

UUA GOVERNANCE MANUAL

SECTION 1: Ends

SECTION 2: Leadership Covenant and Expectations (Executive Limitations)

NOTES to the BOARD, from the Governance Working Group:

1. The Openness Implementation Committee asks that special attention be paid in these policies, in order to avoid unexpected or unnecessary loss of openness and transparency of UUA operations as operational responsibilities are moved from former Committees to the staff. March 2008.
Pay special attention to this issue as we undergo our monitoring training in April 2008, as what we see in the President's interpretation in his/her monitoring reports may already address this need.
Future handing to be determined.
2. Open questions that need further review are shown in red in the document.
3. **Future work needed:** Integrate the detailed Policies, now shown in the Appendices, into that body of the policy document. Note that much of the Investment Policy is really job descriptions for two committees, and needs to be turned into committee charges.
4. **Add Glossary?**
 - a. U*U

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As will quickly become evident, there are no ENDS in this Section yet. But there are issues that we can begin to make decisions upon which will help us with our Ends work. One of them is the definition of our "owner".

The Board needs to continue our work to clarify "moral owner" language.

Some Trustees have serious concerns about using "owner" language. What can we find to substitute which conveys our meaning and intent without ambiguity?

How to distinguish owners from "stakeholders"?

Which of these agents listed below are, or act as, "means" to achieve our desired ENDS? And are therefore "stakeholders", or beneficiaries, rather than owners?

- Large non-member donor? Owner or stakeholder?
- Individual visitor? Owner or stakeholder?
- A group of allies, meeting in their home, seeking to become a congregations some day? Owners or stakeholders?

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Primary Moral Ownership / Beneficiaries

- Member congregations

Secondary Stakeholders or Beneficiaries (but not owners...)

- UUA and its Districts (a means to our Ends..)
- Independent Affiliates and their member organizations (beneficiaries, and a means to our Ends...)
- UU Professional Organizations (a means to our Ends..)
- UU and Liberal Theological Seminaries (a means to our Ends..)
- Friends who contribute financially and who are not members
- Individual Unitarian Universalists and Unitarian Universalism at large

Tertiary Stakeholders or Beneficiaries (and not owners...)

- Liberal Religious Partners (a means to our Ends..)
- Community Outreach Partners (a means to our Ends..)
- Potential member congregations and potential members (beneficiaries, and a means to our Ends..)

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Revision History:

- Jan 2008: Reviewed and revised by Board of Trustees, and many paragraphs by the Finance Committee of the Board.
- Feb/Mar 2008: Continuing review, edit, cleanup by Gov WG.

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SECTION 2: Leadership Covenant and Expectations

2.0 POLICY TITLE: **GLOBAL LEADERSHIP COVENANT AND EXPECTATIONS**

(Overview)

The President of the Unitarian Universalist Association of Congregations shall minister to and lead the Association in order to implement the shared vision of the covenanted community as adopted by the Board of Trustees in collaboration with the President, hereinafter known as the *Shared Vision (Ends)*.

Furthermore, and in all instances, the President shall not cause nor allow any practice, activity, decision, or operation which is in violation of the Bylaws of the Association, commonly accepted business practices, professional ethics or which is imprudent or unlawful, except where Unitarian Universalist principles, as set forth in the Bylaws, are at risk.

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2.1 Treatment of People: With respect to interactions with people, the President shall not cause or allow conditions, procedures, or decisions that are unsafe, undignified, disrespectful, unnecessarily intrusive, or oppressive.

2.2 Treatment of Congregations: With respect to member congregations or those congregations seeking membership, the President shall not cause or allow conditions, procedures, decisions or services that are untimely, disrespectful, inequitable, discriminatory or not transparent.

2.3 Treatment of Staff: With respect to the treatment of paid and volunteer staff, the President may not cause or allow conditions that are inequitable, undignified, disrespectful, disorganized, unclear, or discriminatory.

2.4 Compensation and Benefits for UUA Staff: With respect to employment, compensation, and benefits for Association staff, the President shall not cause or allow:

- A. An unfair or inhumane benefit structure
- B. Conditions which jeopardize the fiscal integrity of the Association.

2.5 Compensation of Religious Professional and Church Staff: With respect to religious professionals throughout the Association and our congregations, and to all program and administrative staff employed by our congregations, the President shall not fail to provide information necessary to help our congregations remunerate all staff with fair, equitable, and geographically consistent compensation packages.

2.6 Availability of Benefits for Related Organizations: The President shall not fail to establish and communicate practices that will allow and support the participation of related organizations in the Association's benefits and insurance plans.

2.7 Financial Planning/Budgeting: Financial planning shall not:

- A. Deviate materially from the Shared Vision (Ends),
- B. Compromise fiscal prudence or integrity, or
- C. Fail to reflect a multi-year plan that reflects both the financial and spiritual dimensions of our stewardship.

2.8 Financial Condition and Activities: With respect to the actual, ongoing financial condition and activities of the Association, the President shall not cause or allow situations that would jeopardize the Association's fiscal health or alignment with the Shared Vision (Ends).

2.9 Grants, Contracts or Partnerships: With respect to grants, contracts or partnerships, the President may not enter into any arrangement which is inconsistent with the Shared Vision (Ends).

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2.10 Asset Protection: The President shall not allow the Association's assets to be unprotected from undue risk and/or, inadequately maintained.

2.11 External Relations: With respect to external relations, the President shall not fail to take advantage of appropriate opportunities for collaboration with other religious and/or secular organizations, guided by considerations of our UUA Principles and Purposes, our International Vision Statement, and staff practice regarding the focusing of our justice work based on Grounding, Fit, and Opportunity.

2.12 Emergency Presidential Incapacity: In order to protect the Association from a sudden temporary loss of the President's ministry and leadership, the President shall not have fewer than two other senior executives who are familiar with the work and structure of the Board and the President's ministry and work.

2.13 Election Practices: In order to provide wide dissemination of information about UUA elections, and to make it possible for all qualified candidates to seek national office without undue financial and time burdens, the President shall not fail to establish appropriate policies, practices and communications systems to support the election process.

2.14 Communication and Support to the Board: The President shall not permit the Board to be uninformed or unsupported in its work, nor perform tasks or take responsibility for areas that are the Board's responsibility.

FULL TEXT OF EACH POLICY FOLLOWS BELOW.

2.1 POLICY TITLE: *TREATMENT OF PEOPLE*

With respect to interactions with people, the President shall not cause or allow conditions, procedures, or decisions that are unsafe, undignified, disrespectful, unnecessarily intrusive, or oppressive.

Further, without limiting the scope of the foregoing by this enumeration, the President shall not:

1. Fail to promote the full participation of persons in all UUA activities, UUA employment, and in the full range of human endeavor without regard to race, color, sex, disability, affectional or sexual orientation, gender identity, age, or national origin and without requiring adherence to any particular interpretation of religion or to any

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particular religious belief or creed.

2. Fail to ensure that inclusive language be used in all publications, presentations and events of the UUA.
3. Fail to avoid cultural misappropriation in all UUA events.
4. Fail to provide for appropriate confidentiality and adequate personal safety and privacy during UUA activities.
5. Fail to institutionalize an ongoing system to acknowledge and respond to sexual, discriminatory or other misconduct by persons employed as paid staff, by members of our professional ministry, or by volunteers of the Association.
6. Fail to inform people of this policy and to provide a way for persons to be heard who believe they have not been accorded a reasonable interpretation of their protections under this policy.

2.2 POLICY TITLE: *TREATMENT OF CONGREGATIONS*

With respect to member congregations or those congregations seeking membership, the President shall not cause or allow conditions, procedures, decisions or services that are untimely, disrespectful, inequitable, discriminatory or not transparent.

Further, without limiting the scope of the foregoing by this enumeration, the President shall not:

1. Fail to establish an effective and seamless response system to communications from congregations.
2. Fail to provide a process for dealing with congregational complaints.
3. *Fail to establish open and transparent communications related to decisions that affect congregations.
[this is a first attempt to address the OIC (and hence Bylaws xxx) call for continued openness in our processes. Is this workable? When does micro-managing begin?]*
4. Fail to operate in accordance with the current Board policy regarding loans to congregations, as documented in "Appendix 2.A: Congregational Properties and Loan Commission (CPLC) Loan Program".

2.3 POLICY TITLE: *TREATMENT OF STAFF*

With respect to the treatment of paid and volunteer staff, the President may not cause or allow conditions that are inequitable, undignified, disrespectful, disorganized, unclear, or discriminatory.

Further, without limiting the scope of the foregoing by this enumeration, the President shall not:

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1. Operate without written personnel rules which include:
 - a. confidentiality requirements
 - b. prohibition of disclosure about the Association's internal affairs
 - c. internet, email and computer use
 - d. provision for effective handling of grievances, and
 - e. protection against unethical conditions, real or perceived, such as nepotism and preferential treatment for personal reasons.
2. Fail to permit, and provide emotional space for, the non-disruptive expression of dissent by any staff member.
3. Fail to acquaint staff with the President's interpretation of their protections under this policy.
4. Fail to consider geographic diversity in appointments to staff committees and task forces.

2.4 POLICY TITLE: *COMPENSATION and BENEFITS for UUA STAFF*

With respect to employment, compensation, and benefits for Association staff, the President shall not cause or allow:

- A. An unfair or inhumane benefit structure.

Further, without limiting the scope of the foregoing by this enumeration, the President shall not:

1. Promise or imply permanent or guaranteed employment.
2. Establish compensation and benefits that deviate materially from the geographic or professional market for the skills employed.
3. Establish or change benefits so as to cause unpredictable or inequitable situations, including those that:
 - a. Incur unfunded liabilities.
 - b. Provide less than a reasonable level of benefits (including a living wage) to all employees.
 - c. Allow any employee to lose benefits already accrued or promised.
 - d. Differentiate among classes of employees with regard to retirement contributions.

2.5 POLICY TITLE: *COMPENSATION OF RELIGIOUS PROFESSIONALS AND CHURCH STAFF*

With respect to religious professionals throughout the Association and our congregations, and to all program and administrative staff employed by our congregations, the President shall not fail to provide information necessary to help our congregations remunerate all staff with fair, equitable, and geographically consistent compensation packages.

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2.6 POLICY TITLE: *AVAILABILITY OF BENEFITS for RELATED ORGANIZATIONS*

The President shall not fail to establish and communicate practices that will allow and support the participation of related organizations (defined below) in the Association's benefits and insurance plans.

Organizations in the following categories will be eligible for UUA benefit and insurance programs:

1. UU congregations in good standing.
2. UUA district staff.
3. UU related organizations, specifically Associate Member Organizations, Sponsored Organizations, Professional Organizations, Theological Schools, and Independent Affiliate Organizations (and their member organizations).
4. Other UU organizations as approved by the Board of Trustees after recommendation of the Treasurer.

2.7 POLICY TITLE: *FINANCIAL PLANNING and BUDGETING*

Financial planning shall not:

- A. Deviate materially from the Shared Vision (Ends),
- B. Compromise fiscal prudence or integrity, or
- C. Fail to reflect a multi-year plan that reflects both the financial and spiritual dimensions of our stewardship.

Further, without limiting the scope of the foregoing by this enumeration, the President shall not:

1. Fail to create a balanced operating budget based on reasonable planning assumptions, including realistic [or conservative? Or aggressive?] projections of revenue and expenses.
2. Fail to prepare an annual capital budget based on reasonable financing and depreciation assumptions.
3. Commit the Association to any initiative that lacks a clear and comprehensive funding plan.
4. Provide less for the Board's budget than the amount determined pursuant to Policy on "Cost of Governance" in Section 3.

2.8 POLICY TITLE: *FINANCIAL CONDITION AND ACTIVITIES*

With respect to the actual, ongoing financial condition and activities of the Association,

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the President shall not cause or allow situations that would jeopardize the Association's fiscal health or alignment with the Shared Vision (Ends).

Further, without limiting the scope of the foregoing by this enumeration, the President shall not:

1. Fail to follow Generally Accepted Accounting Principles (GAAP) and the applicable rules of the Financial Accounting Standards Board in the financial reporting and procedures of the Association.
2. Fail to document all financial policies and procedures, or fail to establish clear staff responsibilities for carrying them out.
3. Fail to receive, process, invest, hold, and disburse Association funds in a prudent manner.
4. Fail to follow the Board "INVESTMENT POLICY, UU Common Endowment Fund (UUCEF)" as established by the Board, and shown in Appendix 2.B.
5. Fail to follow the Board "TRUST PAYOUT POLICY", as established by the Board, and shown in Appendix 2.C.
6. Establish lines of credit or incur debt over \$10,000.
[President needs the ability to obtain small lines of credit, e.g. credit cards, without coming to the Board. Agreed? Other restrictions you would place?]
7. Use donor restricted funds in a manner inconsistent with the terms of the donation.
8. Use Board restricted funds for purposes other than those established by the Board.
9. Accept or use major donations or special fundraising in a way that compromises the Shared Vision (Ends).
10. Fail to provide timely and transparent financial reporting at an appropriate level for the audience.
11. Fail to meet all financial obligations (including payroll taxes) and debt obligations in a timely manner.
12. Fail to monitor revenues and expenses against the Board approved budget. Should projected revenues be less than budgeted, the President shall not allow an operating deficit.
13. Acquire, encumber or dispose of any real property without prior Board approval. Such limitation shall not limit the President's ability to accept ~~and dispose~~ of real property donated to the Association. [? allow disposal of donated real property without Board approval?]
14. Fail to follow the policies regarding the accrual of General Assembly income as established by the Board and shown in Appendix 2.E
 - a. The President shall not fail to report the state of the General Assembly Reserve Fund annually.

2.9 POLICY TITLE: *GRANTS, CONTRACTS OR PARTNERSHIPS*

With respect to grants, contracts or partnerships, the President may not enter into any

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arrangement that is inconsistent with the Shared Vision (Ends).

2.10 POLICY TITLE: ASSET PROTECTION

The President shall not allow the Association's assets to be unprotected from undue risk or to be inadequately maintained.

Further, without limiting the scope of the foregoing by this enumeration, the President shall not:

1. Unnecessarily expose the Association's tangible and intangible assets to loss or damage by theft, casualty, lack of maintenance, or other cause.
2. Allow access to material amounts of funds by persons who are not bonded.
3. Fail to provide an appropriate separation of financial duties among staff.
4. Allow the Association to be unprepared to respond to disasters and other crises.
5. Unnecessarily expose the Association, or its Board, volunteers, or staff, to claims of liability.
6. Operate without a written and enforced Code of Ethics for all staff.
7. Fail to establish and implement:
 - a. Safety and ethics policies applying to UUA sponsored events and conferences.
 - b. Safety and ethics policies applying to professional staff and volunteers acting on behalf of the Association, and religious professionals credentialed by the Association.
8. Make significant purchases or enter into contracts without:
 - a. Providing prudent protection against conflict of interest,
 - b. Obtaining comparative prices and quality data, and
 - c. Assuring a reasonable balance between long-term quality and cost.
9. Fail to take reasonable steps to protect intellectual property, information and files from loss or significant damage.
10. Fail to use methods of collecting, reviewing, transmitting, or storing information that protect against improper access to the material.
11. Endanger the organization's public image or credibility, particularly in ways that would compromise the Shared Vision (Ends), as adopted in collaboration with the President.

2.11 POLICY TITLE: EXTERNAL RELATIONS

The President shall not fail to take advantage of appropriate opportunities for collaboration with other religious and/or secular organizations, guided by considerations of our UUA Principles and Purposes, our International Vision Statement, and staff practice regarding the focusing of our justice work based on Grounding, Fit, and Opportunity. (See *Appendix 2.D* for a brief explication of *Grounding, Fit, and*

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Opportunity.)

With respect to external relations, the President shall not:

1. Fail to operate in accordance with the current Board policy regarding international relationships, as documented in “APPENDIX 2.G INTERNATIONAL VISION and POLICY STATEMENT”.

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2.12 POLICY TITLE: *EMERGENCY PRESIDENTIAL INCAPACITY*

In order to protect the Association from a sudden temporary loss of the President's ministry and leadership, the President shall not have fewer than two other senior executives who are familiar with the work and structure of the Board and the President's ministry and work.

2.13 POLICY TITLE: *ELECTION PRACTICES*

(this section is awaiting input from the Secretary of the Board, and final review by the full Board, as of Mar2008)

In order to provide wide dissemination of information about UUA elections, and to make it possible for all qualified candidates to seek national office without undue financial and time burdens, the President shall not fail to establish appropriate policies, practices and communications systems to support the election process.

With respect to election practices, the President shall not:

1. Fail to provide and publicize public candidate forums, including those in electronic formats such as video casts and web casts, for all candidates for national office, in order to maximize access to candidate information to all member congregations, and to help manage the cost of campaigning for national UUA office.

2.14 POLICY TITLE: *COMMUNICATION AND SUPPORT TO THE BOARD*

NOTE to Board, March 2008: pay particular attention here to meeting appropriate requirements for transparency and openness of our Association's decision-making processes. As former committee responsibilities move to staff as we continue this migration, what do we, and our member congregations, NEED to know that was formerly provided by Committee reports? Also, consider how the monitoring process will naturally accomplish some (much?) of this goal. Shall Monitoring reports be posted on web? Shall Board responses to Monitoring reports be posted?

The President shall not permit the Board to be uninformed or unsupported in its work, nor perform tasks or take responsibility for areas that are the Board's responsibility.

Further, without limiting the scope of the foregoing by this enumeration, the President shall not:

1. Fail to submit monitoring data requested by the Board (see policy on Monitoring

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Presidential Performance in Section 4) in a timely, accurate and understandable fashion, directly addressing the Board policies being monitored.

2. Fail to advise the Board, in a timely manner, of anticipated high-profile or adverse media coverage or media presence (including advertising), threatened or pending lawsuits, material external and internal changes including staff structure and size, conflicts of interest, clergy or staff misconduct, the hiring of salaried officers, and changes in the conditions or circumstances upon which any Board policy had previously been established.
 - a. Reporting on misconduct is to include metrics, trends over time, and financial impact, while maintaining confidentiality around individual persons.
3. Fail to present at the Board of Trustees' January meeting a report providing an overview of goals and objectives for the fiscal year beginning on July 1. This report will identify the new initiatives proposed for the upcoming fiscal year. The Board will discuss the report and will adopt the list of initiatives, with such amendments as it may choose to make.
4. Fail to present at the Board of Trustees' April meeting, both an operating budget and a capital budget for the fiscal year beginning on July 1, for approval by the Board. The Administration will also present at this time a proposed budget for the following fiscal year, which will be received by the Board.
5. Fail to apprise the Board of current staff practice regarding the focusing of our justice work, currently based on Grounding, Fit, and Opportunity. (*See Appendix 2.D for a brief explication of Grounding, Fit, and Opportunity*).
6. Fail to monitor and regularly report on Beacon Press financial operations as determined by Board policy shown in Appendix 2.F.
7. Fail to advise the Board if, in the President's opinion, the Board is not in compliance with its own policies on in Section 3: Governance Process or Section 4: Board – President Linkage, particularly in the case of Board behavior that is detrimental to the relationship between the Board and the President.
8. Present information to the Board in an unnecessarily complex and complicated form.
9. Fail to provide a mechanism for official Board, officer or committee communications.
10. Fail to provide communication channels that support the Board's need to communicate with congregations.
11. Fail to communicate with the Board as a whole except when fulfilling individual requests for information or responding to officers or committees duly charged by the Board.
12. Fail to report to the Board in a timely manner an actual or anticipated noncompliance with any policy of the Board.

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13. Fail to supply for the consent agenda all items delegated to the President required by law or contract to be Board-approved, along with the supporting documentation.
14. Fail to marshal for the Board as many staff and external points of view, issues and options as needed for fully informed Board choices.

===== END of Policies in Section 2 =====

APPENDICES

- A. APPENDIX 2.A BOARD POLICY ON LOANS FOR BUILDING-RELATED PURPOSES
- B. APPENDIX 2.B INVESTMENT POLICY, UU Common Endowment Fund (UUCEF).
- C. APPENDIX 2.C TRUST PAYOUT POLICY
- D. APPENDIX 2.D Grounding, Fit, Opportunity as a Social Justice Focusing Tool
- E. APPENDIX 2.E GENERAL ASSEMBLY RESERVE FUND POLICY
- F. APPENDIX 2.F BEACON PRESS BUDGETING POLICY

APPENDIX 2.A BOARD POLICY ON LOANS FOR BUILDING-RELATED PURPOSES

Full Name of Policy: **Board Policy on Loans, Loan Guarantees, and Grants to Congregations for Building-Related Purposes**

BACKGROUND: This Policy was drafted by the work of staff and the Congregational Properties and Loan Committee (CPLC) in 2007, and subsequently adopted by the Board as policy Oct. 2007, and revised in January 2008.

The POLICY

The President is authorized to make loans, issue loan guarantees, and make grants to congregations seeking to buy land for a new building, to build a new building, or to make major improvements to an existing building.

The President shall establish all terms of these programs, subject to the restrictions stated in this policy.

The President shall report to the Board of Trustees annually on these programs.

Loans

The maximum amount of that may be loaned to any congregation is \$900,000.

Loan Guarantees

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The maximum amount of any loan guarantee is the smaller of \$450,000 and 50% of the principal amount of the loan being guaranteed.

Grants

In any fiscal year, the President may not expend more money for building grants than the total amount specified in the UUA annual operating budget for this purpose.

Sources of Funds

The President may use the following funds for the loan, loan guarantee, and grant programs:

- Payments of interest and principal by congregations on existing or future loans
- Money contributed in the past or future to the New Places of Worship fund, including earnings on this fund
- Borrowings on a bank line of credit of not more than \$6,000,000
- Other assets held by the Treasurer in the Congregational Properties and Loan segment of the UUA's accounts as of the date of adoption of this policy. The funding sources listed above may be used for administrative costs of the programs, subject to approval in the UUA annual operating budget.

Terms of Loans The President shall develop and consistently apply policies to assure that loans:

- are granted without prejudice for or against any congregation,
- have security adequate to protect the Association's financial interests,
- carry an interest rate that provides a reasonable return on the Association's funds, and
- are granted only for projects that are affordable by the congregation.

Prior Policy This policy supersedes all prior policy concerning the Congregational Properties and Loan Commission and related building loan, loan guarantee, grant, and award programs.

===== end APPENDIX 2.A CPLC LOANS =====

APPENDIX 2.B INVESTMENT POLICY, UU Common Endowment Fund, UUCEF

(adopted Jan. 2008, see item C.6 in Jan 2008 Board Agenda material)

Unitarian Universalist Association Investment Policy

The Unitarian Universalist Association (UUA) is a religious association incorporated in the Commonwealth of Massachusetts. In the course of its activities, the UUA receives gifts, trusts, and endowments that require investment management. These funds, managed on behalf of the beneficiaries, are an important source of income for the beneficiaries and are managed collectively in the General Investment Fund, known as and referred to

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hereinafter as the Unitarian Universalist Common Endowment Fund (UUCEF). The successful management of this fund is vital to the current and future success of the UUA and its constituencies.

The UUCEF accepts investments from the following:

1. UU congregations in good standing;
2. UUA districts;
3. UU Related Organizations, specifically Associate Member Organizations, Sponsored Organizations, Professional Organizations, Theological Schools, Independent Affiliate Organizations (and their member organizations), and International Organizations;
4. Other UU organizations approved by the Board of Trustees following application to the Treasurer.

The “Target Return Objective” of the UUCEF is to generate, through investments consistent with UU values, long-term returns that exceed inflation by 5% per annum (net of all expenses), while minimizing volatility.

I. Governance Responsibility and Authority

The Board of Trustees of the UUA has ultimate responsibility for the management and safekeeping of all funds entrusted to it, including the UU Common Endowment Fund. To fulfill this responsibility, the Board appoints two committees: The Investment Committee (IC) is responsible for the management of the UUCEF within this document’s policies. The Committee on Socially Responsible Investing (CSRI) is responsible for implementation of the UUA’s commitment to embody socially responsible investing practices, as set forth in this document.

Each committee is authorized to adopt procedures for the implementation of its responsibilities. The Treasurer is responsible for providing the necessary support services for the committees.

Investment Committee

The responsibilities of the Investment Committee (IC) are as specified in this document. The composition of the IC is stated in Section 7.8 of the UUA By-laws.

The Investment Committee has the responsibility to review and approve the Investment Information Memorandum and other materials used by the UUA in connection with the UUCEF.

Committee on Socially Responsible Investing

The mandate of the Committee on Socially Responsible Investing (CSRI) is to maintain and uphold the UUA’s commitment to invest its funds in alignment with UU values. The responsibilities of the CSRI are as specified in this document. The composition of the CSRI is stated in the committee’s charge, which is approved by the Board of Trustees.

Committee Operations

The IC and the CSRI are responsible for establishing the frequency, duration, and agenda of their respective meetings, including periodic joint meetings, and their

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procedures for the recording and publication of minutes, in the context of UUA practices of transparency and accountability. The Board of Trustees requires good faith efforts for the highest possible level of cooperation between the IC and the CSRI.

Reporting

At least once every two years, the IC and the CSRI shall report jointly to the Board of Trustees and UUCEF investors. The report shall discuss the performance of the UUCEF, including its success in meeting its return, risk, and SRI objectives. The report shall include the current SRI Guidelines and the current IC Guidelines.

The Treasurer shall post on the UUA web site an annual report on the performance of the UUCEF, as well as a schedule of UUCEF investments (including UUA community investments) as of the end of each fiscal year.

The Treasurer shall post the current SRI Guidelines and the current IC Guidelines on the UUA web site.

Conflict of Interest Policy

No person appointed to a UUA committee may continue in office if that committee's deliberations are likely to result in a recommendation or decision that could be of personal financial benefit to the member. In the event of a dispute resulting from this rule, the Committee on Committees shall make a recommendation to the Board of Trustees.

II. Incorporation of UU Values

The UUCEF shall be managed in a manner consistent with UU values as well as the achievement of return and risk objectives. The IC and the CSRI are responsible for balancing these occasionally competing objectives in the best interests of the UUCEF.

The UUA is committed to an investment program which utilizes tools of socially responsible investing (SRI) to optimize the alignment of its financial assets with its values.

Unitarian Universalist values that shall inform investment decisions have been expressed in General Assembly resolutions and Statements of Immediate Witness, Board resolutions, and the UUA's Principles and Purposes.

The CSRI shall develop an ongoing process to assess the effectiveness of the UUA's SRI policies and practices. The CSRI shall also work to broaden coalitions (within the UUA and among like-minded faith-based organizations) to achieve SRI goals, and to expand services to member congregations and individual UUs regarding SRI practices that embody UU values.

Stock Selection

The CSRI shall develop and periodically update Socially Responsible Investing Guidelines (the "SRI Guidelines") that maximize the extent to which the UUCEF is invested in companies that have environmental, social, and governance practices that are in accord with UU values, and that minimize the extent to which the UUCEF is invested in companies with poor records in these areas. If the SRI Guidelines prohibit all

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investment of UUCEF funds in any particular industry, then the guidelines shall include criteria to determine the threshold of a company's involvement in such industry that precludes investment by the UUCEF. These criteria shall indicate whether the UUCEF may be invested in mutual funds or other commingled investment vehicles that currently or in the future may hold investments in any prohibited industries. The IC and the CSRI shall work collaboratively to implement the SRI Guidelines. When applying these guidelines, the IC and the CSRI shall collaborate in the context of the entire fund, adapting to the characteristics of differing asset classes and investment vehicles, and responding to developments in the field of socially responsible investing.

Community Investment

The Board of Trustees recognizes that community investing in areas underserved by traditional sources of financing is a meaningful component of a socially responsible investing program. The Treasurer shall invest the maximum practicable portion of the UUA's cash and cash equivalents in short-term community investments. In addition, the Treasurer shall invest approximately 1% of the total assets of the UUCEF in community investments. The Treasurer and the CSRI shall encourage congregations and districts to adopt a similar policy. As an incentive, a portion of the UUCEF's community investing assets may be used to match congregational and district community investments of up to \$10,000 per congregation or district.

The CSRI shall develop guidelines for determining which community investing institutions are eligible for UUA matching investments. The Treasurer, after consultation with the CSRI, shall implement procedures for approving requests for matching investments. A portion of the community investments may be made to support advocacy and witness, as recommended to the Treasurer by the President of the UUA. The CSRI shall develop and implement a plan to a) monitor the financial health of the community investing institutions in which UUA invests, as well as their social efficacy, and b) encourage congregations and districts to remain vigilant in monitoring the social efficacy of their matched investments.

Shareholder Advocacy

The CSRI shall encourage corporations to engage in ethical and sustainable business practices. UUA shareholder advocacy includes proxy voting, engaging in dialogue with management, filing and co-filing shareholder resolutions, coordinating Unitarian Universalists to present shareholder resolutions at annual meetings of corporations, and collaboration with others active in the socially responsible investment movement.

To permit the UUA to engage in shareholder advocacy, the Treasurer shall establish a shareholder advocacy fund to hold shares in companies that the CSRI anticipates will be the subject of shareholder advocacy. No more than one-fourth of one percent (0.25%) of the UUCEF may be held in the shareholder advocacy fund.

III. Investment Policies

The Investment Committee shall develop Investment Committee Guidelines (the "IC

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Guidelines”) covering the subjects of this section.

Asset Allocation

The UUCEF’s asset allocation is designed to maximize the probability of achieving the Target Return Objective, while minimizing volatility. Asset allocation targets and allowable ranges shall be established by the IC and may change as long-term expectations and market conditions change. The actual asset allocation shall be reviewed by the IC on a quarterly basis and the UUCEF shall be rebalanced when an asset class weighting is outside of its target range.

Risk Controls

As a diversified investment fund, the UUCEF is exposed to a wide variety of risks including losses and illiquidity. The IC is responsible for working with UUCEF service providers to manage risks within the UUCEF.

Investment Management

All UUCEF funds shall be managed by professional investment manager organizations, with the exception of community investments and shareholder advocacy investments, which are managed by the Treasurer in consultation with the CSRI.

The IC is responsible for the appointment of the investment managers to assure that objectives are being met, and that UUCEF investment policies and procedures are being followed. The ability to manage funds in alignment with UU values shall inform the IC’s assessments of all managers. As practical, every search for professional investment managers shall include at least one firm with expertise in SRI in the asset class under review.

Investment Support Services

The IC is responsible for the selection of providers of the following services to the UUCEF: investment management, asset custody, investment consulting, and communications. The CSRI is responsible for the selection of providers of the following services: community investment evaluation, proxy voting, and SRI training. Providers of the following services shall be contracted by the IC and the CSRI working in collaboration: assessment of company compliance with UU values and social auditing.

Expense Management

The UUCEF shall be charged for its expenses, including expenses incurred by the UUA on the UUCEF’s behalf, such as legal, audit, and other miscellaneous expenses. UUA expenses include the appropriate portion of the costs of such staff as the Treasurer and the Endowment Fund Manager.

The Board of Trustees has determined that the UUCEF’s reimbursement of UUA expenses shall be based on an estimate of the UUA’s actual costs. For fiscal years beginning after June 30, 2006, the reimbursement is 0.2% of the beginning market value of the UUCEF. The UUA Finance Committee shall review the reimbursement calculation

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as needed, but at least once every five years, and shall recommend to the Board of Trustees if a change is warranted.

Cost minimization makes an important contribution to the UUCEF's ability to achieve the Target Return Objective. The IC and the Treasurer are responsible for including cost minimization within all applicable policy and process decisions, while recognizing that costs are to be measured within the context of UUA values, the investment program structure, and the need to maximize net returns while minimizing risk.

END APPENDIX 2.B INVESTMENT POLICY, UU Common Endowment Fund (UUCEF).

APPENDIX 2.C TRUST PAYOUT POLICY

(adopted Jan 2007)

Trust Payout Policy

The UUA holds funds in trust for the benefit of member congregations and other related entities. Unless otherwise directed in the donor's trust instrument, it shall be the policy of the UUA to make payments to trust beneficiaries as follows:

- a) Trust beneficiaries shall receive distributions calculated as a percentage of value of the trust assets.
- b) All current trust beneficiaries will continue to receive distributions calculated at the same rate that they were receiving as of December 31, 2006, if such rate is not above 5.5%. Unless a higher rate is authorized by the trust instrument or by the process established in (d) below, trusts paying in excess of 5.5% as of December 31, 2006 will receive distributions based on a 5.5% payout rate beginning with the distribution for the period ending June 30, 2007.
- c) Trusts received by the UUA after December 31, 2006 will initially receive distributions based on a 5% payout rate unless otherwise instructed in the trust instrument.
- d) Any trust beneficiary may receive distributions based on a payout rate of up to 7%, which is the maximum deemed prudent under Massachusetts law (MGL Chapter 180A "Management of Institutional Funds"), by making a duly authorized request in writing to the Treasurer. The request for a change in the payout rate must be made by formal vote of the governing body of the beneficiary congregation or organization. Such request must be renewed annually and submitted by May 31, otherwise the payout rate will revert to 5%.

==== END of APPENDIX 2.C TRUST PAYOUT POLICY == = = = =

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APPENDIX 2.D Grounding, Fit, Opportunity as a Social Justice Focusing Tool

Grounding, Fit, Opportunity are criteria underlying the practices adopted by staff in 2005, as a tool to assist them in deciding where to invest the Association's resources on justice issues.

See page 16 of this

document: http://www.uua.org/documents/csw/moralvalues_resourceguide051020.pdf

An excerpt from that document provides an introduction to the concept:

"Focus is absolutely critical to effective social justice work. Consider using the criteria of "Grounding, Fit, and Opportunity" (developed for the UUA by our media consultant H. Fred Garcia) to select priorities.

- **Grounding:** Does the issue have authentic and deep Unitarian Universalist roots? Does it link to the current identity and theology of Unitarian Universalists?
- **Fit:** Is there a match between our congregation's resources, aspirations, and ability to make a real difference?
- **Opportunity:** Is there a likelihood that we can be a respected participant in the public dialogue on this issue? Are there allies we can work with?"

==== END of APPENDIX 2.D Grounding, Fit, Opportunity =====

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APPENDIX 2.E GENERAL ASSEMBLY RESERVE FUND POLICY

Policy as adopted June 2007

Policy regarding the accrual of General Assembly income:

1. In years when General Assembly and the UUA's operating budget, exclusive of General Assembly, both have an excess of income over expense, 33% of the General Assembly excess will be held for use in enriching congregational participation in future General Assemblies.
2. The decision about the use of such accrued funds will be made by the Board of Trustees in consultation with the General Assembly Planning Committee.
3. The balance of the excess shall be used to offset the expenses of the staff and volunteer leadership in supporting General Assembly.

= = = End of APPENDIX 2.E GENERAL ASSEMBLY RESERVE FUND POLICY

APPENDIX 2.F BEACON PRESS BUDGETING POLICY

(Adopted Jan 2008)

In any fiscal year from 2009 through 2013, if Beacon Press is charged for the use of space in UUA buildings, then the Press shall receive an equal, offsetting support payment from the UUA current operations budget.

When comparing Beacon Press operating results to the one-year and three-year targets established by the Board of Trustees, the Treasurer shall include in the calculation both the space use charge and the offsetting UUA support payment.

The targets are as follows:

- Losses shall not exceed \$600,000 over three years
- Losses shall not exceed \$300,000 in any one year

If either loss metric is exceeded the Board of Trustees will immediately reconsider the alternatives for Beacon Press.

==== END of APPENDIX 2.F BEACON PRESS BUDGETING POLICY === =

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APPENDIX 2.G INTERNATIONAL VISION and POLICY STATEMENT

In October, 2004 the UUA Board of Trustees adopted this **International Vision Statement**:

The work of the Unitarian Universalist Association (UUA) is to serve member congregations and support UU institutions bearing witness to our liberal religious faith and bringing our principles to life.

Mindful of both the brokenness and the potential for reconciliation in the world, the Board of the UUA commits to strengthen and energize UUA member congregations by facilitating their connection to the transforming power of international engagement and partnership.

In support of this commitment, we urge the UUA administration and member congregations to foster institutional partnerships that:

- model friendship and right relations, economic fairness and responsible stewardship of resources among partners;
- promote human rights, religious freedom, international peace and justice; and
- increase the visibility of Unitarian Universalism, Unitarianism and Universalism as an active positive religious presence in the world.

==== end vision statement =====

In April, 2007 the Board amended and adopted these **International Policy Guidelines**:

In alignment with its international vision statement, the Board of Trustees establishes these policy guidelines for the work of the Office of International Relations:

1. The UUA will encourage and foster partnerships between member congregations and other U*U congregations and/or other international communities and agencies that model right relations and economic fairness, work for human rights and build civil capacity.
2. The UUA will address issues of oppression in its international work while respecting the diversity of religious, social, and cultural expression.
3. The UUA will nurture its historic and traditional commitments with Unitarian and Universalist groups worldwide committed to global understanding, diplomacy, and shared programs.
4. The UUA will combine resources with other U*U organizations to identify and nurture emerging groups, providing them with inspiration, leadership development and the opportunity to grow.
5. The UUA will join with interfaith alliances to participate in the promotion of human rights worldwide, sp. with such issues as genocide, health pandemics (ex. HIV/AIDS), religious freedom, and peace.