

Article II, Executive Limitations - Policy D: Financial Condition

Adopted November 14, 2009, Amended September 19, 2019

With respect to the actual, ongoing condition of the organization's financial health, the Executive Team may not cause or allow the development of fiscal jeopardy or loss of allocation integrity.

Interpretation: The term "fiscal jeopardy" means a situation in which First Unitarian is unable to meet its financial obligations, either currently or within a conservative projection of the next five years. The Term "allocation integrity" means that, in both budgets and expenditures, allocations must consistently be congruent with the Ends.

Accordingly, the Executive Team may not:

1. Expend more funds than have been received in the fiscal year to date unless the debt guideline (below) is met.

- a. Indebt the organization in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 90 days. Board shall be notified of any such action.**
- b. Allow liquid assets to drop below the amount needed to settle payroll and debts in a timely manner.**

Interpretation: The Executive Team may, as needed and warranted, indebt the organization so long as the amount can be repaid by identified and unencumbered revenues within a period of 90 days, or by use of unencumbered financial reserves. The Board must be notified of any such indebtedness together with the rationale for undertaking it. The Executive Team must retain liquid assets sufficient to settle payroll and debts in a timely manner.

Definitions

Funds received in the fiscal year to date means all monies received and recorded against the operating budget from the beginning of the fiscal year to the date of proposed expenditure.

Indebt the organization means to incur any financial obligation that First Unitarian would be required to pay at a future date.

Otherwise unencumbered revenues means anticipated funds that are not otherwise earmarked or encumbered and, in the view of prudent financial management and in the light of past practice, can be expected to be received, or are funds that are in the form of unencumbered financial reserves.

Within 90 days means that the funds must be expected to be received and the debt repaid with 90 days of the expenditure(s) being made.

Cash means the funds in First Unitarian's checking or money market accounts.

Settle payroll and debts in a timely manner means paying obligations within the timeframe specified on the invoice and paying employees and contractors on the agreed and regularly scheduled pay dates.

Monitoring: In the monthly financial report, the Executive Team must inform the Board of indebtedness incurred and whether it complied with the policy; whether cash was maintained at a level sufficient to settle payroll and debts in a timely manner; the justification for any noncompliance and how it is to be remediated.

We report **COMPLIANCE**.

EVIDENCE: No such indebtedness occurred in the month of December, and all debts and payroll obligations were met in a timely fashion.

2. Expend any endowment or designated funds other than for the purposes determined at time of receipt or designation.

Interpretation: Endowment or designated funds may be expended only for the specific purposes determined at time of receipt (or, if different, restriction or designation). In general, expenditure of Endowment funds is within the responsibility and authority of the Endowment Committee in consultation with the Executive Team, and the Executive Team must account to the Endowment Committee for the expenditure of Endowment Funds. Designated Funds (designated by the Board) and restricted funds (restricted by the donor) are within the responsibility and authority of the Executive Team; the Executive Team must account to the Board for the expenditure of these funds. The Executive Team is expected to maintain a clear record of Endowment, designated and restricted funds and their expenditure.

Monitoring: The Executive Team must report on the status of designated funds in the monthly financial report, noting any incident of noncompliance. The status of the Endowment is reported to the Endowment Committee at the frequency the Committee requests and annually to the Board.

We report **COMPLIANCE**.

EVIDENCE: The current status of all designated and restricted funds can be found in the monthly Balance Sheet under the Restricted Funds category.

3. Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain, otherwise unencumbered revenues within 30 days.

Interpretation: The balance sheet states financial reserves, which may include the Endowment Fund, designated funds (for example, a capital maintenance fund), savings, and bequests. The Executive is not permitted to spend an amount in one of these funds in a manner inconsistent with its designation or the annual budget plan unless the amounts can be replaced within 30 days. The return of the amounts to their designated fund must be made with identifiable and otherwise unencumbered revenues.

Monitoring: In the monthly financial report, the Executive Team must state and justify any inter-

fund shifting.

We report **COMPLIANCE**.

EVIDENCE: No such inter-fund shifting has occurred.

4. Allow actual allocations to deviate materially from Board priorities in Ends policies.

Interpretation: The Executive Team understands the annual operating budget and any other budget plan the Board has adopted as guidelines for the Board's Ends priorities. An expenditure of funds outside a budget plan would "deviate materially" if in excess of 1% of the current year's total operating budget.

Monitoring: If an expenditure is beyond the amount contemplated in a budget plan and in excess of 1% of the total operating budget, then in its monthly financial report the Executive Team must reveal that excess along with the justification for it and obtain either Board ratification or a timeline for remediation.

We report **COMPLIANCE**.

EVIDENCE: 1% of our total operating budget is \$6,242.46. At this time no expenditure has caused an area of the budget to deviate more than that amount.

5. Borrow funds on other than the short-term basis as defined and outlined in these policies.

Interpretation: The Executive Team is authorized to incur debt on First Unitarian's behalf in accordance with the limitations specified in Policy II.D.1(a). Should the Executive Team deem borrowing to be warranted on other basis than those defined and outlined in these policies, the Executive Team shall consult the Board immediately and is not to proceed without specific, written Board authorization.

Monitoring: With its monthly financial report, the Executive Team must report any instance of noncompliance along with the justification and a timeline for remediation.

We report **COMPLIANCE**.

EVIDENCE: No such borrowing of funds has occurred.