

Unitarian Society of New Haven
Minutes of the meeting of the Board of Trustees
March 9, 2023
Approved by the Board April 13, 2023

Board members present:

David Jones, President	Bobbi Pace, Vice President	Terry Bohnhorst Blackhawk, Clerk
Christina Santoni	Joan Ciano	Kyle Manning
Susan Trotta-Smith	Becky Reeve	

Management team member present: David Stagg

1. The meeting was held in person. President David Jones called the meeting to order at 7:00 p.m.
2. Vice-president Bobbi Pace lit the chalice and read “In winter we contemplate...” by Anonymous.
3. Covenant Reading by Bobbi Pace written by Eric Walker Wickstrom. Board members will begin taking turns doing Covenant Readings, with Tina Santoni preparing April’s reading.
4. The shared covenant was read aloud, followed by check in. David Stagg took Board photo.
5. Bobbi Pace added discussion of an exit interview from the UUA re: Rev. Lindasusan’s departure to the agenda. The agenda was approved.
6. The approval of minutes was as follows:
Congregational Meeting Dec. 11, 2022: Bobbi moved; Tina seconded. Approved 7-0
Board Meeting Feb. 9, 2023: Kyle moved; Joan seconded. Approved 7-0
Board Meeting, Feb. 27, 2023: Tina moved; Sue seconded. Approved 7-0
7. President/Vice President report:
 - a. Update on listening sessions: David Jones reported that the nine listening sessions scheduled by the Board will be finished by the middle of next week and the Board will meet to discuss results. Board members have served as scribes in the sessions. David Jones and Bobbi Pace have been responding to email questions, and feedback from congregants has been good.
 - b. Announcement of Contract Minister Search Committee: President David Jones, Vice President Bobbi Pace, Board member Becky Reeve, Management Team member David Stagg, Bob Congdon and Laura Patey will comprise Search Team.
 - c. Stewardship campaign. Increases in pledges have been coming in. USNH membership has remained at 308 for two years.
8. David Stagg presented the Management Team compliance report on policy sections 1.5 and 1.6.
9. Other items for discussion:
 - a. David Stagg reported that a congregant is interested in the USNH Board treasurer position.
 - b. Emerita status for Kathleen McTigue and Linda Pawelek will honor their years of service.

c. Discussion of Land Acknowledgement status is ongoing. Terry Bohnhorst Blackhawk will continue to investigate.

10. New Business:

- a. The New England UUA region will conduct an exit interview regarding our joint ministry with Rev. Lindasusan. Joe Sullivan will send questions in advance of our meeting, which will be held on Wednesday March 22nd, 7:00 p.m. on Zoom.
- b. The next USNH congregational meeting is set for June 4, 2023, a Soup Sunday.
- c. Monday 20th March 7:00 p.m. Zoom Board meeting to discuss results of listening sessions.

8:35 adjournment.

Attachment:

Management Team compliance report on sections 1.5 Financial Planning/Budgeting and 1.6 Financial Conditions and Activities

Management Team compliance report on section 1.5 and 1.6

Last reported 2/1/2022

(Policy Governance Manual text is black, MT interpretation is blue, MT report is red)

1.5 Financial Planning/Budgeting

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.

MT Interpretation:

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. The MT will routinely seek the advice of the Finance Committee on financial matters.

The MT has primary responsibility for the Operating Budget and the Capital Budget. The Operating budget is divided into more than 100 separate categories corresponding to accounts within our accounting software (“Quickbooks”). For each item in a new budget, we look back at values over the previous 5 years. The Capital Budget contains items planned for implementation in the next year. Both budgets only project income and expenses for 1 year ahead.

- b. Deviate materially from Board-stated priorities and requirements (see Ends policies) in its allocation among competing fiscal needs.

MT Interpretation:

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 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, as determined by the Board.

The Board provides priorities among some items which MT uses when balancing the budget. Expenses allocated for programs and committees are based on numbers for previous years modified following discussions with staff and committee chairs.

Policy approved by the Board: May 14, 2015

MT Interpretation Approved by the Board: January 14, 2016

Revised MT Interpretation Approved by the Board: April 11, 2019

1.5.1 Budgeting

The Management Team shall not fail to:

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

MT 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.

MT relies on the Stewardship committee to arrive at a realistic projection of pledge income. Projection of other sources of income and of expenses is based on previous figures adjusted by information provided by the Staff, the Finance Committee and other Committee Chairs.

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

MT 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 congregational for approval.

MT has done this every year since presenting the Fiscal 2017-18 budget at the June 2017 Congregational Meeting. At the May 22nd 2022 Congregational Meeting the Operating budget was approved with 71 in favor, 1 against and 2 abstentions.

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

MT 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.

With advice and approval from MT, the Chair of Buildings and Grounds has presented the Capital Budget at the Spring Congregational meeting for the past 3 years. At the May 22nd 2022 Congregational Meeting the Capital budget was approved with 72 in favor, 0 against and 0 abstentions.

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

MT Interpretation:

“Multi-year projections” is interpreted to mean 2 – 3 years. Otherwise no interpretation required.

In October 2021 we contracted with Susca Roof Consulting for a full evaluation and report on our roof and walls. Susca provided a multi-year plan for maintenance and repair. We implemented the immediate recommendations in 2022. The 2-5 year recommendations are a major component of the designs for our Operating and Capital budgets for fiscal 2023-24.

*Policy approved by the Board: May 14, 2015
MT Interpretation Approved by the Board: January 14, 2016*

e. Allocate all monetary gifts which are not designated for a specific fund or endowment to “unrestricted gift/donations”.

This is standard practice for the Congregational Administrator and the Bookkeeper.

Policy approved by the Board: February 11, 2016

1.5.2 Reserves

1.5.2.1 Operating Reserve

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 15% 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.

MT Interpretation:

A portion of the annual operating expenses (currently 15% 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 15% 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 15% 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 15% operating reserve. What monies may be counted toward the operating reserve?

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

The MT reviews the balance sheet as soon as it is available for the previous year and calculates the “unrestricted net cash” as follows. We take the “total current assets” from the balance sheet and subtract the “total current liabilities”. Then we subtract the amounts belonging to “Capital Fund”, “Gifts and Donations”, “Restricted funds Net Assets” and “Prepaid pledges”. As long as the final amount exceeds the Operating Reserve calculated from the Operating Budget for the current year we are in compliance with c. above. For this year the calculation at the end of fiscal 2022 shows \$32,353 in excess of the \$94,406 Operating Reserve.

*April 11, 2019 Policy Approved by the Board: May 11, 2017
MT Interpretation Approved by the Board: August 11, 2016
Revised MT Interpretation Approved by the Board: May 11, 2017
Revised MT Interpretation Approved by the Board:*

1.5.2.2 Capital Fund

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

MT Interpretation: No Interpretation required

The yearly Capital Budget provides very little capability for funding any major unexpected facility and equipment expenses. The only regular contribution to the income section of the Capital Budget is from a line item in the Operating Budget. The Budget Planning Task Force is charged with creating a plan to fund major repairs that will be needed to our building and its equipment over the next 2-5 years.

Policy approved by the Board: May 14, 2015

MT Interpretation Approved by the Board: April 11, 2019

1.5.2.3 Cash Management

The Management Team shall not fail to:

- a. At least yearly, assess the liquid funds
- b. Assess the potential uses for any surplus that exists over the amounts needed for the operating budget plus operating reserve, taking into consideration capital needs and multi-year planning.
- c. Consider investing any surplus monies into the Investment Fund managed by the Endowment Committee on behalf of USNH.
 - i. This Investment Fund is not considered part of USNH's Endowment and is not subject to any endowment restrictions.
 - ii. Because the Investment Fund is designed as a longer-term investment instrument, the Management Team should consider those implications when deciding on investment.
 - iii. The Management Team shall maintain authority and accountability over these funds and may be allowed to withdraw from the Investment Fund at any time to cover unexpected emergency expenses with notification to the Board that such withdrawals are being made.
 - iv. Additionally, the Management Team may consider the monies in the Investment Account as potential sources of funding for future proposed operating or capital budgets.

See 1.5.2.1.c for description of how MT calculates "Unrestricted Net Cash" at the beginning of the fiscal year. MT has considered the amount of Unrestricted Net Cash to be too small for investment in any other instrument other than CDs even though the return on CDs has been minuscule. At the present time, CD rates have improved considerably. CDs that mature will be reinvested in higher rate CDs.

Policy approved by the Board: May 12, 2016

1.6 Financial Condition and Activities

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

MT 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.

For the past several years, we have been using our financial reserves to achieve a balanced budget. Since the portion of these reserves that are not part of our endowment are largely exhausted the Board created the “Budget Planning Task Force” to design operating and capital budgets that can be sustained by our regular income. With guidance from the Board, the recommendations of this task force will be used to “avoid fiscal jeopardy”.

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

MT 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.]

The MT reviews the monthly Profit and Loss statements provided by the bookkeeper. We pay particular attention to any income or expense items that differ from expected values at the corresponding point in the year. We may ask the Finance Committee to reassign an item particularly if it seems to have been allocated to the wrong category thus causing a discrepancy.

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

MT Interpretation:

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

There have been no unbudgeted discretionary expenditures under this category in 2022

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

MT Interpretation:

“Timely payment” is interpreted as the payment schedules set by law, regulation, and /or contract for the particular items owed for payment

These payments are handled by others (Members of the Finance Committee, Congregational Administrator, Bookkeeper.) MT is not aware of any significant deviations from “Timely payment”.

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

MT Interpretation: No interpretation required.

Payments from restricted funds are handled by the Bookkeeper working with designated committee chairs. MT is not aware of any exceptions to this requirement.

- 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.

MT 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.

The only major non-contracted expenditure in 2022 was the repair and recoating of the exterior stucco (“Dryvit”) covering the walls of the RE wing and the Social Hall. Some roof work was also included. The Board and Congregation had previously approved a loan of \$60,000 from Endowment for this project. Leland Torrence, a preservation architect has been our advisor for many years and oversaw this project. Based on his recommendation for the contractors we requested and received sole-source approval from the Board for the project.

- g. Fundraising activities without approval of the Management Team.

MT 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.

SOP-0002 provides guidelines and procedures for fundraising. We consider several fundraisers e.g. the Chocolate Auction, Tag Sale, Regifting etc to be “grandfathered in” and not needing documentation and MT approval.

Policy approved by the Board: May 14, 2015

MT Interpretation Approved by the Board: November 12, 2015

MT is not in compliance with the requirement for multi-year plans and projections for both the Operating Budget and the Capital Budget as specified in 1.5.1.d. and 1.5.2.2. The creation of the Budget Planning Task Force with representation from other committees is designed to address this problem. With this work currently in progress we report compliance with all the other requirements of sections 1.5 and 1.6.

MT 3/9/2023