



## FIRST UNITARIAN SOCIETY IN NEWTON

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*FUSN Issuance 2010-12*

*Policy*  *Information*

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**From:** Pat Rohan  
Chair, Operations Council

**Date:** September 27, 2010

**Subject:** Financial Policies

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**Purpose:** To formally identify the Financial Policies adopted by the Board of Trustees in August 2008 and to incorporate them into the series of Policy and Information Issuances instituted by the Operations Council in 2010.

**Background:** On August 12, 2008 the Board of Trustees unanimously adopted the *Financial Goals and Strategies* and the *Operating Budget Financial Policies* and charged the Finance Committee with “periodically reviewing this document and recommending such changes to the Board of Trustees as might be appropriate”.

In October 2009 the Finance Committee recommended, and the Board approved, the addition of a bullet point to the *Reimbursement* section to provide for voiding checks issued by FUSN which have not been cashed after one year.

Furthermore, the Financial Policies need to be read in conjunction with Sections 2.4, 5, 6 and 7 of the *Global Operations Council Policies* and Section 2 of the *Limitations Policies* which can be found in *Issuance 2010-08 Policies under FUSN’s Governance Structure* which were adopted by the Board on April 10, 2010 as part of our new governance structure.

**Policy:** As attached in the following pages.

**Effective Date:** August 12, 2008, and as updated October 2009, and with reference to *Issuance 2010-08 Policies under FUSN’s Governance Structure* as described above.

## FUSN ISSUANCE 2010-12: FINANCIAL POLICIES

### Financial Goals and Strategies for FUSN's Operating Budget

- Process
- Viability
- Purpose and Program
- Legal and Regulatory

### Operating Budget Financial Policies

#### ***A. Cash Management***

- Sunday Offering
- Bank Deposits
- Cash Levels
- Inter-fund Transfers and Loans
- Bank Accounts and Funds
- Bank Statements
- Cash Procedures

#### ***B. Accounts Payable***

- Reimbursement (*amended October, 2009*)
- Check Signature Authorization
- Payables Procedures

#### ***C. Record Keeping***

- Pledge Payment
- Payroll
- Fixed Assets

#### ***D. Operating Budget and Financial Planning***

- Annual Budget Development Process
- Budget Controls
- Financial Forecasts
- Historical Information
- Budget Earmarks
- Building Repair Fund
- Contingencies

#### ***E. Financial Reporting***

- Accounting Method
- Chart of Accounts
- Software
- Year-End Surplus
- Operating Budget vs. Actual
- Balance Sheet
- Statement of Current Activity

#### ***F. Endowment Funds***

- Board of Investment

#### ***G. Risk Management***

- Liability Insurance
- Property Insurance

**FUSN ISSUANCE 2010-12: FINANCIAL POLICIES**

**FINANCIAL GOALS AND STRATEGIES FOR FUSN'S OPERATING BUDGET**

<i>Topic</i>	<i>Goals</i>	<i>Strategies</i>
Process	<ul style="list-style-type: none"> <li>o Provide transparency and accountability in all financial transactions and financial statements.</li> <li>o Support appropriate and informed decision-making by Board of Trustees and/or congregation.</li> </ul>	<ul style="list-style-type: none"> <li>o Document and distribute financial policies, procedures, and practices.</li> <li>o Use multi-year financial forecasts as planning tool.</li> <li>o Present information regarding FUSN's financial condition in an easily-understood framework.</li> </ul>
Viability	<ul style="list-style-type: none"> <li>o Protect financial and physical assets through internal controls, sound investments, risk management, on-going maintenance, and periodic capital improvements to ensure FUSN is a going concern in the future.</li> </ul>	<ul style="list-style-type: none"> <li>o Active, generous pledging base.</li> <li>o Well-managed growing endowment with prescribed and approved policies for retention of endowment returns.</li> <li>o Maintain adequate level of insurance to manage risk.</li> </ul>
Purpose and Program	<ul style="list-style-type: none"> <li>o Maintain ability to adequately fund the programs and services of our church community.</li> <li>o Fairly compensate our staff.</li> <li>o Fair share contributor to our denomination.</li> <li>o Support worthy causes in our greater community as approved by the Board of Trustees and congregation through established governance process.</li> </ul>	<ul style="list-style-type: none"> <li>o Maximize budget flexibility by timely use of restricted funds.</li> <li>o Allocation of resources should be consistent with annual, multi-year, and/or strategic plans.</li> </ul>
Legal and Regulatory	<ul style="list-style-type: none"> <li>o Comply with applicable laws</li> <li>o Strive to achieve consistency with Generally Accepted Accounting Principles (GAAP) to the extent permitted by FUSN's ability to fund the resources necessary to do the work.</li> </ul>	<ul style="list-style-type: none"> <li>o Adhere to system of internal controls with appropriate checks and balances.</li> </ul>

**Adoption and Review:**

**The Board of Trustees of the First Unitarian Society in Newton hereby adopts these goals and strategies. The Finance Committee is charged with periodically reviewing this document and recommending such changes to the Board of Trustees as might be appropriate.**

**Adopted 8/12/08 by BOT along with the attached Operating Budget Financial Policies.**

<b>A. Cash Management</b>	
<b>Topic</b>	<b>Practice and/or Policy</b>
<b><i>Sunday Offering</i></b>	<ul style="list-style-type: none"> <li>• The Sunday offering should be counted by two persons working together in the same room. Both should initial a written form noting the amounts received in checks and in cash. The form should be part of a routine system maintained by the Administrator or someone else to record the collection along with attendance and other information about the weekly service.</li> <li>• The offering proceeds should be stored in a secure place until deposited.</li> </ul>
<b><i>Bank Deposits</i></b>	<ul style="list-style-type: none"> <li>• The person who makes out the bank deposit should not be one of the cash counters. A copy of the deposit slip must be saved and compared with the deposits noted on the monthly bank statement.</li> </ul>
<b><i>Cash Levels</i></b>	<ul style="list-style-type: none"> <li>• FUSN should maintain an operating fund cash balance sufficient to cover up to the next three months of forecasted operating expenses.</li> <li>• Excess operating funds beyond the required cash levels should be invested in an appropriate investment vehicle to optimize the return and preserve principal. The investments should have a remaining time to maturity not longer than the duration of the period until the funds are required.</li> </ul>
<b><i>Interfund Transfers and Loans</i></b>	<ul style="list-style-type: none"> <li>• Disbursement of funds from the Endowment Fund to the Operating Fund should be made as needed during the year to ensure sufficient cash levels within approved annual budget limits. (see above policy).</li> <li>• Interim loans to the Capital Campaign or for other purposes should only be made upon the express authorization of the Board of Trustees and drawn from the Endowment Funds.</li> </ul>
<b><i>Bank Accounts and Funds</i></b>	<ul style="list-style-type: none"> <li>• FUSN will maintain a consolidated bank account for revenues and expenses for all operating activities. The only exceptions at this time to this policy are the funds for the Sandy Island and Ferry Beach retreats, Holiday Trees, and Minister's Discretionary Fund due to past practice. The Treasurer will review the bank statements for these funds at least on a semi-annual basis.</li> <li>• Under no circumstances are FUSN and personal funds to be co-mingled in a FUSN account or vice versa.</li> <li>• Under no circumstances should funds be drawn from a FUSN account unless properly approved for FUSN purposes and recorded in the account. Also, the amount withdrawn must be within budgeted amounts for the purpose requested.</li> </ul>
<b><i>Bank Statements</i></b>	<ul style="list-style-type: none"> <li>• FUSN will utilize current practices within the banking industry to protect against someone falsifying the amount on a check after it has been signed.</li> <li>• The Treasurer or designated accountant will reconcile bank statements for FUSN's primary checking account on a monthly basis.</li> <li>• The Treasurer or designated accountant will reconcile bank or investment statements for FUSN's other checking or saving accounts at least semi-annually. This will include special program bank accounts, the Board of Investment funds, and capital campaign accounts.</li> </ul>
<b><i>Cash Procedures</i></b>	<ul style="list-style-type: none"> <li>• The Treasurer should describe to the board annually how the congregation's cash is handled, what safeguards are in place, what changes should be made, if any, and s/he should immediately report any irregularities.</li> <li>• FUSN will maintain written documentation of the cash management procedures. The procedures will be consistent with the financial policies in this document.</li> </ul>

<b>B. Accounts Payable</b>	
<b>Topic</b>	<b>Practice and/or Policy</b>
<b>Reimbursement</b>  <i>(2nd bullet added in October 2009)</i>	<ul style="list-style-type: none"> <li>• There must be a bill, invoice, receipt, statement, or written request for reimbursement for every check drawn. These should be available for comparison with the canceled checks on an occasional basis. No checks should be signed without documentation of the expense and a review for reasonableness by the Administrator or Treasurer. It is assumed that monthly expenses are consistent with the categories and amounts established in the church budget.</li> <li>• Checks issued by FUSN which have not been cashed after one year from the date of the check will be voided and not reissued. This policy will be publicized once per year in the FUSN Newsletter and to the FUSN business list email address. Anyone wishing reissuance of an uncashed check prior to one year from the date of original issue may request in writing that the FUSN Administrator reissue a check in the original amount to the original payee after a period of six months has elapsed from the date of original issue, six months being the maximum time allowed by banks for a check to be honored. Upon reissuance of the check, the originally issued check will voided.</li> </ul>
<b>Check Signature Authorization</b>	<ul style="list-style-type: none"> <li>• People serving in the following positions should be authorized to sign checks: Senior Minister (for Ministers Discretionary Fund only), Treasurer, and designated Assistant Treasurer in the absence of the Treasurer.</li> <li>• Other than checks for payroll or other routine monthly payments such as a mortgage, checks larger than \$5,000 should require two signers. Persons should not sign checks made out to themselves without a co-signer.</li> <li>• Payroll – FUSN’s Treasurer will periodically review the authorized payroll list for accuracy. This review will take place at least one each fiscal year.</li> </ul>
<b>Payables Procedures</b>	<ul style="list-style-type: none"> <li>• FUSN will maintain written documentation of the account payables procedures.</li> <li>• No gifts or gratuities with value other than incidental amounts are to be accepted from suppliers of goods or services to FUSN by anyone responsible for approving or paying for goods or services.</li> <li>• No one authorizing purchases of goods or services by FUSN should profit from such purchases.</li> </ul>

<b>C. Record Keeping</b>	
<b>Topic</b>	<b>Practice and/or Policy</b>
<b>Pledge Payment</b>	<ul style="list-style-type: none"> <li>• Persons who pledge should receive a report of their pledge payments at least quarterly, with the name and phone number of the person to call if there is a discrepancy. Such statements should also report non-pledge contributions when these can be identified.</li> <li>• FUSN will send out statements reporting when pledge amounts are in arrears. This practice usually increases receipts dramatically, especially when accompanied by a return envelope.</li> <li>• FUSN will provide receipts to each person making a cash contribution of any amount or other contributions of more than \$250. Receipts for Sunday morning collection cash amounts may be provided as a blank receipt.</li> </ul>

<b>Payroll</b>	<ul style="list-style-type: none"> <li>• Except for information (i.e. salaries, compensation, cost of benefits) adopted through the budget process, all other payroll information should be kept highly confidential.</li> <li>• Advances against future salary are not permitted.</li> </ul>
<b>Fixed Assets</b>	<ul style="list-style-type: none"> <li>• FUSN will maintain an annual update and inventory of fixed and capital assets.</li> <li>• FUSN staff and others as applicable should acknowledge custody of non-fixed FUSN real property (furniture, office equipment, etc) while they are using it (other than for very short periods of time) and obtain similar acknowledgement from anyone to whom the property is transferred.</li> <li>• Any losses of real property should be reported as soon as possible to the FUSN Office Administrator and Chair of the Buildings and Grounds Committee for assessment of possibility of recovery of filing of insurance claims.</li> </ul>

**D. Operating Budget and Financial Planning**

<b>Topic</b>	<b>Practice and/or Policy</b>
<b>Annual Budget Development Process</b>	<ul style="list-style-type: none"> <li>• The Finance Committee will manage the process to develop the annual operating budget for the next fiscal year for approval by the Board of Trustees and congregation in accordance with FUSN's prevailing by-laws. The process will generally follow the cycle established by the joint committee (Board of Trustees, Finance Committee, and Stewardship Committee) during FY06. See attached graphic depicting the timing of the key stages in the process.</li> <li>• The Finance Committee will prepare the budget document at a summary level (by program category) and at an account level with sufficient explanation for reviewers to make informed decisions.</li> <li>• The Finance Committee will maintain written back-up documentation for budget amounts and requests.</li> <li>• The Finance Committee will reconcile for the Board of Trustees all changes to income and expense in the proposed budget to the originally submitted budget noting dates the changes were made and the reasons for the change.</li> <li>• The FUSN Moderator will verify at the Annual Meeting that votes on approval or disapproval of the proposed annual budget are made only by FUSN members.</li> </ul>
<b>Budget Controls</b>	<ul style="list-style-type: none"> <li>• The BOT will manage expenditures to ensure total spending does not exceed the approved annual budgeted revenues or projected revenues if expected to be less than budget.</li> <li>• Unbudgeted Expenses – The Board of Trustees must approve in advance unbudgeted expenditures greater than or equal to \$1,000 or which cause expenditures in an account to exceed budget by more than \$1,000</li> <li>• The Finance Committee and Treasurer will maintain a current list of all FUSN volunteers and staff with responsibility for one or more FUSN accounts for which a budget has been established.</li> </ul>
<b>Financial Forecasts</b>	<ul style="list-style-type: none"> <li>• The Finance Committee will prepare five-year operating budget forecasts for presentation to the Board of Trustees and congregation by January of the current fiscal year. The purpose of the forecasts is to facilitate discussion about future budgets by highlighting multi-year planning issues and other factors with potential financial implications.</li> <li>• The Finance Committee will use the financial forecasts to assist the BOT and Stewardship Committee with setting the annual canvass goal.</li> </ul>

<b>Topic</b>	<b>Practice and/or Policy</b>
<b>Historical Information</b>	<ul style="list-style-type: none"> <li>The Finance Committee will periodically prepare historical analyses comparing actual spending with current and projected budgets as-needed to provide historical context in decision-making.</li> </ul>
<b>Budget Earmarks</b>	<ul style="list-style-type: none"> <li>The congregation intends to fund the Social Action Committee's budget at a level at least equal to 2% of estimated net pledges to be received in the next fiscal year.</li> </ul>
<b>Building Repair Fund</b>	<ul style="list-style-type: none"> <li>Through approval of the Repair Fund in annual budgets, the congregation has expressed intent to make annual deposits into the Building Repair Fund during the years when no major repair project is expected. This fund can be used as a source of revenue when needed in an annual operating budget to cover periodic repair and maintenance projects that are relatively expensive (i.e. roof repairs, plumbing overhaul).</li> </ul>
<b>Contingencies</b>	<ul style="list-style-type: none"> <li>The annual budget may include contingency funding equal to 2 to 4 % of non-personnel budgets to cover unforeseen expenses that arise during the fiscal year.</li> </ul>

**E. Financial Reporting**

<b>Topic</b>	<b>Practice and/or Policy</b>
<b>Accounting Method</b>	<ul style="list-style-type: none"> <li>FUSN will record and report on operating revenues and expenditures on a cash basis.</li> <li>FUSN will record and report operating revenues and expenditures on a gross basis.</li> </ul>
<b>Chart Of Accounts (COA)</b>	<ul style="list-style-type: none"> <li>FUSN will organize expense reporting using a Chart of Accounts that encompasses all categories of the balance sheet and operating budget including assets, liabilities, accumulated surplus, revenues, and expenses.</li> <li>The COA will sensibly summarize expenses by major programs while providing sufficient level of detail for control. The COA should not become so large as to become administratively burdensome to maintain.</li> <li>Revenues and expenses should be captured in accounts based on the nature of the expense and never on a net basis alone.</li> <li>The COA should be presented consistently from year to year.</li> </ul>
<b>Software</b>	<ul style="list-style-type: none"> <li>FUSN will strive to maximize the capabilities of the financial software to ensure efficient preparation and consistency of financial reports as well as to provide an auditable record of financial transactions.</li> <li>FUSN will document accounting system procedures including source of journal entries, required approvals, and preparation and review of financial reports.</li> </ul>
<b>Year-End Surplus</b>	<ul style="list-style-type: none"> <li>FUSN will report year-end surpluses as a contribution to a fund designated by the Board of Trustees (i.e. Building Reserve, Operating Budget Reserve Fund, Endowment) and/or as revenue to cover expenses in the next fiscal year's operating budget.</li> <li>By approval of the annual budget, the congregation will approve the budgetary and accounting treatment of the year-end surplus for the recently completed fiscal year during the annual meeting.</li> </ul>

Topic	Practice and/or Policy
<b>Operating Budget vs. Actual</b>	<ul style="list-style-type: none"> <li>The Treasurer will prepare a monthly report for submission to the BOT showing year-to-date operating budget spending and revenues compared to the annual budget amount.</li> <li>The Finance Committee will prepare a quarterly report with explanations by account for significant revenue and spending issues or trends. The report will also include an updated forecast of revenues and spending by account for the fiscal year. The Finance Committee Chairperson or the Treasurer will present this information to the BOT and will make it available to the congregation upon request.</li> <li>The Finance Committee will prepare a quarterly report of revenues and spending with explanations of issues and trends for inclusion in the congregational newsletter and FUSN's web site.</li> <li>The Treasurer will provide a quarterly report of year-to-date actual spending vs budget to each of the people with designated responsibility for a budget account(s) in the annual operating budget.</li> </ul>
<b>Balance Sheet</b>	<ul style="list-style-type: none"> <li>The Treasurer will prepare a semi-annual comprehensive balance sheet. The balance sheet will include all accounts and funds associated with FUSN including the capital campaign, specific program funds, and the endowment funds.</li> <li>The Treasurer will distribute this report to the Board of Trustees, the Finance Committee, the Board of Investments, the Capital Campaign Committee (if in existence), and the congregation (via newsletter notice, annual report, and/or on web-site).</li> </ul>
<b>Statement of Current Activity</b>	<ul style="list-style-type: none"> <li>The Treasurer will prepare an annual Statement of Current Activity for the operating budget.</li> <li>The Treasurer will distribute this report to the Board of Trustees, the Finance Committee, and the congregation (via newsletter notice, annual report, and/or on web-site).</li> </ul>

<b>F. Endowment Funds</b>	
Topic	Practice and/or Policy
<b>Board of Investments</b>	<ul style="list-style-type: none"> <li>The management of endowment funds is overseen by the Board of Investments (BOI). Members of this special committee are elected by the congregation. This committee reports quarterly to the board, annually to the congregation, and to individuals upon request about the types of investments being utilized and the success of the investment policy. The BOI maintains a separate list of financial policies.</li> </ul>

<b>G. Risk Management</b>	
Topic	Practice and/or Policy
<b>Liability Insurance</b>	<ul style="list-style-type: none"> <li>The church liability insurance may protect named individuals who have responsibility for handling cash provided they have acted in good faith and in accordance with FUSN Financial Policies.</li> </ul>
<b>Property Insurance</b>	<ul style="list-style-type: none"> <li>FUSN will review and if necessary adjust the level of liability coverage at least every three years to ensure the congregation is adequately insured as a going concern.</li> </ul>