

# **First Universalist Church Board of Trustees**

December 19<sup>th</sup>, 2013

Board Packet

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Date: December 10, 2013

To: First Universalist Board of Trustees

From: David Bach

Re: December 19, 2013 Meeting

Our December meeting on the 19<sup>th</sup> will be less than a week before Christmas and three days before our special church service and fundraising drive for the House that Love Built. What a fall it has been and what a special day of celebration that will be. This month will also mark the end of the first half of this fiscal year. Paul and the Finance Committee will be providing feedback from Management Assistance Program (MAP) on our financial management practices and overall financial position at the end of FY 13. They will have some helpful suggestions as we finish out the last half of FY 14.

Karin and the Governance Committee will have some importance changes to the Governing Policies Handbook to recommend to us following a busy fall reviewing the HR portions of that document. Please take time to carefully review the red-line copy in our board packet.

We will have an extended Executive Session at the end of our regular meeting to reflect on some of the linkage and communications we have had with church members and how their wisdom and aspirations can help us in our work as trustees of this special congregation. It will be a very helpful discussion.

To make time for adequate discussion on key parts of our agenda please review the information in the consent agenda carefully as we will not be discussing it. Any changes needed in the minutes, please let Pam Vincent know. The sponsorship of a minister is something our church has done a number of times in the past. Justin will be providing a written explanation of this along with an introduction to Kim Banz who is requesting sponsorship at this time.

Please let me know if you have any questions about the agenda or attachments. See you all on the 19<sup>th</sup>.

First Universalist Church of Minneapolis  
Board of Trustees Meeting  
December 19, 2013  
6:30 p.m. Cummins Room

Agenda

6:30 Call to Order

- Lighting of the Chalice and Check-in  
*May this flame that burns before us light our way, informed by the wisdom of leaders gone before, and inspired by the trust that we have been given as stewards of this Church. May we have vision, compassion, and courage as we serve this congregation now and for the generations to come.*

6:50 Consent Agenda

- Approval of Minutes from November 21 meeting
- Approval of ministerial sponsorship of Kim Banz
- Approval of Rev. Ruth MacKenzie's \$16,000 housing allowance for 2014

6:55 Items from the Senior Minister – Justin Schroeder

- Building Use Policy
- Other information items

7:05 Items from Monitoring Schedule

- Financial condition (moved to January)
- Attendance and Membership numbers – Justin
- Staff and significant volunteer changes – Justin
- Visionary Goals Ends Outcomes – Justin

7:20 Committee Reports

- Governance Committee – Karin Wille
  - Approval of changes to the GPH HR policies
- Finance Committee – Paul Robinson
  - Fiscal year-end
  - MAP review of financials

8:00 Items from the President – Dave Bach

- Check-in on Board Goals
- January 11 Working Session – Racial Justice with Dr. Heather Hackman

8:05 Executive Session

9:15 Adjournment

## November Board of Trustees Minutes

Present: Dan Berg, David Bach, Lark Weller, Cindy Marsh, Paul Robinson, Dick Niemic, Karin Wille, Justin Schroeder

Absent: Jill Braithwaite

Chalice Lighting—Dan Berg

Opening Words- Lark Weller—Kathleen McTeague

Check Ins

Follow up from working session\_ thank you cards for staff members- cards circulated for Heidi and Diane for board members to sign.

Use singing bowl for transition points during meeting

**Approval of October minutes:** Plan to circulate minutes in advance

Action: Motion made and seconded to accept.

### Items from the Senior Minister (refer to Senior Minister Report for details)

- Fiscal agent agreement for approval (Wellspring) Finances are still being held at Rochester Church. Fiscal agent agreement to move finances to First Universalist. Becoming the fiscal sponsor makes this a program of First Universalist Church. The policies and practices of the program must be in line with the policies and practices of First Universalist Church. The agreement was drafted such that it could be used for other programs. A question was raised about 'employees'- Wellspring has no employees, but there are some paid independent contractors- Wellspring advisory board who would coach other congregations in starting Wellspring programs. Discussed questions/edits submitted to Dan Berg by Jill Braithwaite and questions raised by other board members. Dan will make suggested changes and send to Secretary as an attachment to the minutes.
  - **Action: motion made to approve sponsorship agreement subject to amendments suggested.**
- **Building reservation policies** – new policies will outline what to expect for church programs, affiliated groups, and outside groups. In most cases, the policies will not alter the relationship groups have had with the church. Justin will distribute final version with the December board packet.
- **Sabbatical update** Justin will ask Jen to attend Jan and Feb board meetings. Preaching schedule is covered. Jen and Justin working with executive management consultant (management team) Expenses for this consulting are coming out of Justin's professional expenses.
- **Great Gathering** - will replace the auction and Valentine's dance. Likely off-site. Will bring the best characteristics of the former great gatherings. Jazz band, DJ and dancing, other celebratory activities. Sponsorship, ticket sales and great gathering income will cover costs and replace the \$36,000 budgeted to come from the auction.
- **Racial Justice workshop**- Heather Hackman will do a third workshop following services on Dec 15.

### Items from Monitoring Schedule

- **Financial condition- quarterly report** - Paul reports learning curve with new financial system and staff. Paul presented overview of quarterly report- see minutes from the FMT. Diane is only releasing pledge income that was actually realized in the quarter. Budget is total number divided by 4.
- **Membership and attendance report-** Justin. Membership report was not included in this month's packet. Question was raised regarding the variance in October attendance both for church services and RE from 2012 to 2013. Justin states the variance is not of concern to him.
- **Staff and significant volunteer changes-** Justin Bette DeMars is chairing the Great Gathering. Staff is interviewing an event manager tomorrow. . Hiring an administrative assistant position- previous hire had resigned after only one day due to personal concerns.
- **Staff-volunteer grievance policy-**to be reviewed later as part of comprehensive HR policy review

### Committee reports

- **Governance Committee** -Karin Wille. Plan is to have final versions of policies to review with full Board in December. Split staff/volunteer grievance policies apart. Now looking at more comprehensive HR systems that board will monitor. Also reviewing compensation and benefits policies. Next Governance Committee meeting is Dec 3; so likely will have fuller report in December, if not then, will present in January.
- **Finance Committee-** Paul Robinson- see items from monitoring schedule above, and minutes of the Finance Committee from Nov 13. Met with the Pledge team- noted synergies between teams. Dan offered to develop a FAQ on the finances to be used when canvassing. Suggestion to have some detailed presentation of finances prior to Pledge Drive, similar to what was presented at the annual meeting- ties into Board role of communication. More discussion of work in progress with investment funds; work with Ross Levin.
- **Foundation investment policy** – Dan Berg. Discussion from Dan regarding foundation investment policy.—Move to make this policy consistent with the policies regarding other funds. Some changes in language regarding Unity Settlement, and other language changes. Action: moved and seconded to approve. Dan Berg will send out final version.
  - **Action item:** Motion made and seconded to move \$100,000 from Schwab account to Sunrise Bank.
- **Refinancing update:** Paul Robinson- appraisal being done now, lowered origination fee due to shifting banking relationship to Sunrise. More work to be done, but likely timeline is end of December.

### Items from the President-Dave Bach

- **Foundation trustee nomination** Charmagne Campbell-Patton is recommended by the Nominating committee to fill the midterm vacancy—**action item:** moved and seconded, approved.
- **New member orientation schedule and participation** – Rev Tenbrink suggests Thurs Dec 5, celebration of Membership Dessert, as an opportunity for board members to attend. Also

ingathering on Dec 8- opportunity between services. Karin and Dave will attend the dessert gathering.

- **Monthly Liberal articles from the Board** December article to focus on board activities on GPH and addressing staffing changes.
- **Pledge committee would like three Liberal articles: Jan, Feb, March from the Board about why we pledge.** Lark will do Jan, Pam will do Feb, Karin will do March. Deadline is the 20<sup>th</sup> of the month prior to the month of publication.
- **Check in on Board Goals** Acknowledge communications from the congregation- add as a standing agenda item.

**Review of written goals**

**Suggested addition-** sit down, potluck etc with board and congregation- Paul will develop format and timing.

- **Recap and follow-up from Board Spiritual Practices session, Nov 7**
- **January 11 work session- Racial Justice with Heather Hackman**

**Closing words- Justin**

Move to executive session at 9:02.

Return to regular session at 9:49 pm. Adjourned t 9:51

**Sr. Minister Report for the Board of Trustees, Dec. 19, 2013**

<b>Inform/ Consult/ Approve</b>	<b>Item</b>	<b>Relevant Policy and Comments</b>
<b>Inform</b>	<b>Update of Building Use Policy</b>	Please see Building Use Policy sent in a separate email.
<b>Inform</b>	<b>Growing Together Discovery Team (that team that will make suggestions regarding the growth we're experiencing)</b>	<p>This team met on Dec. 2 and Dec 10 to distill down themes from ten 45 minute interviews they've done with congregants in the past two months. We interviewed a cross section of congregants, in order to capture feedback and perspectives from as many voices as possible. The interview itself was very wide open: "Tell us about your Sunday morning experience at First Universalist." Follow up questions drew out additional reflections on interviewee's experience in the social hall, in the RE classrooms, in the service, with parking, etc. The themes that we distill down will help us think about focus areas and issues to consider as we contemplate adding an additional service, or responding in some way to the growth we're experiencing.</p> <p>Matt Keller, Claire Tralle, Brian Eshult, Barry Johnson, and Justin Schroeder are the core members of this team. Deborah Talen served on this team for several months. After the distillation phase, the core themes and findings will be shared with the staff.</p> <p>Additionally, a summary report of the process and themes will be shared with the Board at the January meeting.</p>
<b>Inform</b>	<b>Website Update</b>	<p>From Heidi Johnson, Communications Manager:</p> <p>"It is with much excitement and anticipation that I would like to announce that we will be doing a massive overhaul of the <a href="http://www.firstuniv.org">www.firstuniv.org</a> website and soon! It is an exciting time here in the office of First U, as we look forward to 2014 and start moving towards a strategic communication plan. As your communications manager, I am excited about what I can bring to the table, and hope that my background in organizational communications, branding, public relations, and</p>



		<p>communication systems serve me well in this position at First Universalist. So many ideas, so many projects, so little time!</p> <p>One project that has taken top priority, however, is our website—and I will be starting on the site map and organization of this new site as soon as we hire and train in our new administrative office staff. By the way, if any of you have interest in sharing your thoughts or opinions regarding the website (in its current state: what do you like about it? What <i>don't</i> you like about it?)—I'd be happy to hear them! Please email <a href="mailto:communications@firstuniv.org">communications@firstuniv.org</a> and ask for a quick link to the 'website survey' if you are interested in this project and would like to provide feedback. Our general timeline for this project is to sketch out a site plan by the end of 2013, with the new site up and running by the end of February 2014, so please contact me no later than December 18th, 2013, if you'd like to send your feedback my way.</p> <p>With that being said, I have received many questions/ comments/requests from members regarding our current website that I would like to address. Simply put, I am doing my best with the time that I have! Please have patience and understanding with me during these next two months. Until Bree Mattson was hired yesterday, I was acting as both office manager and communications manager, so I must confess that I have a number of projects that are still on my 'to do list'. This will change in the future, when we have a full staff in the office (and our Administrative Assistant hired!) and I can focus 100% of my efforts on communications for First Universalist Church.</p> <p>If you have any additional questions about the website or our upcoming transition, or any communications questions in general, please do not hesitate to email me at <a href="mailto:heidi@firstuniv.org">heidi@firstuniv.org</a> or <a href="mailto:communications@firstuniv.org">communications@firstuniv.org</a>. Thank you!</p>
<b>Inform</b>	<b>Management Team working Donna DiMenna</b>	<p>The Management Team continues to meet regularly with Donna DiMenna, an Executive Coach. We are finding these meetings to be invaluable; we are working more strongly as a Management Team, and we are planning to have a staff retreat in January that Donna will help</p>

		<p>facilitate. (You can learn more about Donna here: <a href="http://www.donnadimenna.com/">http://www.donnadimenna.com/</a>)</p>
<b>Approve</b>	<b>Sponsorship of Kim Banz</b>	<p>Several years ago, the Board of Trustees sponsored Jim Foti, as he began his journey towards ministry. As the Board may recall, there is no financial obligation of “sponsoring” someone. It is simply a vote of support for a person’s journey to ministry. I have met with Kim Banz and am wholeheartedly supportive of her ministry. She plans to serve as a military chaplain. (Here’s a link that explains sponsorship: <a href="http://www.uua.org/careers/ministers/becoming/16211.shtml">http://www.uua.org/careers/ministers/becoming/16211.shtml</a>)</p> <p>Here is a brief note from Kim:</p> <p>“My name is Kim Banz, I am a member at First Universalist and have been a Unitarian Universalist since I was 16. Before entering seminary I was a farmer, and farming is one of my lenses for doing theology. I owned a small farm south of Rochester where I raised sheep, chickens, bees, vegetables and fruits in a diverse, sustainable way. As I owned a farm and had also worked in agriculture in the Peace Corps in Guatemala, I was recruited by a community in Nicaragua to build a garden for their restaurant and clubhouse. I would give garden tours through the winding paths, and people started coming to me for herbs. Then as we walked they would tell me their troubles about relationships, careers, and ethical dilemmas. One day I scarcely pulled up a single weed because I had been counseling people all day. I had been told by people for years I should be a minister or counselor, and I knew that day the universe was trying to tell me something, and I applied to seminary the next week.</p> <p>Another one of my theological metaphors is one of journey. I walked a Buddhist pilgrimage in Japan, the only circular pilgrimage in the world. You can start anywhere along the path, complete the circuit and have done it just as correctly as anyone else. I started out focusing on the temple buildings, but realized that the point was the people and experiences I had along the</p>

		<p>way. On my call day, one of the people who came to me was a former intelligence officer during the second war in Iraq. He suffered from PTSD and had no one to talk to about how his work affected him spiritually. One thing I feel called to do is be a military chaplain. I think the loving open theology of Unitarian Universalism can be very helpful to those with moral injury, and I think of it as a journey, of walking with them, wherever they are on the path.</p> <p>I would be grateful if First Universalist would sponsor me on my ministry journey.</p>
<b>Inform</b>	<b>Gala Celebration</b>	<p>We are moving full steam ahead with the plans for “The Great Gathering” party at the end of February. We’ve raised \$20,000 from generous financial sponsors, and believe we can meet our goal of \$30,000. Thanks to these financial sponsors (who are helping to underwrite the event and help us meet our fundraising goals for this year), this event will have sliding scale ticket prices, and thus, be truly accessible to everyone in the church. We are looking at holding this event offsite, but depending on costs and availability, we might hold at church.</p> <p>Bette DeMars and Molly Darsow are co-chairing this event, and we’re excited about the strong partnership that is emerging between staff and lay leaders.</p> <p>After interviewing several event planners, we were excited to hire Kristi Hamilton to work with us and “The Great Gathering” team.  <a href="http://enrootmarketing.com/about.html">http://enrootmarketing.com/about.html</a>)</p>
<b>Inform</b>	<b>Search for an Office/Events Manager and Administrative Assistant (Staff and Significant Volunteer Changes)</b>	<p>We just hired a new Office and Events Manager, Bree Mattson. You can read more about Bree in the December Liberal:  <a href="http://www.firstuniv.org/sites/default/files/2013%2012%20Liberal.pdf">http://www.firstuniv.org/sites/default/files/2013%2012%20Liberal.pdf</a>.</p> <p>We have hired an Administrative Assistant who will start on Dec 30.</p>

<b>Inform</b>	<b>Foundation Grants</b>	<p>Neither the House That Love Built Project (\$15000 grant request), nor the Racial Justice work were funded by the Foundation (we didn't make a specific request for the Racial Justice, but were hoping it would be funded with at least a \$5000 grant). While we are disappointed, we respect the Foundation's decision. We do not anticipate any problems raising the funds needed for the House that Love Built or for our Racial Justice work. If needed, we will do additional Sunday morning offerings to fund the Racial Justice work.</p>
<b>Inform</b>	<b>Update on the Visionary Goals</b>	<p><b>Mission Statement:</b> In the Universal Spirit of love and hope, we give, receive, and grow. First Universalist Church.</p> <p><b>Visionary Goals</b> (<i>Shorthand: "We are all Love's people, held by a Love that will not let us go. As Love's people, we do holy work: we welcome, affirm, and protect the light in each human heart; we act outside our walls for justice and equality; we listen with our whole being to where Love is calling us next."</i>)</p> <p><b>The people of First Universalist Church grow in their UU faith: we are equipped to live out our values and experience worship, spiritual practices, and rituals that challenge, comfort, celebrate, and heal.</b></p> <p>Our "Digging In," "No Going Back," and "Prayer" sermon series were all well received.</p> <p>At the end of September, the sermon, "Racial Justice as a Spiritual Imperative" formally launched our racial justice work, as we introduced Dr. Heather Hackman to the congregation. This is work we will be committed to for years to come; it is not a one or two year initiative.</p> <p>Total Sunday morning attendance continues to live in the range of 800-950 people.</p> <p>Thanks to the outstanding work of our Minister of Worship Arts, Rev. Ruth MacKenzie, and her team (Randy and John, as well as the worship associates), First Universalist has a consistent, coherent, and transformative Sunday morning worship service. We are</p>

		<p>learning how to weave our racial justice learnings into each service, as well.</p> <p>Our Circles and Wellspring Groups are helping to deepen congregant's spiritual practices, and our pastoral care, including memorial services, truly holds our members and friends in their time of loss and grief.</p> <p><b>First Universalist Church is a home for ageless wisdom. People of all ages find opportunities to engage in an intellectual and spiritual search for deeper meaning and understanding in the UU tradition, both as individuals and in community. We know our roots, find our wings, and apply our knowledge and wisdom to all our endeavors.</b></p> <p>The Racial Justice trainings and workshops have certainly been an invitation into a search for “deeper meaning and understanding,” both personally and in our UU tradition.</p> <p>Our five Wellspring Circles serve as places of deep learning and growing in UU history, theology, and practice; the Pathway to Membership Classes that Rev. Elaine Aron Tenbrink leads offer our newest members an introduction to the UU tradition.</p> <p>Our Circles have expanded this fall, and the new Circles (with particular content and curriculum) have met a need within the church. Our regular, Sermon Based Community Circles, continue to flourish, and people report deep spiritual learning and growth from their Circles.</p> <p>Our “Elders” group continues to meet monthly, with two to three dozen people gathering for lunch and a program, lead by our Cummins Ministerial Intern, Terri Burnor.</p> <p><b>First Universalist Church is an intergenerational community of mutual caring and support. We build this community by actively welcoming all and encouraging each other to discover, develop and share their gifts.</b></p>
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		<p>The Family, Children and Youth Ministry Program continues to mature. Under the leadership of Lauren Wyeth and her fabulous team, we are serving our children, youth, and adult teachers better than ever before. Signage, teacher training, classes, and Children's Chapel are all strong. It's easy to find your way around the building, and our children are actively being welcomed into each classroom by loving and caring adults.</p> <p>We commissioned our 2<sup>nd</sup> class of "Chalice Lighters" in November, during a beautiful ceremony lead by Lauren Wyeth and the ministers.</p> <p>Our children have been intentionally involved in Sunday morning worship (stories for all ages), as well as our intergenerational Water Communion Service, and Thanksgiving Service.</p> <p>The Rev. Jen Crow is building and deepening our congregational care team. She is planning to expand this ministry, helping to train additional church members as congregational care givers, and to help strengthen our capacity to have pastoral care delivered by lay leaders as well as by ministers.</p> <p><b>The people of First Universalist Church work to build a just, loving and sustainable world. We are a visible, influential voice, and we act to shape the larger community into a more just and equitable society.</b></p> <p>Our Racial Justice commitment is growing. Since the official "launch" of this work on Sept 29<sup>th</sup>, we've had the first 24 hour training for Board members, staff, and other lay leaders (Oct 5, Nov 2, and Nov 23). Additionally, Heather Hackman has lead 90 minute workshops in Sept, Oct, Nov, and Dec., and we've had over 250 people attend. These workshops help the congregation ground into a common narrative and understanding around race, racism, and whiteness.</p> <p>In January, we'll launch a three day, 24 hour training for folks to be trained as racial justice trainers. Then in early spring, we'll offer the 2<sup>nd</sup> round of racial justice training</p>
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		<p>for Board members, staff, and lay leaders.</p> <p>Although this work is just beginning, and we're only in our second year of it, there is energy and excitement for this journey. Clearly, this work connects deeply to our message of love and hope. Additionally, I believe that this racial justice work directly ties into our history as a "peace" church. Because racism is physical, spiritual, and mental violence against people of color, as we move toward being a "racial justice church," we also move toward being a more "peaceful" church.</p> <p>Finally, while Unity Center doesn't exist as a program any longer, the heart of Unity Center, and its racial justice commitment, lives on in the work that the entire church is doing as it engages in this racial justice journey. I can imagine that in three or four years from now, Unity Center might be resurrected in some new fashion, and truly owned by the church in a different and deeper way.</p> <p>The Racial Justice Leadership Team continues to meet monthly to help guide this work and move it forward. The racial justice leadership is Rev. Justin Schroeder, Rev. Ruth MacKenzie, Debra Rodgers, Rama Hart, Richard Spratt, Scott Marshall, Polly Talen, Denise Konen, Michael Dotson, Emma Paskewitz, and Jayne Miller.</p> <p><b>On November 10<sup>th</sup>, the Environmental Ministry Team held a "Just Food" panel,</b> and 125 people showed up for a meal and lively discussion. We are slowly beginning to look at our environmental ministry and our housing through a racial justice lens.</p> <p><b>The House that Love Built</b> project is well on its way! As of this writing, Nov. 25, we've raised \$22,000 toward our goal of \$60,000. We were disappointed that the Foundation chose not to fund either the "House that Love Built" project or the Racial Justice work, but we respect that decision.</p> <p>Children and families have been involved in this project, and there is a great deal of creative fundraising going on that is wonderful to witness. Additionally, there was a nice article that Habitat wrote about our efforts:</p>
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		<a href="http://blog.tchabitat.org/blog/bid/97606/Church-encourages-giving-half-for-Habitat-this-holiday-season">http://blog.tchabitat.org/blog/bid/97606/Church-encourages-giving-half-for-Habitat-this-holiday-season</a>
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# November Attendance

	2013			2012		
	9:30AM	11:15AM	Total	9:30AM	11:15AM	Total
<b>Adults</b>						
1st Week	333	284	617	348	496	844
2nd Week	353	261	614	336	369	705
3rd Week	375	357	732	360	388	748
4th Week	372	404	776	267	250	517
5th Week				-	-	-
Monthly Total	1433	1306	2739	1311	1503	2814
<b>Avg for November</b>	<b>358.25</b>	<b>326.5</b>	<b>684.75</b>	<b>327.75</b>	<b>375.75</b>	<b>703.5</b>

## Church School

1st Week	223	167	390	193	192	385
2nd Week	187	168	355	208	178	386
3rd Week	198	184	382	192	184	376
4th Week	181	153	334	23	16	39
5th Week						
Monthly Total	2014.25	672	1461	616	570	1186
<b>Avg for November</b>	<b>503.5625</b>	<b>168</b>	<b>365.25</b>	<b>154</b>	<b>142.5</b>	<b>296.5</b>

## Governance Committee Recommendations to BOT to Amend GPH: December, 2013

Background: The GC has been devoting most of its time since July to 2 of its goals for 2013-2014: "Evaluate HR systems to determine policies required for appropriate monitoring, including exit interview process"; and "Resolve GPH 5.6 policy issue: Compensation and Benefits, and recommend a resolution to the Board". Our recommendations for policy changes required to achieve these goals are set forth below. Each policy is preceded by a brief summary of the major reasons for the recommendations.

Grievance Policy: This policy is the only non-Senior Minister Limitations policy the GC has reviewed thus far. The Committee was concerned about the interface of this policy with the requirement in the Treatment of Staff and Volunteers policy that the Sr. Minister not "withhold from staff or volunteers a due-process grievance procedure." The recommended changes take the staff language out of this policy.

### 3.6 Grievance Policy

It is the intent of the Board to be responsive to staff and the congregation, but ~~(except as set forth in GPH V,~~ it is not the function of the Board to resolve complaints or grievances that are not directly related to the Board's policy-making and policy-monitoring functions.

When individual Board members receive complaints about Board policies or violations of Board policy from members of the congregation, the following guidelines will be followed.

#### 3.6.1. Complaints about Board Policies

3.6.1.1. Complaints ~~-and inquiries~~ concerning GPH or other Board policies shall be handled in accordance with the Church's mission and visionary goals, which encourages direct and open communications. Such matters brought to the Board's attention will be ~~the~~ welcomed ~~-basis~~ for consideration in on-going revisions to these policies.

3.6.1.2. If as part of a complaint a request for Board action is received, the complaint ~~or inquiry~~ will be communicated to both Board members and the Senior Minister. After discussion with the Senior Minister, the Board will determine if a policy change is required. If not required, the Board ~~Senior Minister~~ will resolve the matter directly with the initiator.

- 3.6.1.3. If the Board determines that a policy change is required, the Board will make the required change and communicate the resolution to the initiator.

### 3.6.2. Complaints about Violations of Policy

~~3.6.2.1. If a staff member believes that there has been a violation of policy s/he may bring it to the attention of the Senior Minister. If the issue is not resolved, the next step is to follow the employee complaint/grievance procedure outlined in the Employee Handbook.~~

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~~3.6.2.1. If an individual a congregant believes a policy is being violated by staff or the Senior Minister, s/he should first discuss it directly with the appropriate staff or Senior Minister. If this is not possible or if the issue is not resolved through by staff or the Senior Minister direct conversation, it may be brought to the president or vice president for consideration by the Board. The Board will resolve the issue as appropriate, which may include clarifying policy or taking disciplinary action. The Board will communicate its resolution of the complaint to the initiator. may consider clarifying the policy or treating the issue as disciplinary.~~

~~3.6.2.2.~~

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~~Integration of Volunteers: This policy needed revision because the GC removed volunteers from the Treatment of Staff and Volunteers policy, to focus that policy on staff. The two additions were carry-overs from the Treatment policy that the GC deemed appropriate for inclusion here. We have also deleted the requirement of a Church committee member handbook.~~

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## 5.2. Integration and Treatment of Volunteers

Much of the work of First Universalist Church is accomplished by and through volunteer committees, task forces and other groups. It is central to the vitality of the Church that members participate in its ministry, one aspect of which is working collaboratively with paid staff and other volunteers.

Accordingly, the Senior Minister shall not ~~fail to~~:

5.2.1. Illegally discriminate against existing or potential volunteers.

5.2.2. Subject volunteers to unsafe or unhealthy work conditions.

~~5.2.4.~~ 5.3.3 Fail to eEnsure Church staff ~~treats volunteers operates~~ in ways that are faithful to the Church's mission, visionary goals, and policies.

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5.2.2. <del>5.2.4 Fail to e</del> Establish such committees or teams as the Senior Minister deems necessary and appropriate to accomplish the visionary goals.	Formatted: No bullets or numbering, Tab stops: Not at 79.2 pt
5.2.3. <del>5.2.5. Fail to e</del> Ensure that committees or teams understand their roles, objectives and lines of authority and have the necessary resources, financial and otherwise, to accomplish their tasks.	Formatted: No bullets or numbering, Tab stops: Not at 79.2 pt
5.2.4. <del>5.2.6. Fail to t</del> Take into consideration the need for diversity <u>in volunteer committees and teams</u> , to the extent feasible.	Formatted: No bullets or numbering, Tab stops: Not at 79.2 pt
5.2.5. <del>5.2.7 Fail to c</del> Coordinate the work of compensated staff and Church committees or teams to facilitate communications, efficiency and effectiveness.	Formatted: No bullets or numbering, Tab stops: Not at 79.2 pt
5.2.6. <del>5.2.8 Fail to i</del> ntegrate members and friends into Church leadership and service.	Formatted: No bullets or numbering, Tab stops: Not at 79.2 pt
5.2.7. <del>5.2.9 Fail to inform volunteers of Maintain a Church committee member handbook that clarifies the lines of authority and support within the Church; general team and</del> committee member expectations; <u>relevant communication</u> policies and procedures; and how <u>teams</u> , committees <del>and</del> individual volunteers should relate with staff.	Formatted: No bullets or numbering, Tab stops: Not at 79.2 pt
5.2.8. <del>5.2.10 Fail to i</del> nstill in Church committees or teams and their members a sense of empowerment, encouragement, and the value their work has to the Church.	Formatted: No bullets or numbering, Tab stops: Not at 79.2 pt
<del>5.2.9.5.</del> <u>5.2.1 Fail to E</u> nsure that the work of Church committees or teams is fully consistent with First Universalist's legal and contractual obligations.	Formatted: No bullets or numbering, Tab stops: Not at 79.2 pt
	Formatted: Tab stops: Not at 79.2 pt
<u>Treatment of Staff: The GC started with the recommendation of Susan Beaumont in her book <b>Inside the Large Congregation</b>, where she states "The effective board in the large congregation knows that its role is to ensure that a system of performance management is in place for the staff team." She goes on to describe the elements of a performance management system. The GC incorporated those elements into the policy below. We also identified the elements of a sound selection system, borrowed "empowerment" language from the Treatment of Volunteers policy, and provided for a Board exit interview upon request. The GC has discussed (but not yet committed to writing) a procedure for doing exit interviews that would ensure consistency in how interviews are conducted and how information is fed back to the Senior Minister.</u>	Formatted: Font: Bold
<b>5.3. Treatment of Staff <del>and Volunteers</del></b>	
With regard to treatment of paid staff <del>and volunteers</del> , the Senior Minister may not cause or allow conditions which are inhumane, unfair, disrespectful, or unprofessional.	
Accordingly, the Senior Minister shall not:	Formatted: Indent: Left: 45 pt
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5.3.1. Illegally discriminate ~~(as defined by city, state and federal governments)~~  
~~against applicants for employment or employees among existing or~~  
~~potential staff or volunteers.~~

5.3.2. Subject staff or volunteers to unsafe or unhealthy work conditions.

5.3.3. Withhold from staff or volunteers a ~~due process~~ grievance procedure,  
able to be used without bias.

~~5.3.4. Prevent staff or volunteers from grieving to the Board when:~~

~~5.3.4.1. Internal grievance procedures have been exhausted, and~~

~~5.3.4.2. The individual alleges either that Board policy has been violated to his/her~~  
~~detriment or Board policy does not adequately protect his/her human rights.~~

5.3.5. ~~Fail to Provide an integrated and comprehensive staff structure with clear~~  
~~direction on individual and team roles and functions and on lines of~~  
~~responsibility and authority. inappropriate level of direction and support~~  
~~of the Church staff and volunteers.~~

~~5.3.6. Fail to ensure that staff are provided and comply with an up- to- date~~  
~~Employee Handbook.~~

~~5.3.7. Fail to ensure that sound selection/hiring processes are employed, which~~  
~~which include:~~

~~5.3.7.1 Accurate job descriptions and position criteria;~~

~~5.3.7.2 Determination of appropriate salary ranges congruent with~~

~~job descriptions, including position criteria;~~

~~5.3.7.3 Use of fair and appropriate candidate evaluation and~~  
~~selection processes; and~~

~~5.3.7.4. Provision of orientation and appropriate on-the-job training~~  
~~to newly hired staff members.~~

~~5.3.6. employment policies.~~

~~5.3.8. Fail to ensure that staff are provided with a sound performance~~  
~~management process that provides:~~

~~5.3.8.1. Clear descriptions of job functions and duties;~~

~~5.3.8.2 Clear expectations about position requirements, including skills,~~  
~~competencies and attributes;~~

~~5.3.8.3 Clear expectations about annual performance goals; and~~

~~5.3.8.4 Feedback on the above three areas of performance through~~  
~~ongoing feedback and an annual performance evaluation.~~

~~5.3.9. Fail to instill in staff members and staff teams a sense of empowerment,~~  
~~encouragement, and the value their work has to the Church.~~

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5.3.10. Fail to ensure that all departing staff members receive an exit interview with someone other than their direct supervisor ,or fail to notify departing staff members of their right to request an exit interview with a Board member.

Compensation and Benefits: This policy has been revised to require a system of salary ranges which is tied to the position descriptions required in the Treatment of Staff policy. The Senior Minister's obligation is now to align salaries with ranges or develop a plan to do so if an individual's salary is not aligned with the appropriate salary range. Clarifying edits were made as well, including substituting the word "salary" for "compensation" in places where benefits are clearly not included.

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## 5.6 Compensation and Benefits

With respect to ~~salary employment, compensation,~~ and benefits ~~for~~ employees, consultants ~~and,~~ contract workers ~~and volunteers,~~ the Senior Minister may not cause or allow jeopardy to fiscal integrity or public image of the Church.

Accordingly, the Senior Minister may not:

- 5.6.1. Promise or imply permanent or guaranteed employment.
- 5.6.2. Establish ~~a salary current compensation~~ and benefits ~~system, and/or administer current and/or long term compensation and benefits in a way that:~~
  - 5.6.2.1. ~~Fails to develop salary ranges for each staff position based on relevant market data for comparable churches and not-for-profit organizations with the relevant geographic area. Deviate materially from the nonprofit or geographic market for the skills employed.~~
  - 5.6.2.2. ~~Fails to align individual salary with appropriate salary ranges or, if salary is out of alignment, fails to develop a plan to achieve alignment over time. Create obligations over a term longer than revenues can be safely projected, in no event longer than one year and in all events subject to losses of revenue.~~
- 5.6.2.3. ~~Fails~~ to align ~~individual salary compensation~~ with accurate measures of employee performance.

5.6.2.4. Fails to provide less than a basic level of benefits to all full time employees.

5.6.2.5. Allows any employee to lose benefits already accrued from a previously existing plan.

5.6.2.6. Fails to be administered consistently and equitably.

~~5.6.2.3.~~

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5.6.3. Establish current, deferred or long term compensation and benefits that:

5.6.3.1. Cause unfunded liabilities to occur or in any way commit the Church organization to benefits that incur unpredictable future costs.

5.6.3.2. Create obligations over a term longer than revenues can be safely projected, in no event longer than one year and in all events subject to losses of revenue.  
~~Provide less than some basic level of benefits to all full time employees.~~

5.6.3.3. Are not administered consistently and equitably.  
~~How any employee to lose benefits already accrued from any forgoing plan.~~

## Finance Committee Minutes – 12-11-13

Attendance: Robinson, Berg, Niemiec, Elwood, Gavere, Gostovic from MAP

### 1. Financial Review

- a. **Overall** - Gostovic provided us with a general statement that our records were in good order that the accounting was being done in accordance with GAAP. She said our records were clean and that our staff was professional and knowledgeable. Since the records were in good shape with no thorny issues it made it hard to write up the recommendations.
- b. **Recommendations** – Below is a summary of the recommendation that MAP made.
  - i. **Adjust Legacy and Endowment Funds assets so that they equal Equity** - There was some discussion. Robinson mentioned that he spoke with Susan about this last year. There was some discussion about what needed to be done. Gavere agreed that some historical research needed to be done to see if we could track the history of the account and find the likely accounting error. Robinson mentioned that when he spoke with Susan last year he suggested that if the error could not be found that we split the difference between the Endowment/Legacy funds and General fund. There was general agreement by the committee. Next step was for Gavere to start the historical work. While this would not get done right away she believes that she can do it before the end of the year.
  - ii. **Adjust equity balances for each fund** – Related to the issues above asset balance have been made to the Legacy and Foundation but corresponding adjustments to equity have not been made. This will also be part of this year's clean-up activities done by Gavere. There was some discussion about Statement of Assets report and how that would be provided quarterly.
  - iii. **Create financial policy and Procedures** – While Gostovic recognized that we are have started with these policies such as the reserve and investment policies it would be good to create a more robust policy and procedures manual. There was some discussion MPA said they can provide a template. Gavere wanted to also have this completed by the end of the year as well.
  - iv. **Continue to improve reporting** – There was some discussion about how last year's reports provided far too much detail to be understandable to most people and that this years may have cut back too much (Gostovic had not seen the first quarter's reports). Generally more information goes to the Treasurer and Finance Committee and less more summarized to the Board. Gavere was going to provide the first quarter 2013 to Gostovic.



- c. **Financial Report** – Robinson asked if this would be possible to split out the Operating expenses from the endowment and Legacy Funds. After some discussion it was determined that it would not be practical for the years in this report. Gavere said that she has begun this separation and that it is her goal to be able to show financials separated.

There was some discussion about how it was hard to see how the church ended up financially at the end of the year. Gostovic stated that that is why there is the Net....report.

d. **Other questions**

- i. **Depreciation** - There was discussion about depreciation. Generally depreciation is a standard accounting concept that is required and is useful when applying for loans or dealing with institutions that need to know that you are following GAAP standards. Depreciation is not useful for determining how much money to set aside to fund replacement of assets. We discussed the idea of completing a reserve study to help determine the funds needed to be set aside annual to fund replacing certain assets. This was highly recommended by MAP.
  - ii. **Mortgage Principal** – We discussed why interest principal is not accounted for in the annual budget. Generally a mortgage is a liability and for that you get an asset. When you pay principal you reduce the liability and cash but it is not considered an expense. There was some discussion about how this affects cash and that even with a balanced budget you could be reducing the overall amount of cash. Gostovic said that is why some organizations use a Projected Statement of Cash Flow to help budget for an overall cash flow.
  - iii. **Temporary Restricted Assets** – There was some discussion about temporary restricted assets. We were not sure exactly what question we had. Generally, the committee wanted to have use of these funds budgeted when known. So that the release of restrictions matched that expenditure.
2. **Refinancing** – Diane Gavere said that the closing documents would be for the higher loan amount approved but that this higher amount would not be used unless budgeted for in the coming year. She said that the BAG committee was working on items to possibly be funded in the CIP. Gavere said that either the President or Vice President and the Secretary or Treasurer of the board need to be in town the last week of December to sign loan documents.

**Adjourn – 6:30 p.m.**



To the management and Board of Trustees of First Universalist Church of Minneapolis :

We, the *Management Assistance Program for Nonprofits* (MAP), have performed a year-end financial assessment on the Financial Statements and current financial procedures of First Universalist Church of Minneapolis as of the year ended June 30, 2013.

MAP's Year-end Financial Assessment and Recommendations consists principally of inquiries of company personnel, review of written financial procedures, and an analytical review of financial data for the purpose of providing a report to management and the Board of Trustees on the status of current financial statements and provide recommendation for how the organization can make improvements to financial statements or other financial systems to strengthen its compliance with nonprofit accounting standards.

This service is not intended to be a formal book review or audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Book reviews and audits must be performed by an independent CPA or CPA Firm. Accordingly, MAP does not express such an opinion.

Based on MAP's assessment, we are not aware of any material modifications that need to be made to the organizations financial statements in order for them to be in conformity with nonprofit accounting standards.

Jennifer Gostovic,  
Accountant  
MAP For Nonprofits, Inc.

**FIRST UNIVERSALIST CHURCH OF MINNEAPOLIS**  
**Statement of Financial Position**  
**June 30, 2013 and 2012**

	<b>ASSETS</b>	
	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current assets		
Cash	\$ 130,166	\$ 86,097
Investments	2,512,905	2,077,762
Pledges receivable	1,016,230	1,038,195
Other receivables	10,499	5,924
Prepaid expenses	12,000	12,905
Total current assets	<u>3,681,800</u>	<u>3,220,883</u>
Fixed assets		
Land	250,000	250,000
Building and improvements	3,263,763	3,242,518
Furniture and fixtures	196,961	149,019
Less: Accumulated Depreciation	<u>(1,776,910)</u>	<u>(1,651,585)</u>
Total fixed assets	<u>1,933,814</u>	<u>1,989,952</u>
<b>Total Assets</b>	<u><u>\$ 5,615,614</u></u>	<u><u>\$ 5,210,835</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 63,967	\$ 21,431
Accrued expenses	20,152	51,927
Deferred revenue	45,746	49,601
Mortgage payable - current portion	<u>67,790</u>	<u>67,790</u>
Total current liabilities	<u>197,655</u>	<u>190,749</u>
Long-term mortgage payable	587,625	608,164
<b>Total Liabilities</b>	<u>785,280</u>	<u>798,913</u>
<b>Net Assets</b>		
Church and Foundation net assets	3,843,941	3,652,712
Board designated net assets	<u>602,171</u>	<u>330,140</u>
Unrestricted net assets	<u>4,446,112</u>	<u>3,982,852</u>
Temporarily restricted net assets	320,609	365,458
Permanently restricted net assets	<u>63,613</u>	<u>63,613</u>
<b>Total Net Assets</b>	<u>4,830,334</u>	<u>4,411,923</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 5,615,614</u></u>	<u><u>\$ 5,210,836</u></u>

**FIRST UNIVERSALIST CHURCH OF MINNEAPOLIS**  
**Statement of Activities**  
**Year Ended June 30, 2013**  
**With Comparative Totals for the Year Ended June 30, 2012**

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>REVENUE AND SUPPORT</b>					
Public support					
Pledged support	\$ 1,082,137	\$ 8,402	\$ -	\$ 1,090,539	\$ 1,156,073
Other contributions	412,819	80,198	-	493,017	332,396
Fundraisers	65,513	-	-	65,513	61,166
Release from restriction	135,253	(135,253)	-	-	-
Total public support	1,695,722	(46,653)	-	1,649,069	1,549,635
Earned income					
Program fees	51,568	-	-	51,568	38,686
Rental income	28,845	-	-	28,845	28,194
Total event revenue	80,413	-	-	80,413	66,880
Investment income					
Dividends and interest	74,884	-	-	74,884	49,736
Realized gain (loss)	124	-	-	124	28
Unrealized gain (loss)	167,452	1,804	-	169,256	(62,210)
Total investment income	242,460	1,804	-	244,264	(12,446)
Miscellaneous revenue	7,210	-	-	7,210	-
Total revenue and support	2,025,805	(44,849)	-	1,980,956	1,604,069
<b>EXPENSES</b>					
Program services	956,808	-	-	956,808	1,021,953
Management and general	597,491	-	-	597,491	611,699
Fundraising	8,246	-	-	8,246	122
Total expenses	1,562,545	-	-	1,562,545	1,633,774
<b>CHANGE IN NET ASSETS</b>	463,260	(44,849)	-	418,411	(29,705)
<b>NET ASSETS - Beginning of year</b>	3,982,852	365,458	63,613	4,411,923	4,441,628
<b>NET ASSETS - End of year</b>	\$ 4,446,112	\$ 320,609	\$ 63,613	\$ 4,830,334	\$ 4,411,923

**FIRST UNIVERSALIST CHURCH OF MINNEAPOLIS**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2013**

	<u>Programming</u>	<u>Property and Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 530,337	\$ 206,242	\$ -	\$ 736,579
Payroll taxes	29,374	11,423	-	40,797
Benefits	82,594	32,120	-	114,714
Temporary and contract labor	115,623	-	-	115,623
Professional expenses	19,964	-	-	19,964
Worship expenses	67,041	-	-	67,041
Membership expenses	9,839	-	-	9,839
Other program expenses	22,009	-	-	22,009
Contributions and scholarships	40,356	-	-	40,356
Volunteer and employee appreciation	6,582	-	-	6,582
Dues and Memberships	20,839	-	-	20,839
Board and leadership	2,015	520	-	2,535
Fundraising expenses	-	-	8,246	8,246
Office supplies	-	10,793	-	10,793
Printing and postage	-	23,743	-	23,743
Telephone and technology	-	6,403	-	6,403
Small equipment and furnishings	3,859	8,158	-	12,017
Mileage	-	1,119	-	1,119
Repairs and maintenance	-	19,704	-	19,704
Janitorial and groundskeeping	-	21,108	-	21,108
Utilities	-	46,026	-	46,026
Interest expense	-	47,250	-	47,250
Insurance	-	21,837	-	21,837
Bank charges and other fees	-	15,720	-	15,720
Depreciation	-	125,325	-	125,325
Other expense	6,376	-	-	6,376
				-
	<u><u>\$ 956,808</u></u>	<u><u>\$ 597,491</u></u>	<u><u>\$ 8,246</u></u>	<u><u>\$ 1,562,545</u></u>
	61.23%	38.24%	0.53%	100.00%



**FIRST UNIVERSALIST CHURCH OF MINNEAPOLIS**  
**Statement of Cash Flows**  
**Years ended June 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 418,411
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
(Increase) or decrease in operating assets:	
Pledges receivable	21,965
Other receivables	(4,575)
Prepaid expenses	905
Capital investments net of depreciation	56,138
Increase or (decrease) in operating liabilities:	
Accounts payable	42,536
Accrued expenses	(31,775)
Deferred Revenue	(3,855)

NET CASH PROVIDED BY OPERATING ACTIVITIES	499,750
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**CASH FLOWS PROVIDED BY INVESTING ACTIVITIES**

Investments	(435,142)
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**CASH FLOWS PROVIDED BY FINANCING ACTIVITIES**

Mortgage - current and noncurrent	(20,539)
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NET INCREASE IN CASH	\$ 44,069
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	\$ 86,097
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CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 130,166
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To the management and Board of Trustees of First Universalist Church of Minneapolis:

We, MAP for Nonprofits have performed a year-end assessment of the financial statements and current financial procedures of First Universalist Church for the fiscal year ended June 30, 2013. This assessment consisted principally of inquiries of church personnel, review of available written financial procedures, and an analytical review of asset, liability, and equity balances as of June 30, 2013 in order to ascertain if such balances are accurate and in accordance with Generally Accepted Accounting Principles. This service is not intended to be a formal review or audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

In general, we found the financial statements to be accurate and to adhere to Generally Accepted Accounting Principles. We found no material modifications.

As a result of this assessment, MAP offers various observations and recommendations in the areas of:

- 1) Financial Statements and Transactions
- 2) Controls and Financial Procedures
- 3) Financial Reporting and Systems

The purpose of these recommendations is purely to alert the Church's management and Board of Trustees to opportunities for improvement or enhancement of their financial processes and reports.

### **Financial Statements and Transactions**

Reconciliations, schedules, payroll tax filings, and other documentation were reviewed to verify the accuracy of account balances at June 30, 2013. In general, we found the organization's accrual basis financial transactions to be accounted for accurately, and for documentation to be complete. All cash accounts were accurately reconciled with bank statements. All accrual basis balances, such as prepaid expense, deferred revenue, pledges receivable

including an estimate of uncollectible amounts, and accounts payable as of June 30, 2013 were substantiated with appropriate schedules and accurate calculations.

Our single finding in the area of financial statement accuracy relates to the balances of investment assets and corresponding equity of both the Legacy & Endowment fund, as well as the Foundation fund. These are separate funds of the overall organization, and assets and equity balances are tracked in accounts that are segregated from overall church operations.

For the organization as a whole, or for any segregated fund of the organization, the balance of assets should equal the sum of liabilities plus equity. Equity is also referred to in the non-profit sector as “net assets”. Church financial statements show that equity for both the Legacy and Foundation funds was not in balance with the investment assets for each fund, as of June 30, 2013. Because neither fund has liabilities, fund assets should equal fund equity, which is the sum of unrestricted, temporarily restricted, and permanently restricted net assets.

**Recommendation: Undertake historical research to verify if the investment balances of Legacy investments and Foundation investments are true and accurate. Once asset balances are verified, the equity (net assets) of each fund should be adjusted to equal investment asset balances.**

According to conversations with the Church’s contract accountant who prepares and records periodic investment income and change in value, the investment assets for these funds were historically comingled with regular operating assets of the Church. She believes that this was largely rectified a few years ago, but could not say with absolute certainty that the investment accounts for either Legacy or Foundation did not still potentially contain operating assets. As such, we recommend a review of any available documentation from the time these earlier corrections were made, in order to confirm with reasonable certainty that all operating funds were removed from these accounts. Such documentation may include internal records, or any support the investment fund broker may have for segregating transfers that were made to or from these accounts.

If no additional support or documentation can be found to substantiate that the investment asset balances are complete and accurate for each fund, then the Church has no option but to accept that the current balances are accurate. We recommend that the committee overseeing each fund discuss the matter and vote to either accept the balances as they now stand, or insist on additional research.

Once the asset balances for Legacy and Foundation are either substantiated or approved as they stand, an adjustment should be made to the equity (net asset) accounts for each fund so that they equal fund assets.



**Recommendation: Adjusting entries should be made on an ongoing basis to record Legacy and Foundation investment income and losses, and other transactions, to the corresponding equity (net asset) accounts for each fund.**

A second issue has led to an ongoing discrepancy between the asset balances for each fund, and the equity (net assets) for each fund. Entries are made periodically during a given year to record investment income, gains, and losses – and potentially other fund transactions. We found that these entries accurately adjust the correct investment asset account for each fund. However, these adjustments have not been recorded to the equity (net asset) accounts for each fund. All income and expense, including the Legacy and Foundation transactions, automatically increase or decrease the Church's general operating equity (net assets). This is a function of the accounting software. As such, special adjusting entries are necessary to record the investment to the correct equity (net asset) accounts.

### **Controls and Financial Procedures**

An essential aspect of a well-functioning financial system is a set of controls. Controls safeguard against errors and loss of assets, and depend largely on proper segregation of duties. An essential feature of duty segregation is that no one employee, contract service worker, or volunteer be given exclusive control over any financial transaction from beginning to end. Specifically, the four general types of financial duties that inherently conflict, and should thus be segregated are, according to Generally Accepted Accounting Principles:

- *Custody of assets* (i.e. access to check stock, access to received revenue before deposit)
- *Authorization of transactions affecting those assets* (i.e. check signing ability)
- *Recording or reporting those transactions* (i.e. password access to the accounting software, access to donor database where donations are recorded)
- *Execution of transactions* (i.e. preparing checks and deposits, running payroll)

At minimum, it would require no less than four individuals engaged in every transaction within the organization to create adequate segregation. Nonetheless, the organization can put in place certain practices to mitigate the effects of a small staff on controls.

\* Segregate the functions of custody and authorization from recording and execution. For example, the individual, who opens the mail, makes deposits,

counts and records cash contributions, and signs checks should not have access (or should have read-only access) to the accounting software, nor any record keeping system related to financial transactions. Likewise, the individual who prepares checks and deposits, and records these transactions, should not have uncontrolled access to unopened mail, check stock, and should not have the ability to sign checks, or authorize payment.

\* Special attention to procedure and segregation of duties should be directed toward cash donations, or any event where there are a significant number of financial transactions, and specifically transactions in cash. Processing of payments should require two people to be present, as should counting, recording, and deposit preparation. With regard to revenue transactions, these event scenarios are likely where the organization is most vulnerable to irregularities either by error or design.

The most common way to document control structure is through the creation of both financial policies and financial procedures.

**Recommendation: Draft a written set of financial policies and procedures. MAP can provide templates, as well as input and editing if needed.**

We recommend that First Universalist Church draft a set of Board approved financial policies, as well as a set of procedures that address and carry out those policies. The Church currently has a highly detailed position manual for the Assistant Finance Administrator that contains within it the essence of a set of procedures. However, it focuses solely on the procedures for that position rather than the financial system as whole. Also, the manual was designed to provide highly detailed descriptions of position functions rather than a higher-level description of procedure. Likewise, the Church also has a set of written investment policies, but no comprehensive set of financial policies.

Whereas basic controls and some segregation of duties are in place, we found that the Church would benefit from clearly documenting its financial procedures while keeping the principles of segregation in mind. Through documenting these procedures, the Church may identify an opportunity for additional checks and balances such as separate review by another staff member of various entries and functions, or improving controls by making changes to which individual carries out certain tasks.

In addition to documenting segregation policies, the organization should consider documenting all financial procedures currently in place, such as:

- \* Tracking of restricted funds and their release of restriction
- \* Payroll processing and reconciliation of tax returns
- \* Endowment contributions, distributions, and recording of activity
- \* Processing of grants or fund payments

- \* Process of recording fund investment income and equity
- \* Monthly financial reconciliation and reporting
- \* Year end financial reconciliation and reporting
- \* Documenting donor information and activity, as well as the processing of acknowledgements

Writing these procedures would guarantee continuity and protect the Church from a loss of organizational knowledge in the event that there is staff turnover. It would also encourage review of these procedures for opportunities to enhance efficiency or effectiveness.

### **Financial Reporting and Systems**

In the past year, the Church adopted new accounting software, and a new account structure. First Universalist Church currently uses Quickbooks software to keep its financial books and records. Quickbooks is a highly flexible, inexpensive, and user friendly software and we highly recommend that the Church continue to use it. The one drawback of Quickbooks software is a lack of flexibility in the financial statement reports it is able to provide. For example, Quickbooks does not provide a typical non-profit 4-column Statement of Financial Position; thus, creating separate reports for governance review is required. However, this also provides the Church with an opportunity to craft statements that meet its specific needs.

In addition to changes in the chart of accounts, the Church adopted a far more streamlined set of financial statements for reporting to the Board of Trustees and its various committees. In general, we found these more concise statements to be a great improvement over those used in prior years. These previous statements were far too detailed and hard to digest.

Financial statement reporting is more of an art than a science. Striking a balance between concise reporting and detail is an ongoing matter of experimentation. Summary reporting better allows the Board to focus on larger trends and strategic-level issues. Too much detail can bog down limited Finance Committee or Board meeting time with administrative-level questions. Yet, detail should be provided to the extent it is meaningful. In some ways, we found the current Board level financial statements to still contain far too much detail, as informed by best practices in the sector as well as current trends.

### **Recommendation: Reformat Financial Statements that better inform the role of the Board, the Finance Committee, and the Treasurer.**

The Board must consider that its role is to provide the highest level of strategic oversight, and that financial statements provided to the Board should inform this role. Summary statements that provide income and expense items in total (i.e.

total salaries, total individual contributions, total building maintenance, etc.) are likely more useful and appropriate to this role than breaking out items by functional area, and combining certain key expenses as “program expenses” under that function. It is appropriate to provide a more detailed report of financial activity, segregated by function or other categorization, to the Finance Committee. This committee is entrusted by the Board to take a more detailed role in oversight of financial activity. However, the financial statements to the Board are best provided in summary format, with a narrative from the Treasurer or other designated individual that discusses key variances and issues for the period.

Here is an example of a commonly used structure for governance financial oversight and reporting:

#### Treasurer

With management, the Treasurer reviews the most detailed level of the financial statements, commonly taken directly from the accounting software. These statements include a detailed Statement of Financial Position and a detailed Statement of Financial Activities with comparisons to budget and the prior year, and possibly activity for the stand alone period as well as year-to-date. Detailed variances and other trends and issues are discussed with management so that the Treasurer may report to the Finance Committee.

#### Finance Committee

The Finance Committee receives the summary statements to be provided to the Board (discussed below) in addition to more detailed statements organized by functional area (as the Church currently produces), or possibly by funding source or other meaningful set of categorizations. They receive an oral report from the Treasurer based on his or her discussion with management, and have the opportunity to ask additional questions. Any recommendations for action are discussed.

#### Board of Trustees

The summary statements given to the Board of Trustees include:

- A condensed Statement of Financial Position that is no longer than one page.
- A condensed 4-column Statement of Financial Activity showing actual year-to-date activity as unrestricted, temporarily restricted, and permanently restricted. This report is no more than one page. Expense on this page is typically condensed to one line.

- A Budget Comparison showing year-to-date items of revenue and expense condensed to a meaningful level (usually not more than 30 rows in total), compared to the budget, and to the prior year at that same date.
- A report narrative prepared by the Treasurer or a delegate discussing key trends, variances, and issues as well as any recommendations for action from the Finance Committee.

Such a format ensures that there is Board-level engagement in the details, via the Treasurer and the Finance Committee, while preserving the strategic role of the Board itself. The Board is then able to turn its focus from administrative detail to a more meaningful discussion of higher level issues and variances, as well as how these affect or enhance the Church's mission and the wishes of the congregation.

First Universalist Church of Minneapolis  
Board of Trustees Goals  
2013-2014

Overarching Goals

- Begin an initiative to define, understand and live into excellence in leadership as a policy governance board
- Conduct a comprehensive review of the Strategic Plan
- Develop and implement a strong Communication Plan with the Congregation and other major stakeholders
- Develop and implement a strong Linkage Program with the Congregation (opportunities to listen closely to needs and aspirations)
- Determine the appropriate linkage and contribution level to the UUA and the Mid-America Region (formerly Prairie Star District)
- Become an intentional Community Circle as a Board, including developing and engaging in a regular spiritual practice

Finance Committee Goals:

- Develop a financial reserve policy
- Develop strategies for capital improvements
- Refinance mortgage
- Review the cost/benefit of the frequency of financial monitoring for staff and board

Governance Committee Goals:

- Review GPH non-financial policies and make recommendations to the Board
- Evaluate implementation of monitoring schedule for timeliness and efficiency
- Develop and implement a strong board evaluation process
- Evaluate HR systems to determine policies required for appropriate monitoring including exit interview process
  - Determine responsibility for oversight of policies (GC/Personnel sub-committee of GC/separate Personnel Committee)
- Review letter of agreement for Senior Minister and other ministerial contracts
- Standardize the process for Senior Minister evaluation
- Resolve 5.6 policy issue: Compensation and Benefits, and recommend a resolution to the Board