

Unitarian Society of New Haven
Minutes of the Meeting of the Board of Trustees
June 8, 2017
Accepted July 13, 2017

Board Members Present: Kathy Garner, Daniel Gelperin, Holly Hawkins, Russell Heinrich, Megan Lloyd Joiner, Bernice Marie-Daly, Pamela Miller, Peggy Myers, Bobbi Pace, Pat Trotta

Board Members Absent: none

Also Present: David Stagg

D. Gelperin called the meeting to order at 7:02 pm and P. Miller recorded the minutes. A quorum of Board Members was present, and the meeting proceeded with D. Gelperin presiding.

Gather

D. Gelperin lit the chalice and did a brief reading from Louis Thomas. Attendees read the Board of Trustees Covenant. We checked in with the question 'What happened at USNH that made you proudest in the past year?'

Meeting Preparation for this evening

There were no changes to the agenda.

Assess the Past (Monitoring)

a. Financial policy compliance - MT

The Monitoring Financial Conditions Report is attached at the end of the minutes.

How often should the board monitor financial policies? Many congregations recommend doing this on a quarterly basis. This may require changes to the policy book monitoring schedule. This is the first time that the financial report was based on multiple years' data. The Budget will be presented at the June congregational meeting. Last week's budget presentation was not well attended but those who were there asked many thoughtful questions.

The monitoring report will be revised based on feedback from the BoT meeting. It was written prior to the change to the policy 1.5.2.1 on the financial reserve. The policy book has been updated but the interpretation was not changed. MT will revisit the policy interpretation to determine whether the interpretation needs to be changed. A portion of the recent energy rebate may be used to cover some capital expenses. A capital fund will be created as a restricted fund. A range of tolerance may be recommended for determination of compliance on policy 1.6. Management of the Social Justice Council budget may be revised in the upcoming year.

Policy 1.6.c may need to be revisited to clarify the term "Unbudgeted discretionary expenditures to exceed \$2,500."

Sole source for HVAC is technically out of compliance as the policy is written. Policy 1.6.f may be another policy area to review. Should work related to a service contract be a sole source issue? Does Buildings & Grounds have a justification for sole source?

In future, the financial monitoring report could be handled by the treasurer in consultation with MT and staff and possibly the finance committee.

b. Treasurer's report

The treasurer's report is attached at the end of the minutes. It was produced on 5/31/17.

Should the board allocate funds from the current budget for future expenses for the board retreat or for software to improve board efficiency?

Create the Future & Learning

D. Stagg left the meeting at 8:23pm.

- a. Listening session updates; agree on how to proceed (see summary of results and board committee for survey outline). What method should we use to go forward? What parts of USNH should be involved? Note the value of productive cross-pollination from a committee formed from different groups.

P. Myers and B. Marie-Daly discussed ways to bring more people into a working group to follow up on the listening sessions. This would be a board committee à la Hotchkiss. Who should be in the group? Will volunteers be sought? Will specific people be asked to join?

Suggested members are: M. Lloyd Joiner, J. Greist, an MT member, J. Ross, a Social Justice Council representative, a Right Relations representative, a Sunday Morning Team member, a Membership Committee member, a CYRE member, and two board members (B. Marie-Daly and P. Myers). The board members will facilitate the meeting.

- b. Board self-evaluation. What did we need to do? What did we do? What did we do well? What could use improvement? What do we wish we could have done?

The second monthly board meetings have been more like a policy governance board. Attendance has not been mandatory. They have helped members get to know each other. What can be brought into the Thursday meetings from the Tuesday meetings? New members were told that there are two meetings per month. Reminders about the meetings are important. Would call in participation be helpful? Should formal minutes be kept? Are informal notes sufficient? What will be the purpose of the meetings after we complete discussions of Hotchkiss? The second meeting could be used for visioning. Deep discussions may be helpful on several topics. Hotchkiss has shown that flexibility and creativity can work for the BoT. *Moving on from Church Folly Lane* by Robert T. Latham may be a good read for the BoT. We need to address training for new BoT members. Goals need to be set for a combination of new and old BoT members. Should departing BoT members attend the next retreat? What can be done for orientation? It takes time to get to know people. The check-in model has been helpful for getting to know each other. Should everyone write a column for the newsletter? Board members should be introduced at the congregational meeting.

- c. Decide on a date for a Board retreat to set priorities (including year's goals) and discuss MT structure and sustainability

Suggested dates are: August 19, September 9, 16, 23, and 30 for a retreat. September 9 seems to be the best date. New BoT members will be asked about their availability.

- d. Outline changes for how the board will operate next year- agendas largely set in advance, 1-3 goals set in Aug/Sept, most reports on consent agenda, closer to Hotchkiss model

Deferred due to time

- e. Request to start brainstorming ways to communicate how USNH is governed and how it operates to congregants.

Deferred due to time

Consent Agenda

- a. May 11, 2017 BoT minutes

MOTION R. Heinrich, to approve the consent agenda; **SECONDED B. Pace**;

PASSED unanimously.

Announcements

No announcements were made.

Thank-you's

H. Hawkins and R. Heinrich were given plants as a thank you for their service to the Board.

New Business:

K. Garner requested a location to place finance reports for members of the finance committee. P. Miller will add a page to the BoT site. K. Garner will provide the email addresses of those who will need access to the reports.

Adjournment

MOTION – D. Gelperin, to adjourn; **SECONDED – R. Heinrich**;

PASSED unanimously.

The meeting was adjourned at 9:03 pm.

Attachments

Monitoring Financial Conditions
Finance Report

FINANCIAL CONDITION AND ACTIVITIES MONITORING REPORT
Submitted by the Management Team
Rev. Megan Lloyd Joiner, Georgia Jennings, David Stagg, Gwen Heuss-Severance
May 11, 2017

1.5 Financial Planning/Budgeting

Policy Wording 1.5:

With respect to financial planning, the Management Team may not jeopardize the programmatic or fiscal integrity of the Unitarian Society of New Haven. Accordingly, the Management Team may not cause or allow fiscal projections that:

- a. *Contain too little detail to enable reasonably accurate projection of revenues and expenses, separation of capital and operational items, and disclosure of planning assumptions.*
- b. *Deviate materially from Board-stated priorities and requirements (see Ends policies) in its allocation among competing fiscal needs.*

Executive Interpretation

The MT will continue to use and improve upon the methodologies currently in place to provide information to the Board about financial planning and budgeting. Projected expenses will be based on experience over the previous 2 – 3 years adjusted to accommodate projected changes in the upcoming fiscal year. Revenues will be based on historical experience and projected changes in the coming year. Planning assumptions will be documented.

As noted in the interpretation of PG 1.6.a., it is the MT's conclusion that when examining the details of our budget, all the budgeted expenditures contribute to one or more of the Ends. It is also true that some Ends will have higher priority than others at different points in time, as determined by the Board.

Data:

This year's proposed operating budget took into account data from the past three years. Budgets and actual expenditures from the past three years are included in the proposed budget. Notes are also included to fulfill the requirement of disclosure of planning assumptions and to accurately communicate with both the Board and the congregation. Capital expenses not included in the "Maintenance" or "Property Management" line items will be considered separately in an annual capital budget.

This year's budget is as lean as possible while maintaining the current level of staffing and providing a modest 1% COLA for eligible staff (an additional 1% is included for our Sexton in order to move his compensation closer to the UUA recommended fair compensation mid-point). We understand the current budget to reflect the Board's End's policies. Cuts that were required, were made across the board in collaboration with staff and committees. We report COMPLIANCE.

1.5.1 Budgeting

Policy Wording 1.5.1:

The Management Team shall not fail to:

a. Use realistic assumptions of income and expenses when creating budgets.

Executive Interpretation: As stated in 1.5.a., assumptions of income and expenses will be based on historical experience and projected changes in the upcoming year.

Data: As stated above, this year's budget took into consideration budgets and actual expenses from the past three years. Projected income is based on the results of the annual stewardship drive as of 4/26/17 including projected income from those who have not yet pledged. We chose to be conservative this year with our projected income. We report COMPLIANCE.

b. Create an annual operating budget for congregational approval at the Annual Spring Meeting of the Society.

Executive Interpretation: An operating budget will be submitted to the Board for review at the Board meeting prior to the Annual Spring Meeting of the Society, when it will be presented to the congregation for approval.

Data: An operating budget will be submitted to the Board for review on 5/11/17 and to the congregation on 6/11/17. We report COMPLIANCE.

c. Create an annual capital budget with the means to pay for one to present for congregational approval at the Annual Spring Meeting.

Executive Interpretation: The term "Capital assets" is interpreted to mean the property, buildings, equipment and furnishings of USNH. Capital expenditures to acquire, improve, or replace capital assets will be included in the capital budget. At the discretion of the Management Team, expenditures below the amount of \$500 (the "capitalization threshold," in accounting terms) may be funded from the annual operating budget. An annual capital budget based on the Management Team's best estimate of needs, associated costs, and the means to pay for these items will be developed and presented to the Board for review at the Board meeting prior to the Annual Spring Meeting, when the annual capital budget will be presented to the congregation for approval.

Data: Two unexpected expenses outside of the capital budget totaled over \$500: Plumbing \$925.00 and a repair to the Religious Education wing windows \$848.

All other capital repairs or improvements were charged to the capital fund based on the capital budget.

A 2017-2018 capital budget will be presented to the congregation at the Annual Spring Meeting.

It will likely include funding from the Capital Fund (funds left over from this year which were to be held in reserve for the eventual replacement of the HVAC) and from Unrestricted Funds. This is less than optimal. In the future, the MT is considering additional capital fundraising, but does not feel that this is the year for such an undertaking. We report NON-COMPLIANCE

d. Consider multi-year financial projections and events that affect future operating income and expenditures and future capital expenditure requirements.

Executive Interpretation: "Multi-year projections" is interpreted to mean 2 – 3 years. Otherwise no interpretation required.

Data: This year's budget and cash management strategy takes into account that we have raised significantly less than the amount needed to fund our operating budget for the past 3 years. We have relied on temporarily restricted funds (Senn and Emerson) in compliance with donors' instructions, to supplement our Director of Lifespan Religious Education's full-time salary. We have utilized unrestricted funds to balance our budget. While we are attracting new members, we have also lost a number of members and some large donors have cut back or will be cutting back their pledges due to retirement and other circumstances. Our mortgage will be refinanced in July 2018 which will cut our operating expenses by at least \$32,000. While most of our large capital expenditures have been taken care of this year, we are looking at a significant project in the replacement of the Dryvit (the gray coating around the building) at a projected cost of \$57,000.

We have taken these projections and events into account in our budgeting and cash management considerations and therefore report COMPLIANCE.

1.5.2 Reserves

1.5.2.1 Operating Reserve

Policy Wording 1.5.2.1:

The Management Team shall not fail to establish an operating reserve to cover fluctuations in cash flow. The specifications for this reserve are:

- a. The reserve shall be equal to 25% of the annual operating budget.*
- b. The approved amount must be deposited in a liquid, conservative, interest or dividend earning account.*
- c. The operating reserve shall be secured annually as part of the budgeting process.*
 - 1) When in surplus, funds from the operating reserve can be shifted to other reserve funds, or to the operating budget, upon approval from the Board.*
 - 2) When in deficit, funds must be shifted from other reserve funds, or the operating*

budget.

Executive Interpretation:

The equivalent of 3 months of annual operating expenses (25% of the annual operating budget) should, on average, be held in insured bank accounts, including checking, money market and CDs, to cover regular operating expenses and urgent/emergency expenses. It is recognized that cash flows are variable over the course of the year and that there will be months where income exceeds expenses and other months where expenses exceed income. Therefore, the cash reserve may be expected to dip below the 25% number or to exceed it at different times during the year. At least once a year, in July or August following the year end closing of the budget, it shall be determined if available liquid funds are equal to 25% of the approved operating budget for the year. If there is less than this amount, a plan should be put forward for how the amount can be brought up over a reasonable timeframe. It is not envisioned that the approved operating budget would be immediately reduced to restore the 25% operating reserve.

What monies may be counted toward the 25% operating reserve? a. In the most conservative interpretation, the liquid funds that are counted toward the 25% operating reserve do not include monies held in temporarily restricted funds (e.g., Emerson, McTigue, Music, Senn, Donations and Memorial Gifts, etc), the Capital Fund, and the Endowment funds.

Data: As of 3/31/17, our Balance Sheet (as prepared by our Bookkeeper) reports that \$156,373 or 25% of our operating budget, has been set aside as an operating reserve. As of 3/31/17, we have a surplus of \$78,789.59 in unrestricted funds over the reserve and not including any restricted funds. Of this surplus, \$40,000 will be used to repay loans made by congregants to cover the cost of a replacement roof. The lenders have requested that loans be paid back to the Endowment. The MT will recommend that a portion of unrestricted funds be shifted to the operating budget to cover the shortfall in the 2017-18 operating budget. Additionally, the MT recommends that the operating reserve be reduced to 15%. We report COMPLIANCE with the current policy.

1.5.2.2 Capital Fund

Policy Wording 1.5.2.2:

The Management Team shall not fail to establish a capital fund for planned and unexpected facility and equipment expenses.

Executive Interpretation: The term “Capital assets” is interpreted to mean the property, buildings, equipment and furnishings of USNH. A capital fund will be maintained by an annual capital budget. Capital expenditures to acquire, improve, or replace capital assets will be included in the capital budget.

Data: A capital fund was created in 2016 out of the bequest left by Arthur Rickel. That fund has been used for planned and unexpected facility and equipment expenses. Additional monies have not been allocated for that fund in 2016-2017 or 2017-2018. We will request a transfer from

“Gifts and Donations” to the Capital Fund to cover the cost of replacing the sanctuary roof. We report COMPLIANCE.

1.6 Financial Condition and Activities

Policy Wording 1.6:

With respect to the actual, ongoing condition of USNH’s financial health, the Management Team shall not cause or allow the development of fiscal jeopardy. Accordingly, the Management Team shall not allow:

a. Financial expenditures to deviate materially from the Board’s Ends priorities

Executive Interpretation:

On the one hand, the introductory sentence for section 1.6 states that the issue is preventing fiscal jeopardy, implying a concern about expenditures exceeding budgeted limits or funds being lost or mishandled. On the other hand, this “1.6.a.” statement seems to be concerned not with any amount or mishandling of funds, but with the purposes (“the Board’s End’s priorities”) for which the funds are spent. In examining the details of our budget, we find it quite straightforward to conclude that all of the budgeted expenditures contribute to one or more of the Ends. It is also true that some Ends will have higher priority than others at different points in time (though that will not be defined by the MT). All in all, for an introductory interpretation, prior to deeper discussion with the BOT, we have chosen to focus on the fiscal jeopardy question of actual amounts of expenditures compared to budgeted amounts.)

Teasing apart our Ends, one could argue that our priorities include both discretionary and non-discretionary (legally obligated, safety-related, property asset protection) expenses related to staffing and facilities for worship, pastoral care, lifespan religious education, social justice and right relations. “Deviate materially” is interpreted as meaning “to exceed by more than 10%” of the budgeted amounts for such expenses. It is recognized that unanticipated but unavoidable circumstances may cause non-discretionary expenses to exceed 10% of budgeted amounts, thereby placing us out of compliance with this limitation.

Data: The MT brought to the Board the emergency replacement of the Sanctuary roof due to leaks. The Management Team reviewed and concurred with Building and Grounds’ recommendation that we accept the Seal-tite bid of \$47,009 to replace the Sanctuary roof using a single source bid for reasons provided. We proposed using funds from “Gifts and Donations” to pay for the roof replacement.

As of 4/6/17 other non-discretionary expenditures that exceeded budget include:

EFT Fees 33.55% over budget

Worker’s Compensation Insurance 5.4% over budget

We report NON-COMPLIANCE.

b. Discretionary expenditures to exceed the amounts budgeted in the current fiscal year without Management Team evaluation and approval.

Executive Interpretation: Discretionary expenses above budgeted amounts may not occur or be committed to by staff or committees without submission and approval of a Request for Funds application. It is the responsibility of staff and committee chairs to manage their discretionary budget items within approved limits. During the year, they may reallocate funds among discretionary line items within the overall total of the discretionary spending in their respective budget domains. [An explanation of reallocated discretionary funds should be provided at year end.]

Data: As of 4/6/17 the following line items are over budget or projected to be so:
Postage 13% over budget
Web Hosting and Software 4.5% over budget
(Projected) Membership Coordinator Salary

Additionally, the Anti-Racism Team exceeded their budget and Social Justice Council reallocated funds within the Social Justice Network budgets.

We report COMPLIANCE.

c. Unbudgeted discretionary expenditures to exceed \$2,500 in any one fiscal year without approval of the Board.

Executive Interpretation: Any item qualifying under 1.6.b above which exceeds \$2500 will be brought to the BOT.

Data: No non-discretionary expenses have exceeded \$2500. We report COMPLIANCE.

d. Settlement of payroll, employee benefits, and bills to deviate from timely payment.

Executive Interpretation: "Timely payment" is interpreted as the payment schedules set by law, regulation, and /or contract for the particular items owed for payment.

Data: On one occasion, a bill was not paid on time due to dispute with the vendor over property tax. The bill was subsequently paid along with a late fee of \$49.93. We report COMPLIANCE.

e. Restricted funds to be used for purposes other than those specified by the donor.

Executive Interpretation: No interpretation required.

Data: No restricted funds have been used for purposes other than those specified by the donor. We report COMPLIANCE.

f. Non-contracted program and facility expenses projected to be more than \$2,500 to be paid without procurement and evaluation of two or more price proposals or by getting approval from the Board for a sole-source justification.

Executive Interpretation: The standard procedure is to find at least two price proposals. However, if an urgent/emergent event occurs, the MT may arrange for repairs to be performed as soon as possible by a qualified contractor who is prepared to do the work. The BOT will be notified that we are out of compliance.

Data: The MT brought to the Board the emergency replacement of the Sanctuary roof due to leaks. The Management Team reviewed and concurred with Building and Grounds' recommendation that we accept the Seal-Tite bid of \$47,009 to replace the Sanctuary roof using a single source bid for reasons provided. We proposed using funds from "Gifts and Donations" to pay for the roof replacement. We report COMPLIANCE.

g. Fundraising activities without approval of the Management Team.

Executive Interpretation: Established annual fundraisers, whether for USNH or by USNH groups for outside charities and causes, are assumed to have received BOT approval in earlier years and are "grandfathered in" until such future time as the MT calls for an overall evaluation of USNH fundraising activities. New fundraising activities and new fundraising sponsors must be approved by the MT before being publicized and initiated.

Data: Approved and "grandfathered" fundraising activities occurred this year as expected. Additional fundraising was done by the Refugee Resettlement Coalition upon receipt of permission from the Management Team. Additional fundraising for the Director of Music's retirement gift was not approved. We report COMPLIANCE.

Finance Report

6/2/2017

Submitted by Kathy Garner

Operating P&L notes

We are on the home stretch!!

With a month left in the fiscal year, we should expect around 92% of our budget. Total income is at 90%; Total Expenses 87%; Overall Operating Net Income of \$19,000 (we budgeted \$191). I will follow up with the bookkeeper and accountant to understand the fiscal close process for June 30.

See below for items of note.

Income

- The Collection Plate is at 95% of budget. It does not include any of the funds donated as "Special Collection Plates" of which we had around 5 instances.
- Rental income officially surpassed the budgeted amount and has brought \$66,000 into the operating income.
- Fundraising income will most likely surpass its budgeted amount as it is currently at 99% and my assumption is that although grocery card sales slow down, we will exceed \$200 in the month of June.
- We have received and recorded the \$17,461 transfer from Endowment. This is included in the Income reported (account 4900).
- I have not yet submitted the requests to transfer (1) \$23,500 from temporary restricted funds (account 4730). This is an accounting entry and I will review the requirement with the Management Team. We would reduce a balance sheet item and shift it into income.

Expenses

There has been an increase in committee reimbursement requests as we get closer to the end of the year.

- Member Services/Committee Supp (class 5300) has spent overall 70% of budget. Small Group Ministries has spent \$0 of their \$300 budget; Stewardship/Canvass has spent \$1,000 (50% of their budget); and Endowment and Legacy has spent \$1,250 (63% of their budget). This is an example of a class (Antonia implemented) and I believe it is very useful as you can identify a grouping of expenses that are targeted towards the same goal and understand results.
- Trustees Research & Development (that's us) have spent \$275 of the \$3,000 budget. Consideration should be given to moving some of the unused budget to a temporary restricted fund. The downside is that it could possibly set a precedent for other committees which are told to spend the money in the same year it is budgeted. With the suggestion of twice a month meetings, the Management Team may want to consider investing in a conference tool/software to allow members to call in for meetings. Additionally, there is Management Team contingency where \$412 has been spent of \$3,000 budget.