



FIRST UNITARIAN UNIVERSALIST SOCIETY IN NEWTON

FUUSN Issuance 2010-12

Policy *Information*

From: Pat Rohan, Chair Operations Council/revised Christopher Krebs, Chair Board of Trustees

Date: September 27, 2010/revised February 18, 2019

Subject: Financial Policies

Purpose: To formally identify the Financial Policies adopted by the Board of Trustees in August 2008 and to incorporate them into the series of Policy and Information Issuances instituted by the Operations Council in 2010. Reviewed and updated by the Finance Committee and Operations Council; approved by Board of Trustees in February 2019.

Background: On August 12, 2008 the Board of Trustees unanimously adopted the *Financial Goals and Strategies* and the *Operating Budget Financial Policies* and charged the Finance Committee with “periodically reviewing this document and recommending such changes to the Board of Trustees as might be appropriate”.

In October 2009 the Finance Committee recommended, and the Board approved, the addition of a bullet point to the *Reimbursement* section to provide for voiding checks issued by FUUSN which have not been cashed after one year.

Furthermore, the Financial Policies need to be read in conjunction with Sections 2.4, 5, 6 and 7 of the *Global Operations Council Policies* and Section 2 of the *Limitations Policies* which can be found in *Issuance 2010-08 Policies under FUUSN’s Governance Structure* which were adopted by the Board on April 10, 2010 as part of our new governance structure.

Policy: As attached in the following pages.

Effective Date: August 12, 2008, and as updated October 2009, and with reference to *Issuance 2010-08 Policies under FUUSN’s Governance Structure* as described above, and further updated in January 2018.

FUUSN ISSUANCE 2010-12: FINANCIAL POLICIES

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FUUSN ISSUANCE 2010-12: FINANCIAL POLICIES

FINANCIAL GOALS AND STRATEGIES FOR FUUSN’S OPERATING BUDGET

| <i>Topic</i> | <i>Goals</i> | <i>Strategies</i> |
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| Process | <ul style="list-style-type: none"> o Provide transparency and accountability in all financial transactions and financial statements. o Support appropriate and informed decision-making by Board of Trustees and/or congregation. | <ul style="list-style-type: none"> o Document and distribute financial policies, procedures, and practices. o Use multi-year financial forecasts as planning tool. o Present information regarding FUUSN’s financial condition in an easily understood framework. |
| Viability | <ul style="list-style-type: none"> o Protect financial and physical assets through internal controls, sound investments, risk management, on-going maintenance, and periodic capital improvements to ensure FUUSN is a going concern in the future. | <ul style="list-style-type: none"> o Active, generous pledging base. o Well-managed growing endowment with prescribed and approved policies for retention of endowment returns. o Maintain adequate level of insurance to manage risk. |
| Purpose and Program | <ul style="list-style-type: none"> o Maintain ability to adequately fund the programs and services of our church community. o Fairly compensate our staff. o Fair share contributor to our denomination. o Support worthy causes in our greater community as approved by the Board of Trustees and congregation through established governance process. | <ul style="list-style-type: none"> o Maximize budget flexibility by timely use of restricted funds. o Allocation of resources should be consistent with annual, multi-year, and/or strategic plans. |
| Legal and Regulatory | <ul style="list-style-type: none"> o Comply with applicable laws o Strive to achieve consistency with Generally Accepted Accounting Principles (GAAP) to the extent permitted by FUUSN’s ability to fund the resources necessary to do the work. | <ul style="list-style-type: none"> o Adhere to system of internal controls with appropriate checks and balances. |

Adoption and Review:

The Board of Trustees of the First Unitarian Society in Newton hereby adopts these goals and strategies. The Finance Committee is charged with periodically reviewing this document and recommending such changes to the Board of Trustees as might be appropriate.

Adopted 8/12/08 by BOT along with the attached Operating Budget Financial Policies.

| A. Cash Management | |
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| Topic | Practice and/or Policy |
| <i>Sunday Offering</i> | <ul style="list-style-type: none"> • The Sunday offering should be counted by two persons working together in the same room. Both should initial a written form noting the amounts received in checks and in cash. The form should be part of a routine system maintained by the Administrator or someone else to record the collection along with attendance and other information about the weekly service. • The offering proceeds should be stored in a secure place until deposited. |
| <i>Bank Deposits</i> | <ul style="list-style-type: none"> • The person who makes out the bank deposit should not be one of the cash counters. A copy of the deposit slip must be saved and compared with the deposits noted on the monthly bank statement. |
| <i>Cash Levels</i> | <ul style="list-style-type: none"> • FUUSN should maintain an operating fund cash balance sufficient to cover up to the next two months of forecasted operating expenses. • Excess operating funds beyond the required cash levels should be invested in an appropriate investment vehicle to optimize the return and preserve principal. The investments should have a remaining time to maturity not longer than the duration of the period until the funds are required. |
| <i>Interfund Transfers and Loans</i> | <ul style="list-style-type: none"> • Disbursement of funds from the Endowment Fund to the Operating Fund should be made as needed during the year to ensure sufficient cash levels within approved annual budget limits. (see above policy). • Interim loans to the Capital Campaign or for other purposes should only be made upon the express authorization of the Board of Trustees (BOT) and drawn from the Endowment Funds. Such loans should be repaid in a term deemed appropriate by the BOT. |
| <i>Bank Accounts and Funds</i> | <ul style="list-style-type: none"> • FUUSN will maintain a consolidated bank account for revenues and expenses for all operating activities. The only exceptions at this time to this policy are the separate bank accounts maintained for the Sandy Island and Ferry Beach retreats, and the Minister's Discretionary Fund ("Special Program Bank Accounts") due to past practice. With the exception of the Minister's Discretionary Fund, the Treasurer will review and report to the Operations Council on the bank statements for the Special Program Bank Accounts at least semi-annually. The bank statements for the Minister's Discretionary Fund shall be reviewed semi-annually by the Assistant Treasurer responsible for that account. • Under no circumstances are FUUSN and personal funds to be co-mingled in a FUUSN account or vice versa. • Under no circumstances should funds be drawn from a FUUSN account unless properly approved for FUUSN purposes and recorded in the account. Also, the amount withdrawn must be within budgeted amounts for the purpose requested. |
| <i>Minister's Discretionary Fund</i> | <ul style="list-style-type: none"> • The Minister's Discretionary Fund is used throughout the year to help members of our community, both here at FUUSN and the larger community of which we are a part, find a way through difficult times. The senior minister has the authority to spend from the fund as s/he sees fit, consistent with this purpose. |

| Topic | Practice and/or Policy |
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| <i>Bank Statements</i> | <ul style="list-style-type: none"> • FUUSN will insure that its bank utilizes current practices within the banking industry to protect against someone falsifying the amount on a check after it has been signed. All bank statements should be sent to the FUUSN office. • The Treasurer, together with the FUUSN Administrator, will reconcile bank statements for FUUSN's primary checking account monthly. • The Treasurer or designated Assistant Treasurer will reconcile bank or investment statements for FUUSN's other checking or saving accounts at least annually. This will include special program bank accounts, the Board of Investment funds, and capital campaign accounts. |
| <i>Cash Procedures</i> | <ul style="list-style-type: none"> • The Treasurer should describe to the board and congregation in the FUUSN Annual Report how the congregation's cash is handled, what safeguards are in place, what changes should be made, if any, and s/he should immediately report any irregularities to the Chair of the Board. • FUUSN's Annual Report will constitute sufficient written documentation of the cash management procedures unless otherwise requested by the Board of Trustees. The procedures will be consistent with the financial policies in this document. |

| B. Accounts Payable | |
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| Topic | Practice and/or Policy |
| <i>Reimbursement</i> | <ul style="list-style-type: none"> • There must be a bill, invoice, receipt, statement, or written request for reimbursement for every check drawn. These should be available for comparison with the canceled checks on an occasional basis. No checks should be signed without documentation of the expense and a review for reasonableness by the Administrator or Treasurer. It is assumed that monthly expenses are consistent with the categories and amounts established in the church budget. • Checks issued by FUUSN which have not been cashed after one year from the date of the check will be voided and not reissued. This policy will be publicized once per year in the FUUSN Newsletter and to the FUUSN business list email address. Anyone wishing reissuance of an uncashed check prior to one year from the date of original issue may request in writing that the FUUSN Administrator reissue a check in the original amount to the original payee after a period of six months has elapsed from the date of original issue, six months being the maximum time allowed by banks for a check to be honored. Upon reissuance of the check, the originally issued check will be voided. |
| <i>Check Signature Authorization</i> | <ul style="list-style-type: none"> • People serving in the following positions should be authorized to sign checks: Senior Minister (for Minister's Discretionary Fund only), Treasurer, and designated Assistant Treasurer in the absence of the Treasurer. • Other than checks for payroll or other routine monthly payments such as a mortgage, checks larger than \$5,000 should require two signers. Persons should not sign checks made out to themselves without a co-signer. • Payroll – FUUSN's Treasurer will periodically review the authorized payroll list and report from FUUSN's payroll provider for accuracy in comparison to the FUUSN Annual Budget. This review will take place at least one each fiscal year. |
| <i>Payables Procedures</i> | <ul style="list-style-type: none"> • FUUSN's written documentation of the account payables procedures shall be as described above in "Reimbursement". • No gifts or gratuities with value other than incidental amounts are to be accepted from suppliers of goods or services to FUUSN by anyone responsible for approving or paying for goods or services. • No one authorizing purchases of goods or services by FUUSN should profit from such purchases. • From time to time the Treasurer should ascertain the nature of services provided to any payee with whom h/she is not familiar. |

| C. Record Keeping | |
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| Topic | Practice and/or Policy |
| <i>Pledge Payment</i> | <ul style="list-style-type: none"> • Persons who pledge should receive a report of their pledge payments at least quarterly, with the name and phone number of the person to call if there is a discrepancy. Such statements should also report non-pledge contributions when these can be identified. • FUUSN will send out statements reporting when pledge amounts are in arrears. This practice usually increases receipts dramatically, especially when accompanied by a return envelope. • FUUSN will provide receipts to each person making a cash contribution of any amount or other contributions of more than \$250. Receipts for Sunday morning collection cash amounts may be provided as a blank receipt. |
| <i>Payroll</i> | <ul style="list-style-type: none"> • Except for information (i.e. salaries, compensation, cost of benefits) adopted through the budget process, all other payroll information should be kept highly confidential. • Advances against future salary are not permitted. |
| <i>Fixed Assets</i> | <ul style="list-style-type: none"> • FUUSN and staff will exercise due care and custody of real property, fixed and capital assets. • Any losses of real property should be reported as soon as possible to the FUUSN Office Administrator and Chair of the Buildings and Grounds Committee for assessment of possibility of recovery of filing of insurance claims. |

D. Operating Budget and Financial Planning

| Topic | Practice and/or Policy |
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| Annual Budget Development Process | <ul style="list-style-type: none"> • The Finance Committee will manage the process to develop the annual operating budget for the next fiscal year and present it to the Operations Council for approval following which the Operations Council will obtain approval of the budget by the Board of Trustees and congregation in accordance with FUUSN's prevailing by-laws. The process will generally follow the cycle established by the joint committee (Board of Trustees, Operations Council, Finance Committee, and Stewardship Committee) during FY06 and as revised from time to time. • The Finance Committee will prepare the budget document at a summary level (by program category) and at an account level with sufficient explanation for reviewers to make informed decisions. • The Finance Committee will maintain written back-up documentation for budget amounts and requests. • The Finance Committee will reconcile for the Board of Trustees all changes to income and expense in the proposed budget to the originally submitted budget noting dates the changes were made and the reasons for the change. • The FUUSN Moderator will verify at the Annual Meeting that votes on approval or disapproval of the proposed annual budget are made only by FUUSN members. |
| Balanced Budget | <ul style="list-style-type: none"> • The intention of the BoT is to propose a budget that is in balance. The BoT can recommend a budget that has a deficit to the Congregation for approval. If it is not feasible to propose a balanced budget, then the source of the funds to address the shortfall should be identified (the source of the funds such as a transfer from a reserve fund or a loan from the endowment) to be used to bring the budget into balance. |
| Budget Controls | <ul style="list-style-type: none"> • The BOT will manage expenditures to ensure total spending does not exceed the approved annual budgeted revenues or projected revenues if expected to be less than budget. • Unbudgeted Expenses – The Board of Trustees must approve in advance unbudgeted expenditures greater than or equal to \$5,000 or which cause expenditures in an account to exceed budget by more than \$5,000. • FUUSN volunteer leaders (such as committee chairs) and staff shall have responsibility to monitor budgets for which they are responsible, and shall have access to reports on funds spent and available in their relevant budgets. |
| Financial Forecasts | <ul style="list-style-type: none"> • The Finance Committee will prepare five-year operating budget forecasts for presentation to the Board of Trustees and congregation by January of the current fiscal year. The purpose of the forecasts is to facilitate discussion about future budgets by highlighting multi-year planning issues and other factors with potential financial implications. • The Finance Committee will use the financial forecasts to assist the BOT and Stewardship Committee with setting the annual canvass goal. |
| Historical Information | <ul style="list-style-type: none"> • The Finance Committee will periodically prepare historical analyses comparing actual spending with current and projected budgets as-needed to provide historical context in decision-making. |
| Budget Earmarks | <ul style="list-style-type: none"> • The congregation intends to fund the Social Action Committee's budget at a level at least equal to 2% of estimated net pledges to be received in the next fiscal year. |
| Building Repair Fund | <ul style="list-style-type: none"> • Through approval of the Building Repair Fund in annual budgets, the congregation has expressed intent to make annual deposits into the Building Repair Fund during the years when no major repair project is expected. This fund can be used as a |

| Topic | Practice and/or Policy |
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| | source of revenue when needed in an annual operating budget to cover periodic repair and maintenance projects that are relatively expensive (i.e. roof repairs, plumbing overhaul). |
| Other Reserve Funds | <ul style="list-style-type: none"> • When creating a reserve fund for any other purpose, the Board of Trustees will specify whether the fund is to be held in a bank account, or is to be invested as a designated fund within the FUUSN endowment. The Board will specify procedures for approving any spending from the fund. |
| Contingencies | <ul style="list-style-type: none"> • The annual budget may include contingency funding equal to 2 to 4% of non-personnel budgets to cover unforeseen expenses that arise during the fiscal year. |
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| E. Financial Reporting | |
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| Topic | Practice and/or Policy |
| <i>Accounting Method</i> | <ul style="list-style-type: none"> • FUUSN will record and report on operating revenues and expenditures on a cash basis. • FUUSN will record and report operating revenues and expenditures on a gross basis. |
| <i>Chart Of Accounts (COA)</i> | <ul style="list-style-type: none"> • FUUSN will organize expense reporting using a Chart of Accounts that encompasses all categories of the balance sheet and operating budget including assets, liabilities, accumulated surplus, revenues, and expenses. • The COA will sensibly summarize expenses by major programs while providing sufficient level of detail for control. The COA should not become so large as to become administratively burdensome to maintain. • Revenues and expenses should be captured in accounts based on the nature of the expense and never on a net basis alone. • The COA should be presented consistently from year to year. |
| <i>Software</i> | <ul style="list-style-type: none"> • FUUSN will strive to maximize the capabilities of the financial software to ensure efficient preparation and consistency of financial reports as well as to provide an auditable record of financial transactions. • FUUSN will use its financial management and accounting software to follow accounting system procedures including source of journal entries, required approvals and financial reports consistent with existing FUUSN operating policies. |
| <i>Year-End Surplus</i> | <ul style="list-style-type: none"> • FUUSN will report year-end surpluses as a contribution to the Operating Budget Reserve Fund unless the BOT otherwise designates. |
| <i>Unrestricted Gifts and Bequests; Board-Designated Endowment</i> | <ul style="list-style-type: none"> • At its discretion, the Board of Trustees may direct that funds received from unrestricted bequests either 1) be placed in the operating budget or 2) be transferred to the Board of Investment for investment as Board-Designated Endowment or 3) be transferred to the Board of Investment to be managed and retained as part of the Society's Unrestricted Endowment. (When the Board of Trustees decides to designate unrestricted funds as endowment, these funds are known as board designated endowments. Board designated endowments remain in the endowment until the board in its sole discretion decides to change the designation of the funds) • At its discretion, the Board of Trustees may transfer funds from the Operating Budget Reserve Fund, or from other unrestricted funds, to the Board of Investment for investment as Board-Designated Endowment. • At its discretion, the Board of Trustees may direct the Board of Investment to transfer funds from the Board-Designated Endowment to the operating budget. Any such transfer shall be recorded on a separate line item in the budget and financial statements. |

| Topic | Practice and/or Policy |
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| Operating Budget vs. Actual | <ul style="list-style-type: none"> • The Finance Committee will prepare a monthly report for submission to the Operations Council, and, upon request, to the BOT showing year-to-date operating budget spending and revenues compared to the annual budget amount. • The Finance Committee will prepare a quarterly report with explanations by account for significant revenue and spending issues or trends. The report will also include an updated forecast of revenues and spending by account for the fiscal year. The Finance Committee Chairperson or the Treasurer will present this information to the Operations Council, and, upon request, the BOT and will make it available to the congregation upon request. • The Finance Committee will prepare a quarterly report of revenues and spending with explanations of issues and trends for inclusion in the congregational newsletter and FUUSN's web site. |
| Balance Sheet | <ul style="list-style-type: none"> • The Treasurer in consultation with the Administrator and Bookkeeper will prepare semi-annual Statement of Financial Position and the Statement of Funds Balances ("The Balance Sheet"). The Balance Sheet will include all accounts and funds associated with FUUSN including the capital campaign, and the endowment funds but not including the Special Program Bank Accounts which will be reported on separately as provided for above in "Bank Accounts and Funds." • The Treasurer will distribute this report to the Operations Council, the Board of Trustees, the Finance Committee, the Board of Investments, the Capital Campaign Committee (if in existence), and the congregation (via newsletter notice, annual report, and/or on web-site). |
| Statement of Current Activity | <ul style="list-style-type: none"> • The Treasurer will, together with the Administrator, prepare an annual Statement of Monthly Activity of spending in comparison to the operating budget. • The Treasurer and Administrator will distribute this report to the Operations Council, Board of Trustees, the Finance Committee, and to the congregation (via the FUUSN Annual Report, and/or on web-site). |

| F. Endowment Funds | |
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| Topic | Practice and/or Policy |
| Board of Investments | <ul style="list-style-type: none"> • The management of endowment funds is overseen by the Board of Investments (BOI). Members of this special committee are elected by the congregation. This committee reports quarterly to the board, annually to the congregation, and to individuals upon request about the types of investments being utilized and the success of the investment policy. The BOI maintains a separate list of financial policies. |
| Endowment Spending Policy | <ul style="list-style-type: none"> • The amount of funds available to be spent from each endowment fund will be calculated by the BOI as determined by the Endowment Spending Policy approved by the Board of Trustees. |
| Endowment Loan Policy | <ul style="list-style-type: none"> • Any loans from the endowment for operations or other purposes shall be subject to the Endowment Loan Policy approved by the Board of Trustees. |

| G. Risk Management | |
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| Topic | Practice and/or Policy |
| <i>Liability Insurance</i> | <ul style="list-style-type: none"> • The church liability insurance will provide indemnification to named individuals who have responsibility for handling cash provided they have not engaged in fraud or willful misconduct. |
| <i>Property Insurance</i> | <ul style="list-style-type: none"> • FUUSN will review and if necessary adjust the level of liability coverage at least every three years to ensure the congregation is adequately insured as a going concern. |