

## **Financial Policy Committee Meeting of 3/8/18 Minutes**

### **Attendees:**

Jack Welch (Chair)  
Carol Bertaut (Treasurer)  
Ellen Kelly  
Michael Thoryn  
Jack Rogers  
Paul Strella  
Sara Deshler (Executive Director)

### **Committee Recommendations to the Board**

The Committee discussed significant declines in available funds due to the need to cover continuing deficits, the cost of HVAC, the planned disbursement of \$744,427 of investment funds in FY2018, including the transfer of \$500,000 to the Capital Campaign to pay the \$300,000 cost of the campaign and add to the funds being raised (consistent with an earlier recommendation of the FPC and Board to set \$500,000 for a “futures fund” to support a major capital initiative). The Committee also noted that FY2018 pledges were falling below targets needed to eliminate deficits and might likely do so in FY2019. Accordingly, the Committee recommended that the staff and Board exercise prudence in considering any increase in particular expenditures and begin the process of Board focus on identifying the significant cuts in expenses needed to remain within the \$1,309,044 cap on expenses.

The Committee agreed on the attached draft revisions to the Committee’s charter to conform with the Board’s template and recommends its adoption by the Board.

### **Update on Board Activity – Carol / Ellen**

#### **Board response to FPC recommendations:**

- i. The Committee recommended that the Board maintain its \$1,309,444 cap on expenses despite the difficulty poised by the adoption of a new chart of accounts – [Board wants to maintain cap.](#)
- ii. The Committee recommended that the amount of pledge payments received in FY18 for FY19 should be tracked separately from pledge payments received in FY18 for FY17 and 18 and included in accounts as income for FY19 rather than FY18 to avoid over reporting FY18 income and under reporting FY19 income. This recommendation arises because of the recent change in tax law affecting charitable contributions, some members are paying their FY19 pledges in FY18– [Board made no decision.](#)

- iii. The Committee recommended that the Board allocate the \$10,000 Parker gift to the FY18 operational budget as the best means of complying with the family's desire that it be used for social justice as the budget includes more than that amount in social justice expenditures – [Board agreed.](#)
- iv. The Committee asked the Board to clarify whether HVAC loan should come from the Endowment Fund only or from the Endowment pool. The Committee sent the Board an update on the status of the funds involved and the impact of the decision to assist the Board in making its determination – [Board made no decision.](#) [Board to discuss whether to ask the Congregation vote to forgive the HVAC loan.](#) [Decision on where the funds come from can be determined as part of this process.](#) [Some concerns were discussed that loaning taking funds for the HVAC from Memory Garden, Kiplinger, and Social Justice funds might violate the charters/policies governing those funds.](#)
- v. The Committee recommended that all but the various Church investment funds and value of buildings, land, and organ be deleted from list of assets on balance sheet and that only these items be appreciated or depreciated – [Board made no decision.](#)
- vi. The Committee recommended that funds being taken from the Blumenthal Futures account to pay the costs of the Capital Campaign and not be paid back, but that determination be reported in accounting for funds received by the Campaign so that the Blumenthal funds involved are not counted as campaign contributions – [Board agreed](#)
- vii. The Board subsequently asked for advice on whether to transfer a total of \$500,000 from Blumenthal to the Capital Campaign. Sara and staff provided updated status of Blumenthal and other funds (attached) to assist Board in seeing the impact. There was insufficient time to obtain a Board recommendation so Jack W forwarded individual opinions (attached) - [Board decided to transfer a total of \\$500,000 from Blumenthal to the Capital Campaign.](#)
- viii. The Committee recommended the Board revise the attached Board policies to provide more flexibility in managing other Church funds as well as the Endowment and to assign the FPC a role in monitoring and reporting on CLUUC operational income and expenditures for consistency with budget. Board referred to Governance Committee. Jack met with Committee and supplied clean version of proposed revisions (attached) - [Pending with Governance Committee.](#)
- ix. The Committee recommended that the Board establish a team to follow up in the future with members who have not pledged by the end of June – Jack W talked with Mel Kalagian (Klote Capital Campaign consultant) who will include follow person to person follow ups with 26 new members who have not pledged as part of combined capital campaign and stewardship pledge drive – [follow ups have been initiated.](#) [No action by Board to establish a team to follow up in the future with members who](#)

have not pledged by the end of June or to establish a year-round stewardship team.

### **Current financial report – Sara and Carol**

Sara provide current financial report. Pledge report errors are being corrected.

Carol has updated (2/19) financial information putting this year and last year on an apples to apples basis. We appear to be running about 24K below last year in terms of net income year to date.

Carol working to define and establish FY2019 cap on expenses using the new chart of accounts.

Committee agreed to review for any substantial deviations from the approved budget which would affect overall numbers and notify the Executive Director, Senior Minister, and Board of anticipated or actual deviations together with related advice on action to be taken to address. Committee noted that it would be too soon to do so before December or January when current numbers would provide a more reliable view that could be used in developing budget for the coming year as well as making adjustments to the current year's budget.

Update on Pledges – pending provision of accurate figures.

### **Current Status of Investment Funds** (see attached chart).

The Committee discussed significant declines in available funds due to the need to cover continuing deficits, the cost of HVAC, the planned disbursement of \$744,427 of investment funds in FY2018, including the transfer of \$500,000 to the Capital Campaign to pay the \$300,000 cost of the campaign and add to the funds being raised (consistent with an earlier recommendation of the FPC and Board to set \$500,000 for a “futures fund” to support a major capital initiative). The Committee also noted that FY2018 pledges were falling below targets needed to eliminate deficits and might likely do so in FY2019. Accordingly, the Committee recommended that the staff and Board exercise prudence in considering any increase in particular expenditures and begin the process of Board focus on identifying the significant cuts in expenses needed to remain within the \$1,309,044 cap on expenses.

### **Review status of efforts to convert to new chart of accounts.**

Sara advised that progress was being made. Staff were also dealing with an IT problem causing errors in the export of financial data from Quick Books to Excel reports.

### **FY2019 Budget –next steps**

As noted above, the Committee recommended that the staff and Board focus on identifying the significant cuts in expenses needed to remain within the \$1,309,044 cap on expenses.

### **Revised FPC Committee Charter**

The Committee agreed to the attached revisions in its charter in response to the Board's request that the FPC to revise its charter to conform to the Board's template for committee charters. Attached is the proposed revision.

### **Update on use of Jay Schneider's gift.**

Sara contacted Jay Schneider Family: \$1,000 will pay off his pledge, and we will move \$24,000 into the endowment checking account. Of the latter, \$12,000 goes to the regular endowment and \$12,000 goes to the social justice endowment.

**Next Meeting** - Thursday 4/12 at 645 in Room 30-31

**DRAFT**

**3/9/2018**

**CHARTER OF THE FINANCIAL POLICY COMMITTEE**

**Recommended Revision to Conform to Template Issued by the Board**

**MISSION**

As a standing committee of the Board of Trustees (Board), the Financial Policy Committee (FPC) serves as a financial advisor to the Board. As such it will assist the Board in its oversight of the Church finances. The Board may request recommendations from the FPC on specific issues and the FPC may investigate other issues at its own initiative on behalf of the Trustees. From time to time the FPC with the Treasurer shall hold educational sessions to ensure that Board members have adequate understanding of the congregation's financial status and trends. The Senior Minister or Executive Director may also request advice and assistance from the FPC.

The specific responsibilities of the FPC include, but are not limited to, recommending to the Board:

- annual Board financial priorities,
- totals for operating budget income and expenses,
- parameters on proposed operating and capital budgets,
- outside financial audits,
- financial policies for the Board,
- multi-year financial plans,
- requested expenses outside of budget,
- use of non-pledge gifts,
- policy for long-term facility plans, and
- undertaking of capital campaigns.

and monitoring:

- internal audit results,
- care for resources practices,
- performance of funds invested by the Endowment Committee, and
- the financial health of the Church.

The Financial Policy Committee in concert with the Executive Director and Treasurer also shall monitor operational income and expenditures during the year for substantial deviations from the approved budget which would affect overall numbers and notify the Executive Director, Senior Minister, and Board of anticipated or actual deviations together with related advice on action to be taken to address.

The FPC may seek information and advice from any entity inside or outside the Church in order to develop its recommendations.

### **COMMITTEE MEMBERSHIP**

The FPC is composed of five to seven members including the Board Treasurer and Assistant Treasurer. Members serve staggered three-year terms commencing on the first day of July, such that each year one third of the members will be appointed to the Committee. Non-voting ex-officio members include the President of the Board of Trustees, the Senior Minister, and the Executive Director. New members are nominated by a majority of the Committee. All committee leadership nominations are subject to Board appointment.

There will be an annual invitation for candidates to apply for membership. All Committee members must be either members or pledging friends in good standing. Any member of the Committee, Board, or Church may recommend an individual for membership on the Committee. When considering candidates, the members shall consider the applicant's skills, availability, commitment to Cedar Lane, and the diversity of the membership. Preference shall be given to candidates that have not yet served as members, especially over candidates who have served the Committee during the past few years. Members generally shall serve no more than two consecutive terms. A committee member may be removed by the Board at any time.

### **COMMITTEE LEADERSHIP**

The Committee will be led by a Chair and Vice Chair who will serve one year terms. The Treasurer of the Board of Trustees from the previous church year serves as Chair of the Committee. The members of the Committee will nominate the Vice Chair by majority vote. The Board shall appoint the Chair and Vice Chair. The Chair and Vice Chair of the committee must be members of the church in good standing. An individual may serve multiple terms as Chair or Vice Chair. The Chair cannot serve as Chair for more than two consecutive terms. The Vice Chair cannot serve as Vice Chair for more than two consecutive terms.

### **DELEGATION OF AUTHORITY**

The Board has not delegated governance authority or oversight to the Committee. Its role is to provide advice and assistance.

### **STANDARD COMMITTEE PROCEDURES**

The FPC sets its own procedures and schedule of meetings, but will generally meet monthly. All of its meetings are open unless the majority of the Committee members vote to close the meeting due to the confidential or sensitive nature of the material or issues involved. Decisions on recommendations to the Board will be made by a majority vote of all members. The Committee shall forward minutes\* of each meeting to the Board via the Board secretary, and submit a quarterly or semi-annual report to the Board. At the direction of the Board the FPC will communicate its recommendations to the congregation.

## **ORGANIZATION**

The committee may establish sub-committee or teams.