

Meeting of the Board of Trustees
Unitarian Society of New Haven
March 14, 2024
Approved by the Board April 11, 2024

USNH Board Members

Bobbi Pace, President	Joan Ciano
Sue Trotta-Smith, Vice-President	Alissa Chapin
Tom Ward, Treasurer	Kathy Haskins
Terry Bohnhorst Blackhawk, Clerk	Kyle Manning
Becky Reeve	

Also present:

David Stagg, Management Team

1. Call to order: President Bobbi Pace called the meeting to order at 7:02 p.m.
2. President Bobbi Pace lit the chalice. Reading by Clerk Terry Bohnhorst Blackhawk: “Forgotten Church” by poet James Crews.
3. In response to Bobbi Pace’s question that Board members tell about their best jobs ever, members described teaching nursery school, working (for over 30 years!) in a veterinary clinic, waiting tables in a family restaurant, managing a science startup, getting to sing with a gospel group, running front of house for a family-owned pharmacy, performing the “decapitation of a garfish,” being in charge of intelligence for the Pentagon’s missile defense, teaching in high school, running a New Age store.
4. Board members took turns reading the Board’s Shared Covenant.
5. After reading the Board’s Shared Covenant, members gave their reflections on what it means to “Speak our truths and listen openly and actively to others’ truths.”
6. Board members took turns reading from the USNH Ends Statements. Bobbi Pace announced that the statements are now framed and posted in the lobby over the book of joys and sorrows.
7. After Bobbi Pace suggested moving item 15 (Discussion of Budget Priorities) to an earlier slot on the agenda, the agenda was approved unanimously.
8. Bobbi Pace moved to accept the February minutes. Alissa Chapin seconded. The minutes passed unanimously.
9. Minister’s Report. A discussion on Rev. Stephen’s report (delivered by email and attached) noted that *Reimagining Church* will be discussed at the next meeting of the Council of Chairs. Rev. Stephen also reported that pledges are coming in more slowly this year than last. Discussion of proposed amendment to Article II highlighted that delegates to UUA need to have close interaction with USNH leadership and an awareness of congregation’s feelings about Article II, which have yet to be finally approved.
10. Management Team Report. David Stagg reported compliance on sections 1.5 and 1.6 of the Policy Governance Manual (attached). The Board then considered a requested change in *MT interpretations of policy* to language for 1.5.2.1 (attached). The changed wording would replace 15% with 10% so that the USHN reserve “shall be equal to 10% of annual budgeted operating expenses, excluding any contribution to the Capital Fund.” David Stagg explained that the new

arrangement will give another option for the use of unallocated USNH funds. President Bobbi Pace moved that the Board accept the recommendations spelled out in the memo and Treasurer Tom Ward seconded. The motion passed unanimously.

11. Consideration of USNH Budget Priorities, per a Feb. 15 email to the Board from MT and the Budget Planning Task Force—*Memo to the Board about Funding the Expected Operating Budget Deficit* (attached). Discussion focused on items including staff, healthcare increases, COLA; pastoral care; possible solar heating, and various ways that Board can use unallocated net cash to anticipate funding needs and meet deficit challenges. The discussion also included the possible use of video screens. Board members expressed appreciation for thoroughness of reporting from Becky Friedkin and the Management Team and stressed need for emphasis on pastoral care, USNH continuing its level of support to UUA, and staff COLA increases. President Bobbi Pace moved and Tom Ward seconded that the board authorize the MT or Budget Planning Task Force to meet possible deficits with funds from Gifts & Donations, unallocated cash, and Capital Funds, per wording of the memo. The motion passed unanimously.

12. Treasurer's report. Treasurer Tom Ward reported that income is exceeding expenses with a net income of \$69,000 at the moment.

13. After an enthusiastic discussion, the Board unanimously confirmed USNH's congregational sponsorship of Sunny Joy McMillan as a ministerial candidate of Yale Divinity School. Bobbi Pace moved and Becky Reeve seconded.

14. Board members continued the discussion about changes to Article II of the UUA Bylaws, the way it is being rolled out, and how conversation about it can best be facilitated within the congregation.

15. The Board noted and discussed a variety of responses from congregants and staff in response to the idea of a USNH firearms statement.

16. The USNH Spring Congregational Meeting will take place after the service on Sunday, June 2, 2024.

17. The Board conducted a satisfactory process observation on the meeting.

18. Bobbi Pace motioned adjournment and Joan Ciano seconded. The meeting was adjourned at 9:10 p.m.

Respectfully submitted,
Terry Bohnhorst Blackhawk, Clerk

Attachments:

- Minister's Report
- Monitoring Report on Policy Governance Sections 1.5 and 1.6
- Proposal to modify Policy 1.5.2.1 and interpretations
- Memo to the Board from the Budget Planning Task Force

----- Forwarded message -----

From: **Stephen Kendrick** <pannabeth@aol.com>

Date: Mon, Mar 11, 2024 at 2:21 PM

Subject: Report for Board--from Rev. Kendrick

To: Bobbi Pace <bobbipace129@gmail.com>, USNH Office <office@usnh.org>

Hi all--

Sorry to miss tonight, but here are some areas where I am working and consulting with lay leaders (apart from usual duties, which, if you include preaching, feel pretty extensive!)

--May 17 Sermon and upcoming discussions on UUA's Article II General Assembly vote (fairly controversial--may not pass in present form...) I hope our delegates are not "instructed" but encouraged to vote their conscience--but not my decision!

--Recent Memorial Service for former member, and two upcoming Memorial services (this has, thankfully, been light--let's keep it that way)

--Consultation with leaders on Council of Chairs event in April on Urban Ministry (and on near horizon, June 2 Congregational Meeting)

--Pastoral Team--visits, of course, but additional members to the Pastoral Team itself; discussions on possibility of Pastoral Minister for additional visiting and care of elderly members; meeting with Rev. Marion Visel;

--on-going course with Sunny on "The Caring Congregation."

--Consultation with Stewardship committee on on-going Canvass--fair to say a bit slow, and we may come a bit short--some ideas and re-focusing of goals perhaps needed...

I may add some items, but this is something to chew on.

Cheers, Stephen

Management Team compliance report on section 1.5 and 1.6

Last reported 3/9/2023

(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:

Management Team compliance report on section 1.5 and 1.6

- 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 June 4th 2023 Congregational Meeting the Operating budget was approved overwhelmingly with 1 opposed 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 June 4th 2023 Congregational Meeting the Capital budget was approved unanimously.

- 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 2022, the newly formed Budget Planning Task Force began by holding listening

Management Team compliance report on section 1.5 and 1.6

sessions with the Congregation mostly focusing on programming and views on a new Minister for the upcoming year. Uncertainties about our long-term financial resources led the group to recommend the recruitment of a Contract Minister.

In November 2023, the group began to focus on long range planning. Please see section 1.5.2.2 below.

*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?

Management Team compliance report on section 1.5 and 1.6

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 “unallocated 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 2023 shows \$49,079 in excess of the \$97,569 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

In November 2023, the Budget Planning Task Force began to focus on long range planning and especially on a plan to grow the funds in our Capital Fund to meet future needs for roof repairs and the replacement of our Sanctuary HVAC system now 20 years old. The mechanism we have used in the past for funding our Capital Budget has been to transfer any balance from the Operating Budget into the Capital Fund. The task force recommended that a transfer to the Capital Fund be a specific intentional amount designed to grow the Capital Fund to the point where major predictable capital expenses can be met. Working with the Finance Committee and the Building and Grounds Committee we have been developing a worksheet listing all the capital needs we can identify and the timescale for expected expenditure. MT has created a separate Energy Group to look at energy efficiency and to help us plan for the future in such technologies as Solar Energy and Heat Pumps.

*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.

Management Team compliance report on section 1.5 and 1.6

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.

Our income and our expenses on a month to month basis track reasonably well and we do not need to utilize more than about 50% of our Operating Reserve to keep our liquid cash in balance over the year. Since our Operating Reserve is larger than we need and we currently have nearly \$50,000 in Unallocated Net Cash we have begun working with the Finance Committee and our Treasurer to explore the creation of an Investment Fund as provided by 1.5.2.3.c above.

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

Management Team compliance report on section 1.5 and 1.6

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.

Several years ago the Management Team decided that we would never present a budget that proposed a deficit. This is to guard against “fiscal jeopardy”. However, we have had to use reserves from Gifts & Donations and “Unallocated Net Cash” to balance the budget on many occasions. These reserves are not regularly replaced and the Board charged the MT and Finance Chair to create a “Budget Planning Task Force” (BPTF) to design operating and capital budgets that can be sustained in future years by our regular income. This task force has recommended that we plan for future capital needs by direct contribution to the Capital Fund from our Operating Budget. This plan has been presented to the Board for the Fiscal 24-25 budget. With the guidance of the BPTF, we are also considering a Capital Campaign to bolster the funds available for future capital expenditures.

- 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 2023 that have not been discussed with and approved by the Board

- 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

Management Team compliance report on section 1.5 and 1.6

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 fund managers. 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 estimated expense of \$5,125 for recoating of the Sanctuary roof by our preferred roofing contractor was approved by the Board as a sole-source contract in August 2023.

The water heater in the boiler room and the smaller water heater in the daycare both developed leaks in October 2023. There was a unanimous recommendation from the USNH Energy Group to install a heat-pump water heater in the boiler room. We obtained cost estimates from our preferred plumber and from 3 other suppliers before authorizing the replacements.

- 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 as not needing documentation and MT approval.

Policy approved by the Board: May 14, 2015

MT Interpretation Approved by the Board: November 12, 2015

We report compliance with sections 1.5 and 1.6

MT 3/14/2024

**Proposal to modify Policy 1.5.2.1 Operating Reserve and its interpretation
March 2024**

The Management Team, after consultation with the Finance Committee and Treasurer, propose some adjustments to the policy about our Operating Reserve. Current policy states:

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.

Experience has shown that this level of Operating Reserve (typically in the \$90,000s) is well above what is needed to cover fluctuations in cash flow, which the Finance Committee estimates to be about \$40,000. We do not recommend reducing the reserve that far, but **propose reducing it from 15% to 10% of budgeted Operating Expenses.**

We also propose to explicitly exclude any transfer to the Capital Fund from the basis for the Operating Reserve. Recent practice has been to transfer any surplus of budgeted income over budgeted expenses to the Capital Fund but to calculate the Operating Reserve on the total budgeted Expenses, i.e., including monies budgeted for capital expenses. This practice artificially inflates the Operating Reserve. The Budget Planning Task Force recently recommended to the Board that we budget more appropriately for capital expenses. In the absence of a Capital Campaign, this will continue to be done through the Operating Budget. Because the Operating Reserve is intended to address fluctuations in operating expenses, it seems reasonable to exclude monies designated for capital expenses from the calculation.

The following shows the implications of these proposed changes using the FY24 Operating Budget:

Total Income and Expenses:	\$ 639,222
Transfer to Capital Fund:	19,100
Expenses less Capital Fund:	620,122

Operating Reserve:	
Current policy:	\$ 95,883
Proposed changes:	62,012

**Proposal to modify Policy 1.5.2.1 Operating Reserve and its interpretation
March 2024**

The proposed language for 1.5.2.1.a is:

- a. The reserve shall be equal to 10% of annual budgeted operating expenses, excluding any contribution to the Capital Fund.

Assuming the Board approves this change in policy, the **MT interpretations of policy** would change in the following sections, replacing 15% with 10%:

- 1.5.2.1 Operating Reserve
- 1.7.2.c (part of the Asset Protection policy)

Memo to the Board from the Budget Planning Task Force



Becky Friedkin <becky.friedkin@gmail.com>

Memo to the Board on the FY25 budget

Becky Friedkin <becky.friedkin@gmail.com>

Thu, Feb 15, 2024 at 12:00 PM

To: Board of Trustees <board@usnh.org>

Cc: Budget Planning Task Force <budget@usnh.org>, Management Team <management.team@usnh.org>

To the Board,

The **Budget Planning Task Force** was charged by the Board in May 2022 with engaging in short- and long-range financial planning to address both operating and capital needs. After contemplating potentially severe budget cuts last year and engaging the congregation in a series of focus groups, the Task Force has turned its attention to the essential charge from the Board.

After several thoughtful and fruitful discussions, we have the following recommendations for the FY25 budgets (and beyond):

- That the amount allocated in the operating budget for **capital expenses** be an intentional and planful figure, predicated on analysis of our anticipated needs over the next five years. (Current practice is to give the Capital Fund any surplus of budgeted expenses vs. budgeted revenues.)
- That the Management Team and Board plan to meet the **currently predicted FY25 operating budget deficit** by using unallocated cash and the Gifts and Donations Fund (the repository for donations without clear intent as to purpose).

We believe that the investment in the two distinct areas that this funding will provide – **enhanced pastoral care resources and recognition of realistic capital expenses** – will contribute to the sustainability of both the institution and our physical plant.

Sincerely,

FY24 Budget Planning Task Force

David Stagg, Terry Durham, Becky Friedkin, Jerry Clupper, Fred Morrison, Laura Patey, Tom Ward