

MONITORING REPORT – 2.8 ASSET PROTECTION

Submitted on December 20, 2016.

2.8 ASSET PROTECTION

Policy: The President shall not allow the Association’s tangible, intangible and intellectual assets to be unprotected from undue risk.

Operational definition: As the terms are used in the accounting profession, “tangible assets” refers to real property (land and buildings), personal property (e.g. automobiles, tools, furniture) and financial assets (cash, securities and receivables). “Intangible assets” 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. In the case of the UUA, our primary intangible assets are copyrights on books, periodicals, and web content and our trademarks. “Intellectual assets” are encompassed in intangible assets. We understand protecting the Association’s assets from loss or damage to mean taking the following actions:

To protect tangible assets, the UUA:

- conducts a Facilities Condition Assessment annually,
- develops and monitors security policies and procedures, and
- obtains reasonable levels of insurance.

To protect financial assets, the UUA:

- obtains crime insurance on all employees who handle funds at reasonable levels;
- does background checks on employees who handle funds; and
- documents and enforces policies and procedures regarding the handling of cash, securities and financial transactions.
- Fully cooperates with annual audits of the Association’s books and records and those of the UUCEF and the Employee Benefits Trust, or UUA Health Plan (see 2.7.1).

To protect its intangible assets, the UUA:

- registers and monitors copyrights on all Beacon and Skinner publications
- registers and monitors UUA trademarks
- works with legal counsel to issue cease and desist letters when unauthorized use of intellectual property is discovered.

Rationale: Assets are best protected through pro-active polices and procedures that prevent their loss or damage. This includes having a diligent and responsive operations staff, conducting an annual Facilities Condition Assessment, developing procedures that balance safety and security with the culture of openness valued by the UUA,

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having rigorous financial policies and procedures, registering and monitoring copyrights and trademarks, and acting when unauthorized use is discovered. When the inevitable losses do occur, assets are further protected through a program of insurance appropriate for the level of risk.

Supporting data:

Physical assets

Facilities Condition Assessment: A Facilities Condition Assessment (FCA) is a process of reviewing all of the building systems (roof, plumbing, HVAC, etc.), estimating when they would have to be replaced based on their useful lives, and calculating the cost of doing so, including a factor for inflation. The UUA annually conducts an FCA in the winter prior to the preparation of the budget.

Ongoing maintenance: The UUA is fortunate to have a Director of Operations with over 25 years of service to the Association and a dedicated staff. He has an intimate knowledge of each of the Association's facilities and reports on their condition twice per month to the Treasurer/CFO. In addition, the UUA has engaged a professional building management firm to manage the leased space in 24 Farnsworth Street as well as overall building projects. Each year, during the budget process, the Administration prepares a capital budget itemizing investments in facilities necessary to keep the building safe and well maintained. This budget uses the FCA as a starting point but varies from it based on resources available and other priorities.

Security procedures: The UUA's employee manual specifies security procedures covering:

- Routine and emergency building security
- Emergencies and first aid
- Fire

Furthermore, the Administration has engaged a firm with expertise in building and personnel security to review our procedures and make recommendations. The firm will also conduct a security training for staff in the early winter. The employee manual and the report of the security consultants are available for direct inspection.

The security consultants have also assisted us to revise our emergency procedures guidelines original published in December 2011. The guidelines cover the following issues:

- Fire
- Medical emergencies
- Intruders
- Extreme weather
- Bomb threat

Insurance coverage: The UUA maintains a full suite of insurance policies itemized

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below. Policies and coverage levels are reviewed with the Association's agent and carrier, Church Mutual Insurance Company. In addition, the UUA periodically reviews insurance coverage with a third party insurance consultant. The UUA carries the following policies:

- Multi-Peril
 - Property
 - Business income
 - General liability
 - Directors, officers and trustees and Employment practices liability
 - Employee benefits liability
 - Counseling
- Flood
- Workers Comp
- Auto
- Umbrella
- Media
- Fiduciary liability
- Crime coverage

Financial assets

Policies and procedures

The financial services staff has created a comprehensive policy and procedures manual that is regularly updated to reflect current practices and is available for direct inspection. Part of the audit process is to test selected transactions to ensure that they follow written procedures. There were no exceptions noted in the FY 2016 audit report from Mayer, Hoffman McCann.

Background checks

The UUA Human Resources department conducts background checks on all UUA staff (excluding Beacon Press staff, but including Beacon financial staff) as a condition of hire through Oxford Document Management Company. The check includes criminal background (state and county), Social Security Number trace, and credit report review.

Crime insurance

As stated above, the UUA has obtained \$1 million in crime coverage that covers employee dishonesty and ERISA related claims (re: health insurance, retirement plan, and benefits) for all employees who have been subjected to a criminal background check.

Intangible assets

Copyright protection

Both Beacon Press and Skinner House register all published materials with the US Copyright Office and monitor infringements. There is no practical way to systematically

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detect unauthorized use; one typically learns about infringements, which are very rare in the UUA's experience, through whistleblowers or professional networks. When the UUA is notified of an infringement, legal counsel issues a 'cease and desist' letter to the offending party and follows up with any needed enforcement actions.

Both of the UUA's publishing houses are moving into electronic book publication ("e-books"), which presents many more challenges for copyright protection. The environment for publishing rights is evolving rapidly since each publishing platform (e.g. smart phones, iPads, Kindle, Nook, etc.) has its own Digital Rights Management (DSM) rules, which vary significantly one to another. The UUA monitors this rapidly changing landscape by assigning staff to track general and trade news sources and by consulting with legal counsel. The Beacon Press Board of Advisors, which consists of leading professionals in the publishing industry, also provides intelligence about trends and issues in publication rights. Further, Beacon's distributor, Random House, oversees the electronic use of Beacon's copyrighted material including the monitoring of rights, management of permissions, and piracy.

The UUA also carries media insurance coverage of \$5 million, which protects the Association should it be accused of violating the copyrights of others in its publishing activities.

Trademark protection

The UUA has registered its critical trademarks with the US Patent and Trademark Agency and with the Commonwealth of Massachusetts, and the Association employs the services of legal counsel to prepare filings and advise on related legal issues. In the spring of 2010, the UUA, with the advice of counsel, conducted a review of all registered trademarks. It was determined that the list of protected marks was out of date and that the list should be narrowed to those in active use. Additionally, Beacon Press has trademarked the name Beacon Press, their logo and "The King Legacy."

Currently, we have registered the following marks:

- Unitarian Universalist Association
- Unitarian Universalist
- The chalice logo we're currently using
- UU World: the magazine of the Unitarian Universalist Association of congregations
- uuworld.org
- Beacon Press
- Beacon Press logo
- The King Legacy
- Standing on the Side of Love

Therefore, I report compliance.