-deepening conversations, congregational vitality, and more active justice ministries. In 2010 most training focused on certification for lay and clergy to serve as Regional Trainers. Justice LED may be adapted for special groups upon request. For more information visit http://www.ucc.org/justice/training.

Our Whole Lives — Sexuality and Our Faith, the UCC's comprehensive, lifespan sexuality education program, is in the process of being evaluated. The evaluation (grades 7-9) was started in 2010 and is still actively seeking congregations that would want to be a part of this process. Your congregation can give a gift to the whole church by playing a role in the evaluation of a program that strives to improve the quality of life for its participants by providing information about self-worth, health and wholeness, and justice. And the training and resources are free of charge! http://www.ucc.org/justice/sexuality-education/our-whole-lives.html.

Thank you! The JWM online community is continuously evolving and growing.
You can find and follow us on Facebook, http://www.facebook.com/JusticeAndWitnessMinistries, and Twitter, http://www.twitter.com/#!/justice_ucc. Moreover, we would like for you to receive weekly action alerts and the monthly JPANet News, so please join the network. It's easy as 1, 2, 3!
Sign up at http://www.ucc.org/justice/join-the-network.



The Rev. Stephen L. Sterner, executive minister, UCC Local Church Ministries

Local Church Ministries

A highlight for Local Church Ministries in 2010 was the beginning of the process of evaluation and revision of the UCC's Search and Call process. Online surveys for candidates and members of recent local church search committees and conference staff were available on ucc.org. Work also began on developing prototypes for streamlined searchable databases and a revised ministerial profile.

Coinciding with national news in 2010 was the testimony given by the UCC's Minister for Government and Professional Chaplains before the Department of Defense on "Don't Ask, Don't Tell," significantly impacting progress toward repeal of this legislation. http://www.ucc.org/news/president-signs-dont-ask.html

As part of a focus on leadership development in the church, LCM partnered with the Massachusetts Conference to launch the "First Call Congregations Project," focusing on exploring the role of first call congregations in sustaining pastoral excellence. In 2010, four new pastors and their congregations began 18 months of learning and conversation in this pilot project.

Local Church Ministries staff participated in the 2010 meeting of the UCC Council for Theological Education, for which the theme was "Leadership for an Unknown Future," representing the group's renewed focus on leadership development for the church.

The Pilgrim Press released the first four "practices" of Faith Practices: Worship, Learning, and Serving for Vital Congregations, its first online resource for congregations. http://www.faithpractices.org. The Stillspeaking Writers' Group published several new resources in 2010, including "OMG!" (devotionals for teens) and "The Jesus Diaries: Who Jesus is to Me." http://www.tinyurl.com/3cjwh5e

LCM's web presence grew in 2010 as well, with "Samuel" and "Sermon Seeds," sermon-preparation and worship resource pages, continuing to be the most-visited pages on ucc.org. http://www.ucc.org/worship

The Stillspeaking Daily Devotional, written by the UCC Writer's Group, reached 18,000 subscribers in 2010. http://www.ucc.org/feed-your-spirit/daily-devotional

In partnership with Conferences and The Fund Raising School at Indiana University, LCM held two Financial and Fundraising Transformation events in 2010. The events brought together teams of pastors and lay leaders from across the church for fund-raising training tailored to the local church setting.

The Rev. Cally Rogers-Witte, executive minister, UCC Wider Church Ministries

Wider Church Ministries

Here are a few of the many activities and highlights from the work of Wider Church Ministries in 2010:

In **EAST ASIA AND THE PACIFIC**, Aaron Wiggins is a Global Mission Intern working in Fiji on justice issues relating to global warming and nuclear testing. http://www.globalministries.org/mission/global-mission-interns

In **AFRICA**, Don and Mary Jane Westra are our first missionaries to return to Zimbabwe and the historic Mt. Selinda mission hospital now that a more peaceful atmosphere prevails. http://www.globalministries.org/africa/countries/zimbabwe

In **LATIN AMERICA AND THE CARIBBEAN**, churches in Haiti are rebuilding structures and programs. Global Ministries, with One Great Hour of Sharing funds, will continue building and growing with them for years to come. http://www.globalministries.org/lac/countries/haiti

In the **MIDDLE EAST AND EUROPE**, the YWCA in Jerusalem is one of several partners in the Middle East and Europe supported by Wider Church Ministries. The YWCA offers vocational training and employment services for empowering women in the midst of occupation. http://www.globalministries.org/mee

In **SOUTHERN ASIA**, Global Ministries is assisting fledgling councils of churches in several countries whose governments have recently become open to Christianity. http://www.globalministries.org/sasia

In the **UNITED STATES**, National Disaster Ministries and Volunteer Ministries have sent hundreds of work groups to help rebuild private homes since the 2005 & 2008 Gulf Coast hurricanes. http://www.ucc.org/oghs/national and http://www.ucc.org/volunteer

Around **THE WORLD**, the One Great Hour of Sharing offering, (OGHS) is providing and supporting health, education, refugee, agricultural, and emergency relief initiatives in more than 80 countries. http://www.ucc.org/oghs

The United Church of Christ HIV and AIDS Network (UCAN, Inc.) builds, cares and advocates for those most affected by HIV and AIDS in the United States and throughout the world. http://www.ucc.org/ucan

United Church of Christ

Combined Financial Report
12.31.10

Contents

McGladrey

Independent Auditor's Report

To the Boards of Directors
of the United Church of Christ
Cleveland, Ohio

We have audited the accompanying combined statements of financial position of the United Church of Christ (the Organization), as of December 31, 2010 and 2009, and the related combined statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Cleveland, Ohio
September 26, 2011

United Church of Christ

Combined Statements of Financial Position
December 31, 2010 and 2009

Assets	2010	2009
Cash and cash equivalents	**$ 4,526,230**	$ 4,823,842
Investments	**269,889,123**	256,640,105
Receivables		
Church building loans, net	**26,057,412**	22,401,021
Support, net	**3,402,178**	3,736,466
Property sale, net	**2,982,693**	2,912,849
Other, net	**4,667,563**	5,186,867
Publications inventory	**701,275**	673,330
Property held	**450,000**	780,000
Prepaid expenses and other assets	**519,938**	663,439
Beneficial interest in trusts held by others	**12,294,804**	11,212,084
Bond issue costs, net	**87,725**	95,701
Property and equipment, net	**16,950,109**	17,128,638
Total assets	**$ 342,529,050**	$ 326,254,342

Liabilities and Net Assets	2010	2009
Liabiliites		
Line of credit	**$ -**	$ 3,000,000
Accounts payable	**818,073**	934,840
Accrued pension and other post-retirement benefits	**3,746,463**	4,571,384
Other accrued liabilities	**3,661,683**	3,474,830
Funds held for others	**2,401,383**	2,217,532
Other liabilities	**1,998,739**	1,728,244
Bond payable	**4,500,000**	4,875,000
Total liabilities	**17,126,341**	20,801,830
Net Assets		
Unrestricted	**143,400,213**	137,407,365
Donor restricted		
Temporarily	**132,144,292**	119,464,584
Permanently	**49,858,204**	48,580,563
Total net assets	**325,402,709**	305,452,512
Total liabilities and net assets	**$ 342,529,050**	$ 326,254,342

See Notes to Combined Financial Statements.

United Church of Christ

Combined Statement of Activities and Changes in Net Assets
Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	**Totals**
Operating Revenues and Support				
Our Church's Wider Mission				
Basic support	$ 7,868,184	$ -	$ -	**$ 7,868,184**
Special support	23,822	4,377,671		**4,401,493**
Gifts and donations	1,328,658	130,606		**1,459,264**
Other revenues				
Publications and other resource sales	2,257,975			**2,257,975**
Total return draw	8,462,837			**8,462,837**
Management fees and other reimbursements	1,526,992	37,719		**1,564,711**
Church loan interest	1,116,719			**1,116,719**
Other	954,576	(44,708)		**909,868**
Net assets released from restrictions	10,654,499	(10,654,499)		**-**
Total operating revenues and support	34,194,262	(6,153,211)		**28,041,051**
Operating Expenses				
Program services	27,969,923			**27,969,923**
Management and general	6,538,659			**6,538,659**
Fundraising	2,852,996			**2,852,996**
Total operating expenses	37,361,578			**37,361,578**
(Decrease) from operating activity	(3,167,316)	(6,153,211)		**(9,320,527)**
Non-operating revenues and support				
Gifts and donations	745,846	5,960,360	194,921	**6,901,127**
Interest and dividends net of total return draw	(1,470,929)	(1,864,863)		**(3,335,792)**
Net appreciation in value of investments	9,472,656	14,350,680		**23,823,336**
Change in value of beneficial interest of trusts held by others	-		1,082,720	**1,082,720**
Change in value of split interest agreements	-	(97,060)		**(97,060)**
Total non-operating revenues and support	8,747,573	18,349,117	1,277,641	**28,374,331**
Increase in net assets before the effect of the interest rate swap adjustment and postretirement cost	5,580,257	12,195,906	1,277,641	**19,053,804**
Interest rate swap adjustment	(67,067)			**(67,067)**
Postretirement related changes other than net periodic postretirement cost	963,460			**963,460**
Net increase in net assets	6,476,650	12,195,906	1,277,641	**19,950,197**
Net assets - beginning of year	137,407,365	119,464,584	48,580,563	**305,452,512**
Reclassification of net assets	(483,802)	483,802		**-**
Adjusted net assets - beginning of year	136,923,563	119,948,386	48,580,563	**305,452,512**
Net assets - end of year	$ 143,400,213	$ 132,144,292	$ 49,858,204	**$ 325,402,709**

See Notes to Combined Financial Statements.

United Church of Christ

Combined Statement of Activities and Changes in Net Assets
Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Operating Revenues and Support				
Our Church's Wider Mission				
Basic support	$ 8,700,000	$ -	$ -	$ 8,700,000
Special support	-	4,473,867		4,473,867
Gifts and donations	1,161,217	249,147		1,410,364
Other revenues				
Publications and other resource sales	2,636,623			2,636,623
Total return draw	8,605,879			8,605,879
Management fees and other reimbursements	1,533,667	40,196		1,573,863
Church loan interest	916,663			916,663
Other	1,896,942	12,214		1,909,156
Net assets released from restrictions	8,819,398	(8,819,398)		-
Total operating revenues and support	34,270,389	(4,043,974)		30,226,415
Operating Expenses				
Program services	28,208,928			28,208,928
Management and general	6,529,367			6,529,367
Fundraising	2,734,519			2,734,519
Total operating expenses	37,472,814			37,472,814
(Decrease) from operating activity	(3,202,425)	(4,043,974)		(7,246,399)
Non-operating revenues and support				
Gifts and donations	196,880	1,270,562	622,369	2,089,811
Interest and dividends net of total return draw	(896,203)	(553,635)		(1,449,838)
Net appreciation in value of investments	14,065,215	22,195,083		36,260,298
Change in value of beneficial interest of trusts held by others	-		1,348,733	1,348,733
Change in value of split interest agreements	-	(151,175)		(151,175)
Total non-operating revenues and support	13,365,892	22,760,835	1,971,102	38,097,829
Increase in net assets before the effect of the interest rate swap adjustment and postretirement cost	10,163,467	18,716,861	1,971,102	30,851,430
Interest rate swap adjustment	327,312			327,312
Postretirement related changes other than net periodic postretirement cost	362,194			362,194
Net increase in net assets	10,852,973	18,716,861	1,971,102	31,540,936
Net assets - beginning of year	177,319,087	49,983,028	46,609,461	273,911,576
Reclassification of net assets for UPMIFA	(50,531,995)	50,531,995		-
Reclassification of net assets - other	(232,700)	232,700		-
Adjusted net assets - beginning of year	126,554,392	100,747,723	46,609,461	273,911,576
Net assets - end of year	$ 137,407,365	$ 119,464,584	$ 48,580,563	$ 305,452,512

See Notes to Combined Financial Statements.

United Church of Christ

Combined Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Net increase in net assets	**$ 19,950,197**	$ 31,540,936
Adjustments to reconcile net increase in net assets		
to net cash (used in) operating activities:		
Net (appreciation) in value of investments	**(23,521,591)**	(35,752,270)
Depreciation and amortization	**1,089,635**	1,028,589
Contributions restricted for long-term investment	**(194,921)**	(622,369)
Impairment of property held	**330,000**	-
Loan loss provision	**39,226**	157,059
Change in value of beneficial interest in trusts held by others	**(1,082,720)**	(1,348,733)
(Gain) on sale of property held	**(186,232)**	-
Changes in operating assets and liabilities:		
Support receivable	**334,288**	200,612
Property sale receivable	**(69,844)**	(362,989)
Other receivables	**519,304**	1,467,998
Publications inventory	**(27,945)**	191,125
Prepaid expenses and other assets	**143,501**	(35,632)
Accounts payable	**(116,767)**	(108,062)
Accrued pension and other post-employment benefits	**(824,921)**	(174,487)
Other liabilities	**641,199**	(2,262,114)
Net cash (used in) operating activities	**(2,977,591)**	(6,080,337)
Cash Flows From Investing Activities		
Purchase of investments	**(10,902,149)**	(25,941,293)
Proceeds from sale of investments	**21,174,722**	33,800,812
Purchase of property and equipment	**(903,130)**	(341,135)
Proceeds from sale of property held	**514,214**	-
Disbursements for church building loans	**(6,013,251)**	(5,327,208)
Repayments of church building loans	**1,989,652**	1,370,858
Net cash provided by investing activities	**5,860,058**	3,562,034
Cash Flows From Financing Activities		
Repayment of bond payable	**(375,000)**	(375,000)
Net proceeds (repayments) under line of credit agreement	**(3,000,000)**	3,000,000
Proceeds from contributions restricted for long-term investment	**194,921**	622,369
Net cash provided by (used in) financing activities	**(3,180,079)**	3,247,369
Net increase (decrease) in cash and cash equivalents	**(297,612)**	729,066
Cash and cash equivalents		
Beginning	**4,823,842**	4,094,776
Ending	**$ 4,526,230**	$ 4,823,842
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	**$ 222,868**	$ 372,224

The Organization incurred non-cash investing activities of $327,982 in 2010 when property held was acquired in lieu of cash in conjunction with the repayment of church building loans receivable.

See Notes to Combined Financial Statements.

Note 1. Nature of Activities

The United Church of Christ (the UCC) is a Protestant denomination formed in 1957 by the Union of the Evangelical and Reformed Church and the General Council of the Congregational Christian Churches of the United States, both of whose history dates back centuries. The UCC is a "just peace" church that embraces all persons in an environment that is multiracial, multicultural, open and affirming and accessible to all who seek the Christian faith.

The national offices of the General Synod of the UCC are located in Cleveland, Ohio, and are comprised of six separately incorporated entities, all of which are tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The UCC restructured the national setting of the Church into its current structure, which took effect on July 1, 2000. The national bodies forming the new structure are the Executive Council of the General Synod of the UCC (EC), Office of General Ministries, Justice and Witness Ministries, Local Church Ministries, Wider Church Ministries (collectively referred to as the Covenanted Ministries), and the Common Services Corporation, a controlled entity of the Office of General Ministries. During 2007, the Church Building & Loan Fund became a legal separate entity in order to increase the Fund’s visibility and identity, preserve its history and enhance its fiduciary responsibility by establishing a separate Board with expertise in banking, real estate and investments. The newly established entity will continue to be consolidated as part of Local Church Ministries. UCAN, Inc. is a wholly-owned subsidiary of Wider Church Ministries and is consolidated as part of Wider Church Ministries. UCAN, Inc. assists the UCC in creating comprehensive AIDS and HIV education and prevention programs on a local, national and international basis, promotes HIV and AIDS awareness, and performs related community outreach programs. Each Covenanted Ministry has autonomy and maintains its own funds and accounts but is in covenant with the other ministries. The EC and the four covenanted ministries are organized for the following purposes:

Executive Council of the General Synod of the United Church of Christ (EC): The EC is responsible for policies relating to the mission of the UCC in its national setting, to act as the General Synod ad interim and work in cooperation with the Collegium of Officers to provide coordination and evaluation of the work of the Church.

Office of General Ministries (OGM): The Office of the General Minister and President is located in OGM. OGM's mandates include the spiritual life, unity, and well-being of the UCC; nurturing covenantal, ecumenical, and interfaith relationships; providing regular processes that focus on theological reflection throughout the UCC; and facilitating the visioning, planning, coordination, and implementation of the total mission of the UCC. Common Services Corporation is an autonomous entity lodged with OGM for financial reporting and management.

Justice and Witness Ministries (JWM): JWM's mission is to enable and encourage local churches, associations, conferences, and national expressions of the UCC to engage in God's mission at the global, national, and local level by direct involvement and action in the promotion of justice, peace, and the integrity of creation.

Local Church Ministries (LCM): LCM's mission is to encourage and support local churches of the UCC in the fulfillment of God's mission, to serve as a resource to constituents by providing special knowledge, understanding, and guidance with respect to the mandates of LCM, and to sustain relationships with other ministry partners.

Wider Church Ministries (WCM): WCM's mission is to encourage and support local churches, associations, conferences, and national expressions of the UCC to participate in the global mission of the Church; to support UCC ministries and those partner churches around the world; and to plan and conduct common global ministries with the Christian Church (Disciples of Christ).

Note 2. Summary of Significant Accounting Policies

700 Prospect Corporation is a nonprofit corporation established to own and operate a building at 700 Prospect Avenue in Cleveland, Ohio, that serves as the principal offices and a place of worship for the national setting of the UCC and its affiliated and associated organizations that use the building. Rent for the building and related equipment is paid by the UCC and its affiliated and associated organizations.

The Pension Boards, United Church Funds, Inc. (UCF), UCC Cornerstone Fund, Inc. (Cornerstone) and other organizations of the UCC are affiliated or associated organizations that maintain funds and accounts separate from the Covenanted Ministries and are not included in these combined financial statements.

Basis of presentation: The combined financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Principles of combination: The combined financial statements include the accounts of the EC, OGM, JWM, LCM, WCM, and 700 Prospect Corporation (collectively referred to as the Organization), as well as the United Church of Christ Hotel Venture, LLC (the Hotel Venture), the Organization's 99.99% owned subsidiary, whose activity is included in LCM, Local Church Ministry's Church Building & Loan Fund, LCM's wholly controlled entity, whose activity is included in LCM, and UCAN, Inc., WCM's wholly controlled subsidiary, whose activity is included in WCM. All significant interministry balances and transactions have been eliminated.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net assets: Net assets comprise resources over which each governing body has discretionary control for use in carrying out the financial and operational objectives necessary to fulfill the mission, mandates, educational and charitable programs, and operations of the UCC and for purposes specified by donors. Activities of the Organization are accounted for in the following net asset types:

> **Unrestricted**: Those assets whose use has not been limited by donors for any period of time or specific purpose. Unrestricted net assets can be designated for specific purposes by formal action of the Board of Directors of each Covenanted Ministry.
>
> **Donor restricted – temporarily**: Those assets whose use has been limited by donors to a specific period of time or specific purpose.
>
> **Donor restricted – permanently**: Those assets that have been restricted by donors to be maintained in perpetuity, the income from which can be used for unrestricted or temporarily restricted purposes.

Cash and cash equivalents: The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash at financial institutions which may at times exceed federally insured amounts. Management does not feel there is a risk of loss due to balances that exceed insured amounts.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments: Investments are carried at cost or fair value as disclosed in Note 3 and 4. Investment income or loss, including unrealized and realized gains and losses, is reported as changes in the appropriate net assets category according to donor restriction, if any.

A total return draw on investments concept is followed whereby investment income is drawn from endowment investments based on a 3 to 6 year trailing quarterly average market value at a 4% to 5% draw rate depending upon the ministry involved and recorded in the combined statements of activities and changes in net assets as total return draw under Operating Revenues and Support. The difference between the actual earned income and the total return draw is recorded as interest and dividends net of total return draw under Non-Operating Revenues and Support.

Church building loans receivable: Management reports notes receivable at their outstanding unpaid principal balances reduced by an allowance for loan losses. Loans are made to fund the construction, acquisition, and expansion of church facilities. The Board of Directors, at its discretion, can place delinquent loans in moratorium (not requiring principal and/or interest payments) or declare delinquent loans to be in good standing, and revise the scheduled principal and interest payments. Interest is accrued on the outstanding balance and at December 31, 2010 and 2009 interest accrued totaled $9,789 and $29,256, respectively. The Organization generally continues to accrue interest income on delinquent loans.

Allowance on church building loans receivable: Management uses the allowance method in accounting for uncollectible receivables. The allowance is an amount that management believes will be adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio. This risk assessment is utilized to determine the necessary portfolio level allowance amount. The risk assessment has been computed based on management's judgment of current economic conditions, credit risks of the borrower and the fair value estimates of collateral dependent loans. Increases to the allowance are made by charges to the provision for loan losses. Receivables deemed to be uncollectible are charged against the allowance. Recoveries of previously charged-off amounts are credited to the allowance. Although management believes that it uses the best information available to determine the adequacy of the allowance, future adjustments to the allowance may be necessary and results of operations could be significantly and adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Management established an allowance for loan losses of $6,232,187 and $6,254,448 at December 31, 2010 and 2009, respectively, for possible uncollectible receivables based on circumstances that occurred during the year. Included in this allowance is $4,861,006 and $5,075,244 at December 31, 2010 and 2009, respectively, of loans whose payment is required only if the respective church leaves the United Church of Christ. As such the amounts are no longer deemed past due.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. A loan is considered impaired when it is probable, that based on current information and events, the Organization will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are measured on an individual basis based on the present value of expected future cash flows discounted at the loan’s effective interest rate or, as a practical expedient at the loan’s observable market price or the fair value of the collateral if the loan is collateral dependent. For such loans that are classified as impaired, the amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

Note 2. Summary of Significant Accounting Policies (Continued)

Interest and fees on loans: Interest on loans is recognized over the term of each loan and is calculated using the effective interest method. The Organization determines a loan to be delinquent when payments have not been made according to contractual terms. Interest accrued in the current year and which is deemed uncollectible is reversed against interest income in the current year. Interest accrued in prior years which is deemed uncollectible is charged against the allowance. The Organization charges nominal origination fees and management has recorded these fees as earned in the year of origination. The deferral of these fees would be immaterial to the combined financial statements.

Allowance for doubtful receivables: The Organization determines its allowance for doubtful accounts for other receivables based on specific identification of uncollectible accounts and its historical collection experience. At December 31, 2010 and 2009, management has recorded an allowance of $114,682 and $131,289, respectively.

Publications inventory: Publications inventory is valued at the lower of cost, generally on a first-in, first-out (FIFO) basis, or market.

Property held: Real property, received in satisfaction of church building loans receivable, is recorded at the lower of estimated fair value or outstanding loan balance at the time of transfer. Management determined that a portion of the value of its property held was impaired at December 31, 2010 due to the economic decline of the real estate market. An impairment loss of $330,000 was recognized in 2010. Management determined that the carrying value of its property held at December 31, 2009 was not impaired.

Beneficial interest in trusts held for others: Included in investments is $2,401,383 and $2,217,532 as of December 31, 2010 and 2009, respectively, of funds held by the Organization as custodian for affiliated entities. Income and losses attributable to these funds are not included in the accompanying combined statement of activities and changes in net assets but are recorded as adjustments to the liability reported in the combined statements of financial position. In addition, the Organization serves as a custodian of funds for others.

Beneficial interest in trusts held by others: The Organization is the beneficiary of an income stream of funds held by others. These resources are not in the Organization's possession, nor under its control. These funds are irrevocable and are held and administered by outside trustees. The beneficial interest of funds held by others are reported at fair value. The Organization's beneficial interest in funds held and administered by others generated $672,658 and $478,749 of cash sent to the Organization for the years ended December 31, 2010 and 2009, respectively.

Bond issue costs: In combination with the issuance of bonds, 700 Prospect Corporation incurred costs totaling $159,500. These bond issuance costs are capitalized and are being amortized over the term of the bonds. Amortization expense amounted to $7,976 in 2010 and $7,974 in 2009. Accumulated amortization at December 31, 2010 and 2009 was $71,775 and $63,799, respectively.

Property and equipment: The Organization capitalizes expenditures for property, equipment, furniture and fixtures, and leasehold improvements. Depreciation is calculated using a straight-line method over the estimated useful life of the asset, ranging from 3 to 40 years. Maintenance, repairs, and minor expenditures for equipment are charged to expense as incurred. Major expenditures are capitalized and depreciated over their estimated useful lives. Leasehold improvements are amortized over the shorter of the useful life or remaining life of the lease.

Note 2. Summary of Significant Accounting Policies (Continued)

Costs incurred related to the development of buildings and building improvements have been capitalized and are included with property and equipment in the accompanying combined statements of financial position. The Organization evaluates the recoverability of long-lived assets and measures the amount of impairment, if any, by assessing current and future levels of cash flows as well as other factors, such as business trends or economic conditions.

The Organization leases various property and equipment. Leased property that meets certain criteria are capitalized and the present value of the related lease payments are recorded as a liability. All other leases are accounted for as operating leases and the related payments are expensed ratably over the rental period. Amortization of assets under capital leases is computed utilizing the straight-line method over the shorter of the remaining lease term or the estimated useful life.

Valuation of long-lived assets: Financial Accounting Standards Board (FASB) guidance requires long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If the asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. Management determined that the carrying values of long-lived assets at December 31, 2010 and 2009 were not impaired.

Other liabilities: Other liabilities are comprised of amounts due for charitable gift annuities, an interest rate swap agreement, and capital lease obligations.

Interest rate swap agreement: The interest rate swap agreement is recognized as either an asset or liability at fair value in the combined statements of financial position as a component of other liabilities with the change in the fair value reported in the combined statements of activities. For the years ended December 31, 2010 and 2009, the Organization recognized gains (losses) of ($67,067) and $327,312, respectively.

Contributions: Unconditional promises to receive cash and other assets are reported at fair value at the date the promise is received, which is then recorded as the cost of the assets. Gifts of cash and other assets are reported 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 combined statements of activities and changes in net assets as net assets released from restrictions.

Revenue recognition: Support for Our Church's Wider Mission (OCWM) is recorded in the period contributed. Support receivable is recorded for actual contributions made through UCC churches during the period, which subsequently are forwarded by the conferences to the Organization.

Other revenues are recorded in the period earned and include income from the Hotel Venture, publication subscriptions, administrative services, and meeting registrations.

Note 2. Summary of Significant Accounting Policies (Continued)

General synod revenues and expenses: The biennial General Synod meeting which occurred in 2009 is funded primarily with OCWM National Basic Support receipts budgeted over a two-year period. In addition, attendees pay a registration fee. Income from the General Synod is included in other income and related expenses are included in program expenses in the combined statements of activities and changes in net assets.

Fair value of financial instruments: The carrying amount of cash and cash equivalents, receivables (except church building loans receivable), accrued investment income, accounts payable, accrued expenses, and due to broker for securities purchased approximates fair value due to the short-term nature of these instruments. The fair value of investments, beneficial interest in trusts, split interest agreements and the interest rate swap are estimated by the Organization using available information, including quoted market prices and appropriate valuation methodologies as more fully described in Note 4. The carrying amount of the bond payable is cost. The carrying amount of the bond payable approximates fair value because the interest rates fluctuate with market interest rates offered to the Organization for debt with similar terms and maturities.

Income taxes: The Organization, an Ohio nonprofit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

The Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization, the continued tax-exempt status of bonds issued by the Organization, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2010, there were no unrecognized tax benefits identified or recorded as liabilities. With few exceptions, the Organization is no longer subject to tax examinations by U.S. federal tax authorities for years before 2007.

The covenanted ministries are exempt from filing tax returns, due to its status as a church, however, 700 Prospect Corporation and UCAN, Inc. file a Federal Form 990 in the U.S. federal jurisdiction and the state of Ohio. The Hotel Venture files a Federal Form 1065 in the U.S. federal jurisdiction and a local tax return in the state of Ohio.

Note 2. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncement: In January 2010, FASB issued an amendment "Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements" (ASU 2010-06) which requires new disclosures and reasons for transfers of financial assets and liabilities between Levels 1 and 2. This amendment also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and disclosures about inputs and valuation techniques are required for both Level 2 and Level 3 measurements. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting these changes.

With respect to matters other than Level 3 measurements, the amendment was effective and adopted for periods beginning on or after December 15, 2009. The guidance related to Level 3 measurements is effective for periods beginning on or after December 15, 2010 and has not yet been adopted.

Subsequent events: The Organization has evaluated subsequent events for potential recognition and/or disclosure through September 26, 2011, the date the financial statements were available to be issued.

Note 3. Investments

Investments at December 31 are as follows:

	2010					
	EC	OGM	JWM	LCM	WCM	Total
UCF Equity Fund	$ -	$ -	$ -	$ 65,186,361	$ 49,056,636	$ 114,242,997
UCF Fixed Income Fund	-			36,754,709	35,133,718	71,888,427
UCF Balanced Fund	7,296,641	14,422,349	25,925,886	13,801,955	1,047,047	62,493,878
Equity Securities	-				8,542,099	8,542,099
Term Investment Notes	-			6,635,690		6,635,690
U.S. Government Securities	-			2,383,306		2,383,306
Money Market Fund	944,065			701,343	574,234	2,219,642
Corporate Bonds	-			857,866		857,866
Other	-			157,687	467,531	625,218
Total investments	$ 8,240,706	$ 14,422,349	$ 25,925,886	$ 126,478,917	$ 94,821,265	$ 269,889,123

	2009					
	EC	OGM	JWM	LCM	WCM	Total
UCF Equity Fund	$ -	$ -	$ -	$ 60,354,406	$ 43,932,286	$ 104,286,692
UCF Fixed Income Fund	-			35,275,988	34,304,024	69,580,012
UCF Balanced Fund	6,675,554	14,178,869	24,780,958	10,206,194	941,958	56,783,533
Term Investment Notes	-			8,636,133		8,636,133
Equity Securities	-				6,901,277	6,901,277
U.S. Government Securities	-			3,761,477		3,761,477
Corporate Bonds	-			3,500,396		3,500,396
Money Market Fund	850,069			804,654	692,714	2,347,437
Other	-			375,616	467,532	843,148
Total investments	$ 7,525,623	$ 14,178,869	$ 24,780,958	$ 122,914,864	$ 87,239,791	$ 256,640,105

Note 3. Investments (Continued)

The UCF is an associated ministry of the UCC. The UCF Balanced Fund consists of approximately 35-45 percent fixed income securities and 55-65 percent equity securities. Investments with UCF are held as units of ownership participation. The value of these units, based on quoted market prices, is recorded at the amounts reported by UCF. The UCC has term investment notes/savings accounts that are on deposit at Cornerstone.

An analysis of investment activity is as follows for the year ended December 31:

	2010	2009
Total return draw	$ 8,462,837	$ 8,605,879
Interest and dividends net of total return draw	(3,335,792)	(1,449,838)
Net appreciation in value of investments	23,823,336	36,260,298
Total	$ 28,950,381	$ 43,416,339
Realized gains (losses) on sale of investments	$ 743,303	$ (3,726,336)
Unrealized gains on investments	23,080,033	39,986,634
Interest and dividends	5,127,045	7,156,041
Total	$ 28,950,381	$ 43,416,339

The Organization's investments are impacted significantly by the volatility of the financial markets and other economic events. This impact can result in positive or negative gains throughout the year.

Note 4. Fair Value Measurements

The UCC adopted ASC Topic Fair Value Measurements and Disclosures which provides a framework for measuring fair value under generally accepted accounting principles. ASC Topic Fair Value Measurements and Disclosures applies to all financial instruments that are being measured and reported on a fair value basis.

For assets and liabilities that are measured using quoted prices in active markets (Level 1), total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs, discounts or blockage factors. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities (Level 2), adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques (Level 3), and not based on market exchange, dealer, or broker traded transactions. These valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Note 4. Fair Value Measurements (Continued)

For the year ended December 31, 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments: The fair value of investments, other than the pooled funds held at the UCF, is based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, due to the limited market activity of the instrument, fair value is based upon externally developed models that use unobservable inputs.

Investments – UCF: The UCC participates in pooled funds held and managed by UCF. UCF provided the fair value of the UCC's interest in their pooled funds. UCF's investments in marketable equity and fixed income securities are stated at fair value as determined by quoted market prices.

Beneficial interest in trusts held by others: The fair value of the beneficial interest in perpetual trusts represents the Organization's proportionate interest in the value of the trusts. The trusts are primarily invested in common and collective trust funds. The net asset value is applied as a practical expedient for the valuation of the Organization's beneficial interest in perpetual trusts, however these assets are classified as Level 3 as the investments cannot be redeemed at net asset value.

Split interest agreements: The UCC is a beneficiary of certain split interest agreements that are managed by Weston, Patrick, Willard and Redding, P.A. Weston, Patrick, Willard and Redding, P.A. provided the fair value of the UCC's interest in its split interest agreements.

Interest rate swap: The fair value of UCC's interest rate swap was provided by a valuation expert. Certain derivatives with limited market activity are valued using externally developed models that consider unobservable market parameters.

In September 2009, the accounting guidance related to fair value measurements was amended to provide for if the Organization has the ability to redeem an investment at its net asset value or its equivalents at their measurement date, the investments shall be categorized as a Level 2 fair value measurement. If the Organization cannot redeem an investment at net asset value or its equivalent at the measurement date, but the investment may be redeemable at a future date, the Organization considers the length of time until the investment will be redeemable in determining whether it will be categorized as a Level 2 or Level 3 fair value measurement. This amendment is effective for periods ending after December 15, 2009 and accordingly, effective January 1, 2009, the Organization's UCF fixed income fund and UCF equity fund have been categorized as Level 2 investments.

Note 4. Fair Value Measurements (Continued)

Fair value on a recurring basis: The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31:

	2010			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
UCF Equity Fund	$ -	$ 114,242,997	$ -	$ 114,242,997
UCF Fixed Income Fund		71,888,427		71,888,427
UCF Balanced Fund			62,493,878	62,493,878
Equity Securities				
Mid Cap Value	8,542,099			8,542,099
Fixed Income Securities				
Corporate Bonds	857,866			857,866
U.S. Government Securities		2,383,306		2,383,306
	9,399,965	188,514,730	62,493,878	
Term Investment Notes, Money Market and Other				9,480,550
				269,889,123
Other Assets				
Beneficial Interest in Trusts Held By Others			12,294,804	12,294,804
Split Interest Agreements**			3,002,416	3,002,416
Total assets	$ 9,399,965	$ 188,514,730	$ 77,791,098	$ 285,186,343
Financial Liability				
Interest Rate Swap	$ -	$ 554,922	$ -	$ 554,922

Note 4. Fair Value Measurements (Continued)

	2009			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
UCF Equity Fund	$ -	$ 104,286,692	$ -	$ 104,286,692
UCF Fixed Income Fund		69,580,012		69,580,012
UCF Balanced Fund			56,783,533	56,783,533
Equity Securities				
Mid Cap Value	6,901,277			6,901,277
Fixed Income Securities				
Corporate Bonds	3,500,396			3,500,396
U.S. Government Securities		3,761,477		3,761,477
	10,401,673	177,628,181	56,783,533	
Term Investment Notes, Money Market and Other				11,826,718
				256,640,105
Other Assets				
Beneficial Interest in Trusts				
Held By Others			11,212,084	11,212,084
Split Interest Agreements**			3,107,018	3,107,018
Total assets	$ 10,401,673	$ 177,628,181	$ 71,102,635	$ 270,959,207
Financial Liability				
Interest Rate Swap	$ -	$ 487,855	$ -	$ 487,855

The UCC participates in pooled funds held and managed by UCF through the purchase of shares of funds. UCF provides the fair value of the UCC's interest in their pooled funds.

Note 4. Fair Value Measurements (Continued)

The changes in fair value of Level 3 assets are summarized as follows:

	Investments	Beneficial Interest in Trust Held by Others	Split Interest Agreements **	Total
Balance, December 31, 2008	$ 199,742,032	$ 9,863,351	$ 3,259,455	$ 212,864,838
Transfer to Level 2	(150,330,504)			(150,330,504)
Purchases and reinvestment	2,144,492		20,000	2,164,492
Sales, net	(3,346,741)		(275,159)	(3,621,900)
Unrealized gains, net	8,574,254			8,574,254
Changes in value of beneficial interest in trusts held by others		1,348,733		1,348,733
Changes in value of split interest agreements			102,722	102,722
Balance, December 31, 2009	56,783,533	11,212,084	3,107,018	71,102,635
Purchases and reinvestment	3,324,525		148,679	3,473,204
Sales, net	(3,173,086)		(283,801)	(3,456,887)
Unrealized gains, net	5,558,906			5,558,906
Changes in value of beneficial interest in trusts held by others		1,082,720		1,082,720
Changes in value of split interest agreements			30,520	30,520
Balance, December 31, 2010	$ 62,493,878	$ 12,294,804	$ 3,002,416	$ 77,791,098

** - The value of the split interest agreements includes the split interest agreements included in Note 9 and the Make a Difference split interest agreements included in Note 7.

Fair value on a nonrecurring basis: The Organization may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with generally accepted accounting principles. These assets consist of impaired loans and property held. For assets measured at fair value on a nonrecurring basis on hand at December 31, the following tables provide the level of valuation assumptions used to determine each valuation and the carrying value of the related assets:

	Carrying Value at December 31, 2010				Year Ended December 31, 2010 Total
	Level 1	Level 2	Level 3	Total	(Gains) Losses
Impaired loans	$ -	$ -	$ 4,861,006	$ 4,861,006	$ (214,238)
Property held			450,000	450,000	330,000
Total assets	$ -	$ -	$ 5,311,006	$ 5,311,006	$ 115,762

Note 4. Fair Value Measurements (Continued)

	Carrying Amount at December 31, 2009				Year Ended December 31, 2009 Total
	Level 1	Level 2	Level 3	Total	(Gains)
Impaired loans	$ -	$ -	$ 5,075,244	$ 5,075,244	$ (42,078)

Impaired loans have a valuation allowance that covers the entire balance of the loans.

Property held was acquired in the satisfaction of a church building loan receivable. The loss of $330,000 represents an impairment charge recorded during the year ended December 31, 2010. The fair value of property held was calculated based on a valuation of the property under the “Sales Comparison” valuation method. The “Sales Comparison” valuation was based on comparable land sales of six properties in the surrounding area.

Note 5. Church Building Loans Receivable

The Church Building Loan portfolio consists of several types of loans. They are described and detailed as follows:

Active loans: The main asset of the fund, these receivables represent active loans made for either site acquisition or church construction.

Pre 1985 grants: These assets had originally been recognized as expenses of the predecessor bodies to Local Church Ministries (The Congregational Church Building Society, the Building Fund of the Board of National Missions) and legal documents filed with the stipulation that the “grants” were to be repaid if the church was ever to leave the UCC and/or close. The UCC has received sporadic payments on these grants, however, the asset is recorded with a 100% allowance for doubtful accounts.

LRC loans: These assets result from actions taken on non-performing loans whereby the Committee, based on a vote taken, required that a grant mortgage be created with the stipulation that if the church was ever to leave the UCC and/or close, the funds were to be paid in full, otherwise, these grants are maintained in perpetuity. Since the ultimate collection of these grants cannot be determined, a valuation allowance from the entire balance has been created at the time that the grant mortgage is filed with the appropriate state, the Title Company, etc. These loans are considered to be impaired.

Note 5. Church Building Loans Receivable (Continued)

The loan balance and related allowances are as follows at December 31:

	2010	2009
Active Loans	$ 27,428,593	$ 23,580,225
Pre-1985 Grants	3,473,475	3,534,962
LRC Loans	1,387,531	1,540,282
	32,289,599	28,655,469
Less: Allowance for doubtful loans		
Active Loans	(1,371,181)	(1,179,204)
Pre-1985 Grants	(3,473,475)	(3,534,962)
LRC Loans	(1,387,531)	(1,540,282)
	(6,232,187)	(6,254,448)
	$ 26,057,412	$ 22,401,021

At December 31, 2010 and 2009 all church building loans in the Local Church Ministries Church Building & Loan Fund (CB&LF) are collateralized by a mortgage or deed of trust, including $1,474,293 and $2,425,180, respectively, collateralized by second mortgages on church buildings. Interest rates on outstanding loans range from zero percent to 8.0%. At December 31, 2010 and 2009, zero percent loans totaled approximately $960,000 and $2,300,000, respectively, and below interest loans totaled approximately $5,300,000 and $5,000,000, respectively. It is anticipated that the below market interest rate loans will be paid in full. For below market rate loans, management calculates an amount of in-kind interest income earned and contributed to the respective borrowers. The amount is equal to the loan balance multiplied by the difference between the current rate of the loan and 3.5%. The rate of 3.5% is used based on the assumption that this is a reasonable rate that a not-for-profit would pay to borrow funds. Imputed interest income and in-kind grant expense of $62,892 and $111,921 at December 31, 2010 and 2009, respectively was recorded to reflect interest on these loans with interest rates below 3.5%. At December 31, 2010 and 2009, there are $4,861,006 and $5,075,244, respectively, of pre-1985 grants and LRC loans outstanding that do not currently require interest and principal payments that are considered to be impaired. At December 31, 2010 and 2009, there is $0 and $180,707, respectively, of active loans that have principal and interest payments in arrears for more than 120 days.

There is a risk in any loan agreement that the borrower will not repay the funds loaned. Because of this risk, lending institutions usually charge a higher interest rate to compensate for loss due to default. In the secular world, the interest rate rises as the risk increases. The CB&LF is designed primarily to offer loans to new church start-ups. These loans generally are considered a high risk due to the issues associated with starting a new church. To help overcome some of these obstacles, the interest rates charged are significantly lower than rates that would be required by an independent lending institution. Because of this difference in interest charges, these church loans, if sold to an independent lending institution, would not be valued at the Organization's book value by that institution. Therefore, an outside institution would require a discount if it were to purchase the existing loans.

Note 5. Church Building Loans Receivable (Continued)

Accounting principles generally accepted in the United States of America require the disclosure of the fair value of financial instruments. Based on the lower interest rates, payment schedules, higher risk, and a limited market for church loans, management of the Organization estimates the fair value at December 31, 2010 and 2009 to be $21,601,337 and $19,843,164, respectively, if it is forced to sell the loans in a secondary market. It's management's belief that the properties and buildings that collateralize these loans, in the aggregate, have a fair value greater than the aggregate fair value of the loans.

As of December 31, 2010 and 2009, commitments for future church loans of $4,345,059 and $3,626,829, respectively, have been approved by the Board of Directors.

The CB&LF is supported by investment funds with a market value of $16,225,920 and $16,615,483 at December 31, 2010 and 2009, respectively. Included in these investments is cash available to lend. Income and realized gains on these investments are used to support the administration of the CB&LF. These investments are included with investments in the combined statements of financial position.

Note 6. Allowance on Church Building Loan Receivables

Changes in the allowance for loan loss for the year ended December 31 is as follows:

	2010	2009
Balance, January 1	$ 6,254,448	$ 6,161,380
Add:		
Provision charged to operations	39,226	157,059
Less:		
Collections on grant loans fully reserved	(61,487)	(63,991)
Balance, December 31	$ 6,232,187	$ 6,254,448

	2010	2009
Impaired loans without a valuation allowance	$ -	$ -
Impaired loans with a valuation allowance	4,861,006	5,075,244
Total impaired loans	$ 4,861,006	$ 5,075,244
Valuation allowance related to impaired loans	$ 4,861,006	$ 5,075,244
Total nonaccrual loans	-	-
Total loans past-due ninety days or more and still accruing	-	-

	Years Ended December 31,	
	2010	2009
Average of total impaired loans	$ 4,861,006	$ 5,075,244
Interest income recognized on impaired loans	-	-
Interest income recognized on a cash basis on impaired loans	-	-

Note 7. Support Receivable

Support receivable due from UCC conferences at December 31 is as follows:

	2010	2009
Our Church's Wider Mission:		
National Basic Support	$ 2,198,409	$ 2,509,516
Neighbors in Need	614,830	646,596
Strengthen the Church	78,696	64,667
Other	2,992	15,809
Total Our Church's Wider Mission contributions receivable	2,894,927	3,236,588
Make a Difference! capital campaign, split interest agreements receivable - net	507,251	499,878
Total	$ 3,402,178	$ 3,736,466

Make a Difference! capital campaign contributions receivable consist of the following at December 31:

	2010	2009
Due after five years	$ 800,135	$ 806,135
Net present value adjustment (at 2.25%)	(292,884)	(306,257)
Make a Difference! contributions receivable - net	$ 507,251	$ 499,878

Support receivables from Our Church's Wider Mission have been deemed fully collectible by management and it is expected these receivables will be collected within one year. Make a Difference! contributions consist of annuities and charitable remainder trusts and are deemed to be fully collectible by management.

Note 8. Property Sale Receivable

The receivable is the present value of amounts due to WCM from the December 1999 sale of two properties located in Japan by a WCM affiliate, as follows:

	2010	2009
Gross receivable	$ 3,824,568	$ 4,072,422
Net present value adjustment	(841,875)	(1,159,573)
Net receivable at present value	$ 2,982,693	$ 2,912,849

The receivable is expected to be collected over the next 20 years at approximately $250,000 per year. A discount rate of 6.28 percent is used in the present value calculation. The receivable is being reduced by the reimbursement of expenses WCM incurs in Japan for support of missionaries and program grants.

Note 9. Other Receivables

Other receivables at December 31 consist of the following:

	2010						
	EC	OGM	JWM	LCM	WCM	700 Prospect	Total
Split interest agreements	$ 258,858	$ 22,778	$ 193,204	$ 425,030	$ 1,595,295	$ -	$ 2,495,165
Other receivables	56,128	84,904	12,422	448,718	13,302	1,000	616,474
Overseas Field Offices	-				364,637		364,637
Trade	-	3,791		76,618			80,409
Other support	-				603,537		603,537
Reimbursements	-				39,481		39,481
Affiliated organizations	19,591	35,623	199,294	4,435		102,421	361,364
Division of Overseas Ministries	-				89,641		89,641
Accrued interest	-			9,789	7,066		16,855
Total	$ 334,577	$ 147,096	$ 404,920	$ 964,590	$ 2,712,959	$ 103,421	$ 4,667,563

	2009						
	EC	OGM	JWM	LCM	WCM	700 Prospect	Total
Split interest agreements	$ 256,376	$ 96,094	$ 116,065	$ 518,719	$ 1,619,886	$ -	$ 2,607,140
Other receivables	100,330	104,495	150,490	590,595	47,171		993,081
Overseas Field Offices	-				432,418		432,418
Trade	-	79,380		119,933			199,313
Other support	-				497,213		497,213
Reimbursements	-				41,268		41,268
Affiliated organizations	40,196	67,673	105,917			8,546	222,332
Division of Overseas Ministries	-				186,753		186,753
Accrued interest	-				7,349		7,349
Total	$ 396,902	$ 347,642	$ 372,472	$ 1,229,247	$ 2,832,058	$ 8,546	$ 5,186,867

Split interest agreements consist of gift annuities and charitable remainder trusts, some of which the Organization serves as the trustee and others where a third party is the trustee. The agreements are valued at the present value of the future benefits to be received calculated by considering life expectancy and a discount rate of 3.30% in 2010 and 3.85% in 2009.

Note 10. Property and Equipment, Net

Property and equipment, net consists of:

	December 31, 2010	December 31, 2009
Hotel building and office furniture and equipment leased to management company under operating lease agreement	$ 15,664,062	$ 14,987,165
Land and building leased to others under operating leases	2,163,094	2,140,816
Land	728,084	728,084
Building	1,267,258	1,267,258
Building improvements	4,782,782	4,480,738
Office furniture and equipment	1,363,731	1,333,983
Computer equipment	403,938	387,363
Automobiles	30,041	30,041
Capital leases	594,827	594,827
Construction in progress	-	144,412
Total property and equipment	26,997,817	26,094,687
Accumulated depreciation	(10,047,708)	(8,966,049)
Property and equipment - net	$ 16,950,109	$ 17,128,638

Depreciation expense for the years ended December 31, 2010 and 2009 totaled $1,081,659 and $1,020,614, respectively.

Note 11. Line of Credit

The Organization maintains an unsecured $8,000,000 demand line of credit with a bank. The note provides for interest at LIBOR plus 150 basis points with a maturity of 30, 60, or 90-day term. One month LIBOR was 0.26% at December 31, 2010 and 0.23% at December 31, 2009. The note is reviewed annually and is collateralized by guarantees from the four individual Covenanted Ministries and EC. Balances outstanding on the line of credit for the years ended December 31, 2010 and 2009 were $0 and $3,000,000, respectively. Interest expense for 2010 and 2009 amounted to $10,079 and $16,962, respectively.

Note 12. Bond Payable

In January 2002, the 700 Prospect Corporation entered into a loan agreement with the County of Cuyahoga, Ohio (the Issuer) pursuant to which the Issuer agreed to loan the Corporation the aggregate principal amount of $7,500,000 in connection with the issuance of the Issuer's Multi-Mode Variable Rate Civic Facility Revenue Bonds, Series 2002 with an interest rate of 1.3 percent at date of issue. The bonds require annual principal payments of $375,000 through April 2022. At December 31, 2010 and 2009, the outstanding balance on bonds amounted to $4,500,000 and $4,875,000, respectively. The bonds are guaranteed by a letter of credit from a bank that is collateralized by 700 Prospect Corporation's building. In addition, the bonds are guaranteed by the Executive Council of the General Synod of the United Church of Christ.

A bank loan and payable to a related party were repaid in February 2002 with most of the bond proceeds. The remaining bond proceeds, after payment of bond issuance costs, may be used by 700 Prospect Corporation for general operating and maintenance purposes.

Note 12. Bond Payable (Continued)

The Organization maintains an interest rate risk management strategy that uses an interest rate swap derivative instrument to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. The Organization's specific goal is to lower (where possible) the cost of its borrowed funds.

On February 1, 2002, 700 Prospect Corporation entered into an interest rate swap agreement on the bonds with KeyBank with an original notional amount of $7,500,000. At December 31, 2010 and 2009, the swap had a total notional amount of $4,500,000 and $4,875,000, respectively, which effectively changed the interest rate exposure on the variable term bonds from a rate considering prevailing financial market conditions for revenue bonds, 0.78% and 0.75% at December 31, 2010 and 2009, respectively, to a fixed rate of 4.17% through February 1, 2022. Amounts receivable or payable under the swap are settled by the parties monthly and recognized when incurred. The Organization is exposed to credit loss in the event of nonperformance by the counter party to the interest rate swap agreement. However, the Organization does not anticipate nonperformance by the counter party. Although the derivative is an interest rate hedge, the Organization has chosen not to account for the derivative as a “cash-flow” hedge instrument, as defined by FASB guidance, and therefore the gain or loss on the derivative is recognized as interest rate swap adjustment on the accompanying combined statements of activities.

Principal payments required under the loan agreement are:

2011	$ 375,000
2012	375,000
2013	375,000
2014	375,000
2015	375,000
Thereafter	2,625,000
	$ 4,500,000

Note 13. Accrued Pension and Other Post-Retirement Benefits

Defined Contribution Plan

Substantially all Organization employees are covered by a defined contribution retirement 403(b) pension plan administered by The Pension Boards - United Church of Christ, an Affiliated Ministry of the UCC. The plan is noncontributory, except for minor voluntary contributions made by certain employees. Employer contributions to the plan are 14 percent of employees' base annual salary. Upon attaining retirement eligibility, employees may select from several annuity options available for benefits. Retirement contribution expense is $1,216,166 and $1,341,406 for the years ended December 31, 2010 and 2009, respectively. The Organization's policy is to fund retirement plan expense as incurred. There were no unfunded liabilities under the plan at December 31, 2010 and 2009.

WCM Defined Benefit Plan

WCM guarantees a minimum retirement income to certain overseas employees under a non-contributory defined benefit plan. WCM makes supplemental payments, as necessary, to make up any shortfall in benefits received by qualified overseas employees between the aggregate amount of Social Security and benefits under the 403(b) pension plan described above and the stipulated minimum retirement income amount guaranteed under this plan. The measurement date of this plan is December 31.

Note 13. Accrued Pension and Other Post-Retirement Benefits (Continued)

WCM Defined Benefit Plan (Continued)

The amounts reflected in the table below referenced as "Amounts not yet recognized in the Net Post Retirement Periodic Benefit Cost" represent actuarial gains that are being reclassified into the net periodic pension cost over the next 4 years and will increase the future periodic benefit costs of the Organization.

The net periodic cost (benefit) was $6,111 and $(7,454) for the years ended December 31, 2010 and 2009, respectively. Benefits paid were $42,028 and $46,730 for the years ended December 31, 2010 and 2009, respectively. The minimum guaranteed benefit before offset is assumed to increase 0.0% for 2010 and 2.5% for 2009. The plan is no longer accepting participants and there are currently no participants accruing benefits. The following summarizes the unfunded status of the plan at December 31:

	2010	2009
Accumulated benefit obligation	$ (83,006)	$ (199,413)
Plan assets		-
Unfunded status at December 31	(83,006)	(199,413)
Unrecognized net gain	-	-
Total accrued postretirement cost accrued in the statement of financial position	$ (83,006)	$ (199,413)
Amounts not yet recognized in the Net Post Retirement Periodic Benefit Cost:		
Unrecognized net gain	$ (114,830)	$ (34,340)
Components of net periodic pension cost:		
Interest cost	$ 8,710	$ 10,285
Amortization of net gain	(2,599)	(17,739)
Net periodic postretirement cost (benefit)	$ 6,111	$ (7,454)
Net loss (gain) recognized in the combined statement of activities and changes in net assets:		
Net loss (gain) arising during current period	$ (83,089)	$ 36,184
Amounts reclassified as components of Net Periodic Benefit Cost:		
Amortization of net gain	2,599	17,739
	$ (80,490)	$ 53,923
Estimated amounts to be recognized in the next fiscal year:		
Amortization of net gain	$ (19,511)	$ (26,148)

Note 13. Accrued Pension and Other Post-Retirement Benefits (Continued)

WCM Defined Benefit Plan (Continued)

The actuarial present value was determined using a 5.0% discount rate for 2010 and 2009. An annual benefit increase of 0.0% for 2010 and 2.5% for 2009 was used in calculating the obligation. WCM does not maintain any assets specifically to meet the obligations of this plan. Contributions are made only to pay benefits. As such, the expected contributions to the plan are equal to the expected future benefit payments. The benefits expected to be paid over each of the next five years and in the aggregate five years thereafter are as follows:

Plan Year	Expected Benefit Payment
2011	$ 22,399
2012	17,358
2013	13,344
2014	10,209
2015	7,790
2016-2020	18,536

WCM Post-Retirement Plan

WCM maintains a non-contributory medical plan for overseas personnel who retire with a minimum of 20 years of service. For such qualified retirees, WCM pays medical expenses during retirement after Medicare deductibles are satisfied. Benefits equal 80 percent of medical expenses for retirees with 20 to 24 years of service and 100 percent of medical expenses for retirees with 25 years or more of service.

The amounts reflected in the table below referenced as “Amounts not yet recognized in the Net Post Retirement Periodic Cost” represent prior service costs and actuarial losses that are being reclassified into the net periodic pension cost over the next 8 years and will reduce the future periodic benefit costs of WCM.

Note 13. Accrued Pension and Other Post-Retirement Benefits (Continued)

Benefits paid by the Organization were $367,463 for 2010 and $368,928 for 2009. The following summarizes the unfunded status of the plan at December 31:

	2010	2009
Accumulated postretirement benefit obligation	$ (3,663,457)	$ (4,371,971)
Plan assets		-
Unfunded status at December 31	(3,663,457)	(4,371,971)
Unrecognized net transition obligation	-	-
Unrecognized net loss	-	-
Total accured postretirement cost accrued in the statement of financial position	$ (3,663,457)	$ (4,371,971)
Amounts not yet recognized in the Net Post Retirement Periodic Benefit Cost:		
Unrecognized transition obligation	$ 556,250	$ 778,750
Unrecognized net loss	722,014	1,382,484
	$ 1,278,264	$ 2,161,234
Components of net periodic pension cost:		
Interest cost	$ 206,885	$ 258,066
Amortization of net loss	112,534	130,253
Amortization of unrecognized net transition obligation	222,500	222,500
Net periodic postretirement cost	$ 541,919	$ 610,819
Net gain and net transition obligation recognized in the combined statement of activities and changes in net assets:		
Net gains arising during current period	$ (547,936)	$ (63,364)
Amounts reclassified as components of Net Periodic Benefit Cost:		
Amortization of net loss	(112,534)	(130,253)
Amortization of unrecognized net transition obligation	(222,500)	(222,500)
	$ (882,970)	$ (416,117)
Estimated amounts to be recognized in the next fiscal year:		
Amortization of net loss	46,191	62,066
Amortization of unrecognized net transition obligation	222,500	222,500

Note 13. Accrued Pension and Other Post-Retirement Benefits (Continued)

The weighted-average assumptions as of December 31, 2010 are as follows:

Discount rate	5.0% in 2010 and 2009
Health care cost trend rate	7.94% decreasing to 5% in 2016

A 1% increase in the health care cost trend rate assumption would increase the liability by $218,728 on the amounts reported. A 1% decrease in the health care cost trend rate assumption would decrease the liability by $199,022 on the amounts reported.

Contributions are made only to pay benefits. As such, the expected contributions to the plan are equal to the expected future benefit payments. The benefits expected to be paid over each of the next five years and in the aggregate five years thereafter are as follows:

Plan Year	Expected Benefit Payment
2011	$ 424,146
2012	416,690
2013	405,372
2014	390,541
2015	372,457
2016-2020	1,514,629

Note 14. Other Accrued Liabilities

Other accrued liabilities consist of the following as of December 31:

	2010						
	EC	OGM	JWM	LCM	WCM	700 Prospect	Total
Funding for new and renewing congregations	$ -	$ -	$ -	$ 557,980	$ -	$ -	$ 557,980
Other accrued expenses	206,777	63,329	33,350	109,779	550,375	62,670	1,026,280
MAD! conference payable	288,049						288,049
Overseas field offices	-				160,777		160,777
Income distributions	-				2,315		2,315
Haiti earthquake commitments	-				905,000		905,000
Tsunami commitments	-				200,000		200,000
Hope Shall Bloom commitments	-				469,461		469,461
Royalties	-			51,821			51,821
Total other accrued liabilities	$ 494,826	$ 63,329	$ 33,350	$ 719,580	$ 2,287,928	$ 62,670	$ 3,661,683

Note 14. Other Accrued Liabilities (Continued)

	2009						
	EC	OGM	JWM	LCM	WCM	700 Prospect	Total
Funding for new and renewing congregations	$ -	$ -	$ -	$ 682,292	$ -	$ -	$ 682,292
Other accrued expenses	297,379	29,279	21,694	211,072	455,099	183,489	1,198,012
Still Speaking Initiative loan payable	84,143						84,143
MAD! conference payable	290,209						290,209
Overseas field offices	-				146,734		146,734
Income distributions	-				2,315		2,315
Midwest Floods					33,200		33,200
Tsunami commitments	-				649,913		649,913
Hope Shall Bloom commitments	-				362,409		362,409
Royalties	-			25,603			25,603
Total other accrued liabilities	$ 671,731	$ 29,279	$ 21,694	$ 918,967	$ 1,649,670	$ 183,489	$ 3,474,830

The commitments from the Tsunami and "Hope Shall Bloom" appeals are expected to be paid over the next year while the commitments for the Haiti appeal are expected to be paid over the next two years.

Note 15. Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets are available for the following donor restricted purposes at December 31:

	2010					
	EC	OGM	JWM	LCM	WCM	Total
Mission:						
Temporarily restricted	$ 1,888,887	$ 365,275	$ 1,163,297	$ 56,017,704	$ 55,268,842	$ 114,704,005
Permanently restricted	-		685,676	18,021,522	22,451,303	41,158,501
Service:						
Temporarily restricted	-			10,042,111	5,223,261	15,265,372
Permanently restricted	-			3,258,641	463,405	3,722,046
Make a Difference! Initiatives:						
Temporarily restricted	1,829,406					1,829,406
Permanently restricted	4,929,808					4,929,808
Other:						
Temporarily restricted	-			345,509		345,509
Permanently restricted	-			47,849		47,849
Total	$ 8,648,101	$ 365,275	$ 1,848,973	$ 87,733,336	$ 83,406,811	$ 182,002,496
Temporarily restricted	$ 3,718,293	$ 365,275	$ 1,163,297	$ 66,405,324	$ 60,492,103	$ 132,144,292
Permanently restricted	$ 4,929,808	$ -	$ 685,676	$ 21,328,012	$ 22,914,708	$ 49,858,204

Note 15. Temporarily and Permanently Restricted Net Assets (Continued)

	2009					
	EC	OGM	JWM	LCM	WCM	Total
Mission:						
Temporarily restricted	$ 1,935,411	$ 70,504	$ 951,012	$ 52,468,045	$ 49,684,295	$ 105,109,267
Permanently restricted	-		234,274	17,741,723	22,040,381	40,016,378
Service:						
Temporarily restricted	-			9,514,444	3,202,448	12,716,892
Permanently restricted	-			3,241,236	345,292	3,586,528
Make a Difference! Initiatives:						
Temporarily restricted	1,404,686					1,404,686
Permanently restricted	4,929,808					4,929,808
Other:						
Temporarily restricted	-			233,739		233,739
Permanently restricted	-			47,849		47,849
Total	$ 8,269,905	$ 70,504	$ 1,185,286	$ 83,247,036	$ 75,272,416	$ 168,045,147
Temporarily restricted	$ 3,340,097	$ 70,504	$ 951,012	$ 62,216,228	$ 52,886,743	$ 119,464,584
Permanently restricted	$ 4,929,808	$ -	$ 234,274	$ 21,030,808	$ 22,385,673	$ 48,580,563

Release of temporarily restricted net assets occurred during 2010 and 2009 as follows:

	2010	2009
Satisfaction of program restrictions	$ 9,348,979	$ 6,355,765
Release of endowment income	1,302,493	2,433,432
Satisfaction of time restrictions	3,027	30,201
Total	$ 10,654,499	$ 8,819,398

Included in permanently restricted net assets are the beneficial interest in trusts held by others. These funds are held in perpetuity by outside trustees. The Organization has no control of the assets or the investment of assets. The Organization is named as the irrevocable beneficiary and has recorded the beneficial interest of funds held by others at the estimated fair value of the assets, or at the present value of the future cash flows when an irrevocable trust is established or the Organization is notified of its existence. The fair value of the beneficial interest of funds held in trust at December 31, 2010 and 2009 was $12,294,804 and $11,212,084, respectively.

Note 16. Endowment Funds

The UCC's endowments consist of approximately 1,100 donor restricted endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of relevant law: Ohio's and Massachusetts' versions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in 2009, however, the UCC implemented certain elements as of December 31, 2008. The Massachusetts' version is applicable to Wider Church Ministries and the Ohio version is applicable to all other ministries. The Boards of Directors of the Covenanted Ministries and the Executive Council have interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the UCC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Beginning in 2009, the portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets will be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the UCC in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the UCC will consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the UCC to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $842,456 and $853,740 as of December 31, 2010 and 2009, respectively.

Return objectives and risk parameters: The UCC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the UCC must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to grow in excess of the spending rate in a conservative manner.

Note 16. Endowment Funds (Continued)

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

Spending policy and how the investment objectives relate to spending policy: All of the Boards of Directors of the Covenanted Ministries have adopted a policy of appropriating for distribution each year a percentage of the moving three (3) or six (6) year average value of the endowment, as determined in the last quarter of the current fiscal year, and will be incorporated in the following year's distribution as income available to programs. The percentages, as determined by each individual Board range from 4 to 5 percent, unless deemed prudent by the Board to spend a different amount. In establishing this policy the Boards of Directors considered the long-term expected return on their endowments. Accordingly, over the long term, the Boards expect the current spending policy to allow their endowments to grow at an average of 2.5 to 3.5 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 121,831,501	$ 37,490,513	$ 159,322,014
Funds functioning as endowment	86,916,089			86,916,089
Total endowment funds	$ 86,916,089	$ 121,831,501	$ 37,490,513	$ 246,238,103

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 111,629,064	$ 37,279,845	$ 148,908,909
Funds functioning as endowment	83,889,684			83,889,684
Total endowment funds	$ 83,889,684	$ 111,629,064	$ 37,279,845	$ 232,798,593

Note 16. Endowment Funds (Continued)

Changes in endowment net assets for the year ended December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, December 31, 2008	$ 126,301,453	$ 40,617,428	$ 35,554,597	$ 202,473,478
UPMIFA reclassification	(50,531,995)	50,531,995		-
Contributions/transfers in	416,224	1,592	1,725,248	2,143,064
Income earned on investments	2,092,563	4,275,083		6,367,646
Net realized gains on investments sold	(938,041)	(2,700,930)		(3,638,971)
Unrealized depreciation on investments	11,148,607	26,446,055		37,594,662
Endowment assets released from restrictions	-	(2,433,432)		(2,433,432)
Expenditure of board designated endowments	(1,101,975)			(1,101,975)
Total return draw	(3,497,152)	(5,108,727)		(8,605,879)
Net change in endowment assets	(42,411,769)	71,011,636	1,725,248	30,325,115
Endowment assets, December 31, 2009	83,889,684	111,629,064	37,279,845	232,798,593
Contributions/transfers in	1,157,373	16,151	210,668	1,384,192
Income earned on investments	1,917,901	3,056,316		4,974,217
Net realized gains on investments sold	471,453	234,505		705,958
Unrealized depreciation on investments	7,976,024	13,121,903		21,097,927
Endowment assets released from restrictions	-	(1,302,493)		(1,302,493)
Expenditure of board designated endowments	(4,957,451)			(4,957,451)
Total return draw	(3,538,895)	(4,923,945)		(8,462,840)
Net change in endowment assets	3,026,405	10,202,437	210,668	13,439,510
Endowment assets, December 31, 2010	$ 86,916,089	$ 121,831,501	$ 37,490,513	$ 246,238,103

Note 17. Leases

The Organization leases land and buildings to UCC churches under noncancelable operating leases. One lease agreement requires monthly payments through December 2013 and contains annual payment increases ranging $6,620 in 2011 to $9,789 in 2013. As part of the lease agreement, the lessee has the option to purchase the property at a purchase price of the property's cost multiplied by a 7.0% factor, which increases each year of the lease, less total lease payments made to date. Payments received by the Organization will be recorded as other revenues on the combined statements of activities and changes in net assets.

The other lease agreement calls for monthly payments of $1,000 through September 2011.

Note 17. Leases (Continued)

Future minimum rent to be received under these noncancelable leases is as follows:

2011	$	88,440
2012		105,792
2013		117,468
Total	$	311,700

LCM leases warehouse space in Berea, Ohio, that is used for fulfillment and distribution services on a month to month basis.

The Organization leases other facilities and equipment under operating leases expiring from 2011 to 2013.

At December 31, 2010, future minimum rental payments required under non-cancelable operating leases in excess of one year are:

2011	$	184,150
2012		98,538
2013		2,775
Total	$	285,463

Total rental expense for all operating leases was $258,063 and $284,423 for 2010 and 2009, respectively.

The Organization leases photocopying equipment with a net book value of $179,857 and $277,340 at December 31, 2010 and 2009, respectively, under capital lease obligations. The leases expire in 2011 and require minimum lease payments totaling $105,196 in 2011.

Note 18. Functional Expenses - Operating Activity

	Years Ended December 31, 2010	2009
Program Services Expenses:		
EC:		
Our Church's Wider Mission	$ 1,879,913	$ 2,063,757
General Synod	21,029	1,060,124
Make a Difference!	107,583	134,058
Identity Campaign	-	9,914
	2,008,525	3,267,853
OGM:		
Proclamation, Identity and Communications	1,665,214	2,282,105
Covenantal Relations and other program expenses	380,612	426,069
Research	253,589	258,362
	2,299,415	2,966,536
JWM:		
Public Life and Social Policy	730,665	852,559
Human Rights	666,124	537,238
Other program expenses	480,546	204,213
Economic Justice	392,566	675,144
Franklinton Center	351,232	317,668
Racial Justice	269,604	535,273
	2,890,737	3,122,095
LCM:		
Congregational Vitality and Discipleship	3,357,138	3,302,234
Pilgrim Press and United Church Resources	2,160,640	2,917,120
Church Building	1,481,285	804,817
Parish Life and Leadership	1,477,800	1,263,308
Other program expenses	718,677	807,342
Executive Minister Grants	603,480	920,907
	9,799,020	10,015,728
WCM:		
Overseas Personnel and Programs	7,189,997	5,746,985
Global Sharing of Resources	4,043,563	3,352,591
Other program expenses	920,456	908,473
Local Church Relations	169,304	181,242
	12,323,320	10,189,291
Less: Elimination	(1,351,094)	(1,352,575)
Total Program Services Expenses	27,969,923	28,208,928

Note 18. Functional Expenses - Operating Activity (Continued)

	Years Ended December 31,	
	2010	2009
Management and general expenses	$ 7,943,827	$ 7,907,236
Less: elimination	(1,405,168)	(1,377,869)
	6,538,659	6,529,367
Fundraising expenses	2,936,498	2,814,865
Less: elimination	(83,502)	(80,346)
	2,852,996	2,734,519
Total expenses	$ 37,361,578	$ 37,472,814

McGladrey

Independent Auditor's Report
on the Supplementary Information

To the Boards of Directors
of the United Church of Christ
Cleveland, Ohio

Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic combined financial statements taken as a whole.

McGladrey & Pullen, LLP

Cleveland, Ohio
September 26, 2011

United Church of Christ

Details of Combined Statement of Financial Position
December 31, 2010

Assets	Executive Council	Office of General Ministries	Justice and Witness Ministries	Local Church Ministries	Wider Church Ministries	700 Prospect	**Total**
Cash and cash equivalents	$ 233,614	$ (3,705,513)	$ (397,672)	$ 2,927,332	$ 5,127,400	$ 341,069	**$ 4,526,230**
Investments	8,240,706	14,422,349	25,925,886	126,478,917	94,821,265		**269,889,123**
Receivables	-						
Church building loans, net	-			26,057,412			**26,057,412**
Support, net	3,402,178						**3,402,178**
Property sale, net	-				2,982,693		**2,982,693**
Other	334,577	147,096	404,920	964,590	2,712,959	103,421	**4,667,563**
Publications inventory	-			701,275			**701,275**
Property held	-			450,000			**450,000**
Prepaid expenses and other assets	75,155	151,213	20,988	128,751	143,831		**519,938**
Beneficial interest in trusts held by others	-		685,676	3,493,963	8,115,165		**12,294,804**
Bond issue costs, net	-					87,725	**87,725**
Property and equipment, net	-	238,616		10,899,865		5,811,628	**16,950,109**
Total assets	$ 12,286,230	$ 11,253,761	$ 26,639,798	$ 172,102,105	$ 113,903,313	$ 6,343,843	**$ 342,529,050**
Liabilities and Net Assets							
Liabilities							
Line of credit	$ -						**$ -**
Accounts payable	89,520	142,097	28,971	486,084	71,401		**818,073**
Accrued pension and other post-retirement benefits	-				3,746,463		**3,746,463**
Other accrued liabilities	494,826	63,329	33,350	719,580	2,287,928	62,670	**3,661,683**
Funds held for others	-			940,265	1,461,118		**2,401,383**
Other liabilities	275,275	252,365	810	165,367	750,000	554,922	**1,998,739**
Bond payable	-					4,500,000	**4,500,000**
Total liabilities	859,621	457,791	63,131	2,311,296	8,316,910	5,117,592	**17,126,341**
Net Assets							
Unrestricted	2,778,508	10,430,695	24,727,694	82,057,473	22,179,592	1,226,251	**143,400,213**
Donor restricted							
Temporarily	3,718,293	365,275	1,163,297	66,405,324	60,492,103		**132,144,292**
Permanently	4,929,808		685,676	21,328,012	22,914,708		**49,858,204**
Total net assets	11,426,609	10,795,970	26,576,667	169,790,809	105,586,403	1,226,251	**325,402,709**
Total liabilities and net assets	$ 12,286,230	$ 11,253,761	$ 26,639,798	$ 172,102,105	$ 113,903,313	$ 6,343,843	**$ 342,529,050**

United Church of Christ

Details of Combined Statement of Activities and Changes in Net Assets
Year Ended December 31, 2010

	EXECUTIVE COUNCIL				OFFICE OF GENERAL MINISTRIES			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support								
Our Church's Wider Mission:								
Basic support (1)	$ 1,348,062	$ -	$ -	$ 1,348,062	$ 2,000,447	$ -	$ -	$ 2,000,447
Special support		1,566,351		1,566,351	23,822			23,822
Gifts and donations	184,611			184,611	51,478	95,254		146,732
Other revenues:								
Publications and other resource sales	780			780	339,309			339,309
Total return draw	-			-	786,130			786,130
Management fees and other reimbursements	-	37,719		37,719	155,522			155,522
Church loan interest	-			-				-
Other	3,868			3,868	82,076			82,076
Net assets released from restrictions - unrestricted	1,758,916			1,758,916	207,004			207,004
Net assets released from restrictions - temporarily restricted	-	(1,758,916)		(1,758,916)		(207,004)		(207,004)
Total operating revenues and support	3,296,237	(154,846)		3,141,391	3,645,788	(111,750)		3,534,038
Operating Expenses								
Program services	2,008,525			2,008,525	2,299,415			2,299,415
Management and general	682,843			682,843	1,043,631			1,043,631
Fundraising	185,872			185,872	1,231,455			1,231,455
Total operating expenses	2,877,240			2,877,240	4,574,501			4,574,501
Increase (decrease) from operating activity	418,997	(154,846)		264,151	(928,713)	(111,750)		(1,040,463)
Non-operating revenues and support								
Gifts and donations	-			-				-
Interest and dividends net of total return draw	37,057	82,556		119,613	(531,870)	(6,323)		(538,193)
Net appreciation in value of investments	227,745	434,631		662,376	1,333,603	20,009		1,353,612
Change in value of beneficial interest in trusts held by others	-			-				-
Change in value of split interest agreements	-	15,855		15,855		(73,316)		(73,316)
Total non-operating revenues and support	264,802	533,042		797,844	801,733	(59,630)		742,103
Increase (decrease) in net assets before the effect of the interest rate swap adjustment and postretirement cost	683,799	378,196		1,061,995	(126,980)	(171,380)		(298,360)
Interest rate swap adjustment	-			-				-
Postretirement related changes other then net periodic postretirement cost	-			-				-
Net increase in net assets	683,799	378,196	-	1,061,995	(126,980)	(171,380)	-	(298,360)
Net assets - beginning of year	2,094,709	3,340,097	4,929,808	10,364,614	11,023,826	70,504	-	11,094,330
Reclassification of net assets - other	-			-	(466,151)	466,151		-
Adjusted net assets - beginning of year	2,094,709	3,340,097	4,929,808	10,364,614	10,557,675	536,655	-	11,094,330
Net assets - end of year	$ 2,778,508	$ 3,718,293	$ 4,929,808	$ 11,426,609	$ 10,430,695	$ 365,275	$ -	$ 10,795,970

	JUSTICE AND WITNESS MINISTRIES				LOCAL CHURCH MINISTRIES			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support								
Our Church's Wider Mission:								
Basic support (1)	$ 1,182,797	$ -	$ -	$ 1,182,797	$ 1,968,642	$ -	$ -	$ 1,968,642
Special support		812,102		812,102		214,399		214,399
Gifts and donations	107,890	32,064		139,954	223,709	3,288		226,997
Other revenues:								
Publications and other resource sales	13,766			13,766	1,930,783			1,930,783
Total return draw	1,406,545			1,406,545	3,818,792			3,818,792
Management fees and other reimbursements	40,000			40,000	421,928			421,928
Church loan interest				-	1,116,719			1,116,719
Other	3,858			3,858	672,942	(44,708)		628,234
Net assets released from restrictions - unrestricted	722,556			722,556	1,163,206			1,163,206
Net assets released from restrictions - temporarily restricted		(722,556)		(722,556)		(1,163,206)		(1,163,206)
Total operating revenues and support	3,477,412	121,610		3,599,022	11,316,721	(990,227)		10,326,494
Operating Expenses								
Program services	2,890,737			2,890,737	9,799,020			9,799,020
Management and general	816,896			816,896	2,408,742			2,408,742
Fundraising	280,474			280,474	668,976			668,976
Total operating expenses	3,988,107			3,988,107	12,876,738			12,876,738
Increase (decrease) from operating activity	(510,695)	121,610		(389,085)	(1,560,017)	(990,227)		(2,550,244)
Non-operating revenues and support								
Gifts and donations				-	32,830	12,008	37,783	82,621
Interest and dividends net of total return draw	(950,469)	(11,835)		(962,304)	365,309	(1,778,887)		(1,413,578)
Net appreciation in value of investments	2,428,731	25,371		2,454,102	3,617,008	7,039,890		10,656,898
Change in value of beneficial interest in trusts held by others			451,402	451,402			259,421	259,421
Change in value of split interest agreements		77,139		77,139		(93,688)		(93,688)
Total non-operating revenues and support	1,478,262	90,675	451,402	2,020,339	4,015,147	5,179,323	297,204	9,491,674
Increase (decrease) in net assets before the effect of the interest rate swap adjustment and postretirement cost	967,567	212,285	451,402	1,631,254	2,455,130	4,189,096	297,204	6,941,430
Interest rate swap adjustment				-				-
Postretirement related changes other then net periodic postretirement cost				-				-
Net increase in net assets	967,567	212,285	451,402	1,631,254	2,455,130	4,189,096	297,204	6,941,430
Net assets - beginning of year	23,760,127	951,012	234,274	24,945,413	79,602,343	62,216,228	21,030,808	162,849,379
Reclassification of net assets - other				-				
Adjusted net assets - beginning of year	23,760,127	951,012	234,274	24,945,413	79,602,343	62,216,228	21,030,808	162,849,379
Net assets - end of year	$ 24,727,694	$ 1,163,297	$ 685,676	$ 26,576,667	$ 82,057,473	$ 66,405,324	$ 21,328,012	$ 169,790,809

	WIDER CHURCH MINISTRIES				700 PROSPECT	INTER-MINISTRY ELIMINATIONS	TOTAL			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues and Support										
Our Church's Wider Mission:										
Basic support (1)	$ 1,368,236	$ -	$ -	$ 1,368,236	$ -	$ -	$ 7,868,184	$ -	$ -	$ 7,868,184
Special support		2,822,878		2,822,878		(1,038,059)	23,822	4,377,671		4,401,493
Gifts and donations	809,034			809,034		(48,064)	1,328,658	130,606		1,459,264
Other revenues:										
Publications and other resource sales	2,693			2,693		(29,356)	2,257,975	-		2,257,975
Total return draw	2,451,370			2,451,370			8,462,837	-		8,462,837
Management fees and other reimbursements	1,287,929			1,287,929		(378,387)	1,526,992	37,719		1,564,711
Church loan interest				-			1,116,719	-		1,116,719
Other	63,506			63,506	1,473,918	(1,345,592)	954,576	(44,708)		909,868
Net assets released from restrictions - unrestricted	7,840,876			7,840,876		(1,038,059)	10,654,499	-		10,654,499
Net assets released from restrictions - temporarily restricted		(7,840,876)		(7,840,876)		1,038,059	-	(10,654,499)		(10,654,499)
Total operating revenues and support	13,823,644	(5,017,998)		8,805,646	1,473,918	(2,839,458)	34,194,262	(6,153,211)	-	28,041,051
Operating Expenses										
Program services	12,323,320			12,323,320		(1,351,094)	27,969,923			27,969,923
Management and general	1,666,687			1,666,687	1,325,028	(1,405,168)	6,538,659			6,538,659
Fundraising	569,721			569,721		(83,502)	2,852,996			2,852,996
Total operating expenses	14,559,728			14,559,728	1,325,028	(2,839,764)	37,361,578	-	-	37,361,578
Increase (decrease) from operating activity	(736,084)	(5,017,998)		(5,754,082)	148,890	306	(3,167,316)	(6,153,211)	-	(9,320,527)
Non-operating revenues and support										
Gifts and donations	713,016	5,948,352	157,138	6,818,506			745,846	5,960,360	194,921	6,901,127
Interest and dividends net of total return draw	(390,660)	(150,374)		(541,034)	10	(306)	(1,470,929)	(1,864,863)		(3,335,792)
Net appreciation in value of investments	1,865,569	6,830,779		8,696,348			9,472,656	14,350,680		23,823,336
Change in value of beneficial interest in trusts held by others			371,897	371,897			-	-	1,082,720	1,082,720
Change in value of split interest agreements		(23,050)		(23,050)			-	(97,060)		(97,060)
Total non-operating revenues and support	2,187,925	12,605,707	529,035	15,322,667	10	(306)	8,747,573	18,349,117	1,277,641	28,374,331
Increase (decrease) in net assets before the effect of the interest rate swap adjustment and postretirement cost	1,451,841	7,587,709	529,035	9,568,585	148,900	-	5,580,257	12,195,906	1,277,641	19,053,804
Interest rate swap adjustment				-	(67,067)	-	(67,067)			(67,067)
Postretirement related changes other then net periodic postretirement cost	963,460			963,460	-	-	963,460			963,460
Net increase in net assets	2,415,301	7,587,709	529,035	10,532,045	81,833	-	6,476,650	12,195,906	1,277,641	19,950,197
Net assets - beginning of year	19,781,942	52,886,743	22,385,673	95,054,358	1,144,418	-	137,407,365	119,464,584	48,580,563	305,452,512
Reclassification of net assets - other	(17,651)	17,651					(483,802)	483,802		-
Adjusted net assets - beginning of year	19,764,291	52,904,394	22,385,673	95,054,358	1,144,418	-	136,923,563	119,948,386	48,580,563	305,452,512
Net assets - end of year	$ 22,179,592	$ 60,492,103	$ 22,914,708	$ 105,586,403	$ 1,226,251	$ -	$ 143,400,213	$ 132,144,292	$ 49,858,204	$ 325,402,709

(1) Note: The Pension Boards receive 6.15% of Our Church's Wider Mission.