

Policy C: Financial Planning

Adopted November 14, 2009, Amended August 15, 2019

With respect to planning fiscal events, the Executive Team may not jeopardize either programmatic or fiscal integrity of the organization.

Interpretation. In creating single or multi-year operating budgets, spending plans within those budgets, and other planning relating to the expenditure of First Unitarian's financial resources, the Executive Team is not permitted to put at risk the integrity of either the church's programs or its financial base. In this sense, "integrity" means that spending plans must be grounded in the Ends Statements and accountable to current needs and expectations.

Monitoring.

- (a) Annual Operating Budget. The annual operating budget the Executive Team presents to the Board for approval is the primary vehicle for the Board to acknowledge that financial planning is in accord with Ends. If there is apparent noncompliance, the Board can ask the Executive Team to alter specific aspects of the budget that it presents to the congregation at the Annual Meeting.
- (b) Monthly Financial Report. Through a monthly financial report (a statement of revenues and expenses and a balance sheet), the Executive Team shows the current degree of compliance with the approved operating budget.

We report **COMPLIANCE**

EVIDENCE: Monthly financial reports have been consistently provided and the annual budget for 20/21 was recently approved by the Congregation after its approval and acceptance by the Board.

Accordingly, the Executive Team may not cause or allow fiscal projections that:

1. Contain too little detail to enable reasonably accurate projection of revenues and expenses, fail to separate capital and operational items, fail to adequately describe cash flow and subsequent trails, or fail to disclose planning assumptions.

Interpretation. All budgets and fiscal projections must provide sufficient clarity of information that the Board can clearly see the rationale for specific lines, sources of revenue, planned expenditures, underlying assumptions, and the amount of financial reserves.

Monitoring. Following the presentation of a proposed annual operating budget to the Board for its approval, the Executive Team will answer questions the Board members may have. If two or more Board members would like more documentation as to the budget's rationale and underlying assumptions the Executive Team is not in compliance until the additional documentation is provided.

We report **COMPLIANCE**

EVIDENCE: Additional documentation was not requested by any members of the Board.

2. Plan the expenditure in any fiscal year of more funds than are conservatively projected to be received in that period.

Interpretation. The proposed annual operating budget must not project a deficit and projected revenues and spending must be reasonable estimates. The term “conservatively projected” means that the operating budget must be based on an estimate of pledge revenues, fundraising revenues, and revenues from other sources, using historical experience and best estimates for the next fiscal year (taking into account a reasonable assumption of projected pledge shortfalls and likely new member receipts). If additional proposed budgets are offered that include the use of financial reserves, those sources must be disclosed on the face of the proposed budget.

Monitoring. If, after discussion, two or more Board members do not accept the revenue projections and sources of funds as reasonable, the Executive Team is not in compliance until a revised budget is presented.

We report **COMPLIANCE**

EVIDENCE: Both the Board and the Board’s Financial Oversight Committee accepted the revenue projections and sources of funds as reasonable. Further, the budget presented, and accepted, projects a small surplus.

3. Fail to separately present a plan for capital expenditures and the means to pay for them. Capital expenditures are all repayments of debt and any building additions or equipment purchases over \$5,000.00 each.

Interpretation. In the case of building modifications or purchases of equipment costing more than \$5,000 each, or any debt repayments, that are not in the annual operating budget (or some other Board-approved plan), the Executive Team must inform the Board of the amount and purpose of an expenditure together with the source of funds to pay for it.

Monitoring: Where reasonably possible, the Executive Team will present this information to the Board in advance of incurring the debt or making the purchase under this section and with an annual or multi-year plan for the capital expenditure or debt repayment. If advance notice to the Board is not reasonably possible due to exigent circumstances beyond the control of the Executive Team, the Executive Team may make the expenditure or incur the debt but must report no later than the next Board meeting the amount and purpose of an expenditure or debt together with the sources of the funds used.

We report **COMPLIANCE**

EVIDENCE: We have reported such expenses whenever applicable.

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

Interpretation. The Executive Team is accountable to the Ends in making allocations among competing fiscal needs. When the Executive Team, in proposing a budget, makes allocation decisions among competing fiscal needs and requests, the Executive Team must discuss the choices and decisions with the appropriate stakeholders and must note those decisions in the budget plan narrative, giving the Ends-based rationales. If during the year the Executive Team makes decisions that differ from written expectations (including the operating budget), those decisions must also be based on the Ends.

Monitoring. The Executive Team must inform the Board each month of any decision that resulted in an allocation of financial resources that differed from written expectations, requests, or needs, along with a rationale linking the specific Ends that governed each decision.

We report **COMPLIANCE**

EVIDENCE: No such decision was made in September.