

MONITORING REPORTS – 2.7 FINANCIAL CONDITION AND ACTIVITIES

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2.7 FINANCIAL CONDITION AND ACTIVITIES

Policy: The President shall not cause or allow conditions that would jeopardize the Association's fiscal health.

Operational definition: The conditions covered by the sub-policies of policy 2.7 address all material aspects of the Association's fiscal health. The UUA Administration will use best practices in financial management and monitoring as described in the sub-policies below.

Supporting evidence: See individual policies below.

2.7.2

Policy: [The President shall not] Fail to monitor revenues and expenses against the Board-approved budget, or fail to make timely reports on significant variances.

Operational definition: Monitoring revenues and expenses against the board-approved budget means that the UUA Administration shall prepare regular, detailed financial reports of operations, review reports at the appropriate level of authority, identify variances from budget, and take action as necessary to adjust expenses to available resources. Such reports will be prepared monthly, and a thorough review and reforecast shall be prepared quarterly engaging all staff group directors and others with revenue and spending responsibility. Significant variances arise when the projected actual expenses for the year vary by more than 5% (but at least \$25,000) from the original budget. Any significant variances will be reported to the Financial Advisor, the Financial Secretary, and the Board of Trustees. The reporting and monitoring process shall focus on those business segments where significant programmatic activities are accounted for.

Rationale: Monitoring the budget is a process and therefore compliance is demonstrated by describing that process. The monitoring process focuses on the Current Operations, General Assembly and Beacon Press sections of the budget because this is where the programmatic activities of the organization are accounted for. The other sections of the budget – UU Common Endowment Fund and Congregational Loan Fund – are monitored quarterly by the CFO. What makes a variance from budget “significant” is a matter of judgment that varies with the size of an organization. The definition of significant variance above was arrived at through a discussion with the UUA's auditors in which they recommended a threshold of 5% to 10% with an absolute lower limit.

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Supporting evidence: The UUA Administration prepares regular budget forecasts for Current Operations, General Assembly and Beacon Press showing budget, actual results, and variances with explanations of significant variances. The quarterly forecasting process involves all staff group directors and those responsible for generating income and controlling expenses. Each manager reviews activity to date and projects expenses and revenues for the remainder of the year. In addition, the UUA generates monthly statements on current operations showing year-to-date budget, actual results, and previous year's data that are reviewed by the CFO, Controller, and staff group directors. The quarterly forecast reports for current operations were submitted to the Board of Trustees prior to their meetings in October, January, April and June of FY2016. Monthly reports are distributed to the Financial Advisor and Financial Secretary by email and are available for direct inspection. Quarterly forecasts for Beacon Press are prepared by Beacon's CFO and reviewed by the Director of Beacon Press and the UUA CFO. The financial reports and forecasts are reviewed by the Press's Advisory Board at their meetings. Financial reports and forecasts for General Assembly are prepared by the General Assembly and Conference Services Director and reviewed by the UUA's COO, CFO, and the GA Planning Committee.

Therefore, I report compliance.

Policy 2.7.3

Policy: [The President shall not] Permit the Association to accept gifts of tangible or intangible property (including financial assets) which expose the Association to financial, legal, or other risk; that are inconsistent with the Shared Vision (ENDS); or that violate the Association's Gift Acceptance Guidelines.

Operational definition: This policy pertains to gifts of property, whether tangible or intangible, and to gifts of financial assets (i.e. cash, securities, or pledges to give). Tangible property refers to both real property (land and buildings) and personal property (e.g. automobiles, tools, furniture). Intangible property describes something which a person or corporation can have ownership of and can transfer ownership of to another person or corporation, but has no physical substance, e.g. copyright, trademarks, or patents. The acceptance and processing of all gifts, including gifts of property, are guided by the UUA Gift Administration Policies and Guidelines adopted by the Administration in April 2005. These Guidelines prohibit the acceptance of gifts "that are not a part of existing Board-approved programs and projects" or a donation "that appears to subject the Association to litigation or to legal or financial liability." Gifts of non-tradable securities or closely held securities are evaluated on an individual basis for compliance with the Guidelines. Administrative procedures that control for these conditions would indicate compliance with the policy.

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Rationale: Under the Administration’s Gift Administration Policies and Guidelines no gift of any nature is accepted by the UUA which does not fund an expense included in the budget or an activity that furthers the President’s priorities as described in the Monitoring Report on Policy 1 “Ends” submitted to the Board. The budget prepared by the Administration and approved by the Board must be consistent with the Shared Vision, in accordance with Policy 2.7. On occasion, the UUA receives donations for activities that were not included in the annual budget because funding resources could not be identified at the time the budget was prepared. If such a gift is consistent with the President’s priorities as described in the Ends Monitoring Report, it may be accepted. Otherwise, it would be either rejected or, if the President believed it would benefit the Association, referred to the Board for consideration.

Supporting evidence: No tangible or intangible property was offered to or accepted by the UUA during FY 2016 or FY 2017 through August 31, 2016. If a gift had been offered that fell outside the Guidelines, the gift would have been reviewed by the UUA Gift Council, which consists of the President, Chief Operating Officer, Treasurer, the Director of Stewardship and Development, and the Charitable Gift and Estate Planning Director. The Gift Council did not consider any gifts of property during fiscal year 2016 or during fiscal year 2017 through August 31. Gifts of securities are liquidated within one day of receipt.

Therefore, I report compliance.

Policy 2.7.4

Policy: [The President shall not] Acquire, encumber, or dispose of real property without prior Board approval, except that the President may accept and promptly dispose of real property donated to the Association.

Operational definition: We interpret “acquire, encumber, or dispose” to mean enter into a binding purchase and sale agreement and/or to pledge real property as security for a loan or other financial transaction. While the President must obtain Board approval prior to entering into such a real property transaction, we interpret this to not include properties acquired or disposed of in the regular operation of the Building Loan and Guarantee Program. If the UUA’s fixed asset register, where any additions or disposal of property would be recorded, shows no such transactions, or if the Board has voted to approve such transactions, then compliance is indicated.

Rationale: The Association has acquired and disposed of real property as its needs have changed. Such real estate transactions can take multiple forms including outright purchases, long-term leases, and/or options to purchase. All such transactions should be captured by this policy. The regular operation of a lending program includes exposure to defaults. Since one of the ways that the UUA manages the risk of its loan portfolio is by

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securing the loans with liens on property, occasionally acquiring property though repossession is part of the prudent management of the program. While such defaults are rare, when one occurs, it is the Administration's practice to liquidate those properties as quickly as is consistent with recovering as much of the loan balance as possible. These transactions are conducted with the guidance of the Association's real estate counsel.

Supporting evidence: During Fiscal Year 2016, no real property was acquired by the Association and the fixed asset register recorded no such transactions.

Therefore, I report compliance.