



Financial Advisor's Report to the UUA Board of Trustees



Larry Ladd





Topics

- History of the roles of CFO and Financial Advisor
- The role of the Financial Advisor
- Some general principles and a brief look back





The opening
history story



Sophia Lyon Fahs

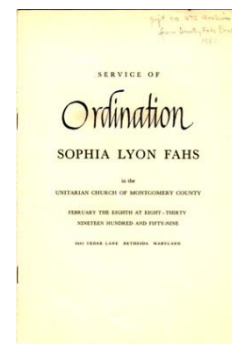
1876-1978

**Leader of religious
education transformation
of the mid 20th century**



Sophia Lyon Fahs

- Worked with Harry Emerson Fosdick at Riverside Church, while teaching religious education at the Union Theological Seminary (1927-44)
- Began the New Beacon Curriculum in Religious Education in 1937. Remained as the RE editor until 1965. Her original title “Editor of Children’s Materials.”
- In 1959, ordained at age 82 into the Unitarian ministry





Sample of the 50 books from New Beacon Series in Religious Education

- The Martin and Judy series
- Jesus, the Carpenter's Son
- How Miracles Abound
- The Old Story of Salvation
- Old Tales for a New Day
- From Long Ago and Many Lands
- Men of Prophetic Fire
- The Church Across the Street





"We cannot give our children a growing and creative religious life. A fine religion is a personal achievement."



Her 1897 graduation picture from the College of Wooster



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History 1961-67

Structure

- Treasurer was a board position (volunteer)
- "CFO" was a staff position with a variety of titles
- Slight ambiguity of roles

"Treasurer as Watch Dog" – a History of the Positions of Treasurer and Financial Advisor in the UUA"

http://www.uua.org/documents/laddlarry/991029_watchdog.pdf



History 1961-67

"We recommend that the duties of the Treasurer be conducted more of an outside check than an internal operating responsibility, to assure the unification of work and responsibility under the Administrative Assistant. This relationship is not at all unusual: in England, for example, it is common practice to have an Honorary Treasurer who is the nominal board head and the link to the owners, and a full-time Treasurer, who is appointed by the chief executive and the Board, and who does the entire practical job.....

"Treasurer as Watch Dog" – a History of the Positions of Treasurer and Financial Advisor in the UUA"

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History 1961-67

Climate

- High levels of fundraising and spending with correlations unclear
- Board was approving optimistic revenue projections and spending plans
- Board wanted confidence that it was being prudent

http://www.uua.org/documents/laddlarry/991029_watchdog.pdf



History 1967

- Treasurer (volunteer) had resigned
- Intensive discussion about what to do
- Decided on greater clarity in delineation of roles between volunteer board position and staff position
- Created position to provide board with independent expert advice

http://www.uua.org/documents/laddlarry/991029_watchdog.pdf



History 1967

- **Vice President for Finance** "senior, full-time, operating and policy-recommending officer in the financial area" reporting to President
- **Financial Advisor** (alternative titles considered: treasurer, vice moderator for finance) to "act in an advisory capacity....and see that the policies and programs initiated by the Board....are coordinated and carried out."

http://www.uua.org/documents/laddlarry/991029_watchdog.pdf

From Trustee
William
Norris on
"outside
treasurer"



History 1967

- duties "call for a higher degree of financial skill and experience than do the Operational duties"
- "service on the Finance and Investment Committee where...expected to make a significant contribution in terms of guidance and sound judgment"
- "the degree of independence possessed by the outside volunteer would probably be regarded in the eyes of most churches and fellowships as being greater than the degree of independence possessed by an employee."

http://www.uua.org/documents/laddlarry/991029_watchdog.pdf



History Since 1967

- Ups and downs in quality of financial and asset management
- Significant variation in abilities and qualifications of CFO
- The board's **fiduciary** responsibility remained constant throughout the ups and downs

http://www.uua.org/documents/laddlarry/991029_watchdog.pdf



Role of Financial Advisor

- Provides board and administration with independent and expert advice on business, finance and governance
- Board is the key constituency/accountability
- Supports fiduciary roles among board-mandated governance entities
- Accountable for reporting to the congregations/GA





Board as Fiduciary

Two legal fiduciary responsibilities of a not-for-profit board:

- Duty of loyalty
- Duty of care

Financial Advisor supports the board in fulfilling its "duty of care" responsibilities



Key Entities/ Assets



- Board of Trustees (\$33M budget)
- Investment Committee
 - Common Endowment Fund (\$152M)
- Audit Committee
- Employee Benefits Trust (\$5.2M assets; \$4.5M investments; \$9.2M annual revenue)
- Retirement Plan (\$237M)
- Outside trusts: Holdeen Master Trusts, Charitable Trust Funds, etc. (\$42M)
- Beacon Press (\$3.0M)
- Building Loans (\$6.9M)





Roles

CFO

- Staff
- Chosen and supervised by President, elected by board
- Responsible for management and implementation (can make decisions, for instance)

Financial Advisor

- Independent volunteer
- Elected by the General Assembly
- Provides advice (makes no decisions)
- Supports fiduciary roles among board-mandated governance entities



Frequently asked questions

- Is this arrangement (staff position, volunteer position) typical of not-for-profit organizations?
 - Yes
- Doesn't the audit committee perform the FA role?
 - Audit Committee doesn't do budgeting, investments, debt, physical planning; and isn't at the board table
- Can there be conflict or mixed signals?
 - Yes. Essential is a spirit of cooperation, and a clear understanding of different roles





Standards for Financial Performance

- A clear religious message
- A program worthy of support
- Strategic thinking
- Expanding resources
- Strong endowment performance
- Conservative budget management
- Budget reflects the plan
- Creative use of assets
- Explicit policies consistently applied
- Risk management
- Quality financial information
- Skilled and knowledgeable people
- Don't forget Beacon Press





Parting Advice (from 2005)

- Focus on growth rather than maintenance
 - “Mission not governance”
- Look outward not inward
- Respect roles and accountabilities
- Be worthy of our youth
- Everything I know about money I learned in the UUA in the late 1960s:
 - “Money is an instrument of our values.”



Work Not Yet Done (from 2005)

- Linking Planning to Budget
 - Effort to create narrative to explain goals and choices embedded in budget
- Focus on numbers
 - Noted FA reports looked at metrics of success





“Life becomes religious whenever we make it so: when some new light is seen, when some deeper appreciation is felt, when some larger outlook is gained, when some nobler purpose is formed, when some task is well done.”



October 18, 2013

