

First Unitarian Church
2012 Budget

	A	B	C	F	G	I	J	K	L
1				2011 Budget	2011 YTD Estimated Actual (12 mos)	Proposed 2012 Budget		Change over 2011 Budget	% Change
2	INCOME								
3	CONTRIBUTIONS			631,500	615,285	635,000		3,500	0.6%
4			PLEDGES	571,500	565,672	580,000		8,500	1.5%
5			NON-PLEDGE GIFTS	60,000	49,613	55,000		-5,000	-8.3%
6									
7	RENTALS			61,950	61,517	62,917		967	1.6%
8			LA PUERTA RENT	48,305	48,304	49,917		1,612	3.3%
9			OTHER RENT	13,645	13,213	13,000		-645	-4.7%
10									
11	MISCELLANEOUS			6,650	5,684	5,960		-690	-10.4%
12			FUNDRAISING	800	164	150		-650	-81.3%
13			INTEREST	500	380	200		-300	-60.0%
14			OTHER	5,350	5,140	5,610		260	4.9%
15									
16									
17									
18									
19									
20	INTERN FUND			0	0	0		0	100.0%
21	ENDOWMENT FUND INCOME			0	0	0		0	n/a
22	2011 SURPLUS			10,086	10,086	7,954		-2,132	-21.1%
23									
24	TOTAL INCOME			710,186	692,572	711,832		1,645	0.2%
25									
26	EXPENSES								
27	STAFF COMPENSATION			469,320	452,841	488,698		19,378	4.1%
28			PROGRAM STAFF	216,394	215,661	230,015			
29			ADMINISTRATIVE STAFF	98,063	96,894	103,974			
30									
31									
32									
33									
34									
35									
36									
37									
38									
39									
40									
41									
42			CUSTODIAL STAFF	26,561	23,449	25,115		-1,446	-5.4%
43									
44									
45									
46			RE AIDES	23,385	21,688	22,152		-1,233	-5.3%
47									
48									
49									
50									
51									
52			CHILDCARE PAY	9,000	6,976	7,000		-2,000	-22.2%
53									
54									
55			OTHER EMPLOYER COSTS	95,917	88,173	100,442		4,525	4.7%
56									
57									
58									
59									
60									
61									
62									
63									
64									
65	PROGRAM DIRECTOR'S EXPENSES			18,850	16,747	15,490		-3,360	-17.8%
66									
67									
68									
69									
70									
71									
72									
73	OFFICE EXPENSES			28,750	28,656	27,450		-1,300	-4.5%
74									
75	UTILITIES			32,000	33,357	33,900		1,900	5.9%
76									
77	PHYSICAL PLANT			24,300	24,342	24,300		0	0.0%
78									
79	RELIGIOUS EDUCATION			9,450	9,462	6,500		-2,950	-31.2%
80	ADULT RELIGIOUS EDUCATION			100	0	100		0	0.0%
81									
82	SUNDAY SERVICES			29,745	25,130	17,100		-12,645	-42.5%
83									
84									
85									
86									
87									
88									
89									
90	COUNCILS & COMMITTEES			6,645	4,336	5,595		-1,050	-15.8%
91									
92									
93									
94									
95									
96									
97									
98									
99									
100									
101									
102									
103	CARLSBAD BRANCH			3,800	2,341	3,500		-300	-7.9%
104	SOCORRO BRANCH			3,595	2,883	3,437		-158	-4.4%
105	EAST MOUNTAIN BRANCH			5,420	5,219	5,420		0	0.0%
106									
107	CONGREGATIONAL COMMITMENTS			30,439	30,439	38,924		8,485	27.9%
108									
109	MISCELLANEOUS			17,205	10,343	10,850		-6,355	-36.9%
110									
111									
112	MORTGAGE PAYMENTS			30,568	30,567	30,568		0	0.0%
113									
114									
115									
116									
117									
118									
119									
120									
121									
122	TOTAL EXPENSES			710,186	676,664	711,832		1,646	0.2%

SHARED GOVERNANCE BACKGROUND

During the past several years, First Unitarian has revamped its bylaws and expanded its policies to embrace the growth we have experienced and enable us to better function as a large church. During this process, we've moved toward a model of operations that we now refer to as "shared governance" to indicate a shared responsibility between the Board and the Ministry for leadership of the church. In this model, the church's day-to-day affairs are conducted by the staff under the direction of the senior minister, and the church's programs (ministry, RE, etc.) are run by volunteer and staff members, also under the direction of the senior minister. The Board's role is to set policy and to take a "balcony view" of leadership, overseeing the church's functions and programs to see that they meet the needs of present members and future generations, while ensuring high-level accountability without micromanaging. The staff's role is operational; the Board's role is strategic. The Congregation reserves to itself the highest functions: elections, calling the senior minister, revising the bylaws, approving the budget, indebteding the church, selling property, etc.

PROPOSED BY-LAW AMENDMENTS

I. Shared Governance

Most of the proposed by-law amendments concern the implementation of shared governance as it relates to the roles and responsibilities of the Board, the Finance Committee, the Treasurer, the Senior Minister as well as the budget preparation and approval process. A summary of these roles is:

The Board: is ultimately responsible to the congregation for the safety and good stewardship of the congregation's financial resources. It acts primarily by enacting policy and setting priorities.

The Finance Committee: acts as the Board's experts on the detail of the church's financial condition, on the soundness of budget preparation, and on the ongoing financial condition of the church. They monitor adherence of staff to policy and advise the Board on needed policy creation, procedure change, or non-adherence to policy. They are responsible for initialing vouchers, reviewing tax returns, and bank reconciliation statements.

The Audit Committee: acts as the congregation's periodic outside observers of the safety and propriety of the church's financial systems.

The *Treasurer* brings information from the Staff to the Finance Committee for detailed discussion, and takes the results of that discussion and any other matters (policy needs) to the Board. The Treasurer presents budget and other financial decisions of the Board to the congregation and ensures Board decisions and priorities are conveyed to staff. The primary job of the Treasurer is to communicate financial information to the proper persons, the Board, and the Finance Committee.

Staff: receives and deposits all moneys given to the congregation, keeps records, drafts the budget based on Board guidance, manages accounts, pays bills, disburses payroll, all in accordance with the church's financial policies and staff procedures. The Staff also create reports to keep the congregation informed about financial condition.

II. Leadership Succession Committee (LSC)

Amending by-laws to add the responsibility for recommending members of the Internal Audit Committee to the Board for approval. The Program Team is assuming responsibility for leadership development so that this responsibility would be deleted from the LSC.

III. Program Team

Since the formation of the Program Team concept, it has been difficult for a volunteer team to ensure the effectiveness of programs. This seems to be more within the staff's purview, as ministers are either directly involved in or regularly consulted in regard to most of the church's programming. The perceived difficulty of the task has made it difficult for the Program Team to find new members and term limits set on acting members resulted in a shrinking team.

As a result the Program Team has adopted a new mission statement. The Program Team supports the effectiveness of the Church's programs, personal and spiritual growth of members, and member's deepening commitment to the Church, through leadership development. The Team is convened by the Director of Member Development and in collaboration with the Assistant/Associate Minister. The Team will provide opportunities for leadership encouragement and development, and provides regularly scheduled LEAD meetings to develop and nurture healthy leaders and encourage spirituality grounded leadership.

In the proposed amendments, church programming is defined as a staff responsibility and it is proposed that the by-law provisions relating to the Program Team be deleted.

Annual Meeting

These Board recommendations to the Congregation will be considered at the Annual Meeting on our January 22nd meeting at 2:30 PM. The Church's current by-laws can be found at [http://uuabq.org/ Bylaws-MASTER-04-11-10.pdf](http://uuabq.org/Bylaws-MASTER-04-11-10.pdf) In the following narrative, deletions are indicated by strikethroughs and underlining are for new wording to a by-law.

SUMMARY OF PROPOSED BY-LAWS AMENDMENTS

Area	By- Law Provision	Proposed Changes
I. Provisions Relating to Shared Governance		
Board Responsibilities	Article VI. Section 2. Board's Finance and Budget Responsibilities	<ul style="list-style-type: none"> Added paragraph in subsection b about Board responsibilities under shared governance Added subsection e – Board to review insurance coverage annually
Treasurer Duties	Article VII. Section 4. Treasurer	Revised Treasurer duties so that they more manageable and deleted operational responsibilities that staff perform.
Finance Committee Responsibilities	Article IX. Section b. Finance Committee	<ul style="list-style-type: none"> Revised Finance Committee responsibilities to align with responsibilities of the Treasurer and the staff.
Budget Procedures	Article X. Section 2	Revised section: Board set priorities. Based on Board guidance, Staff drafts budget for review by the Finance Committee. Finance Committee reviews budget. Board approves and conveys to Congregation for review and approval.
Senior Minister Responsibilities	Article VIII. Section 3	Head of Staff responsibilities added to the duties of the Senior Minister.
II. Leadership Succession Committee		
Leadership Succession Committee (LSC)	Article IX. Section 5	Amended responsibilities to add identifying members for the Internal Audit Committee; Program Team to do leadership development and this responsibility has been deleted from the LSC.
III. Program Team		
Program Committees	Article VI. Section 2	Amended subsection b to recognize Staff being responsible for program committees.
Program Team	Article IX. Section 4	Section is deleted as programs are as Staff responsibility.

I. Provisions Relating to Shared Governance

Board Responsibilities

[Amend Article VI, Section 2 as it relates to the Board's financial responsibilities and adequacy of insurance coverage.]

Article VI. Board of Directors
Sections 2. Duties and Responsibilities
Subsection b. Finance and Budget

Sub-Section b. Finances and Budget [added paragraph]

The Board is responsible to the Congregation for the safety and good stewardship of the Congregation's financial resources. It acts primarily by setting priorities and enacting policy. It also recommends the annual budget to the Congregation.

Sub-Section e. Insurance *[added section]*

The Board shall review and approve the church’s insurance plans on a yearly basis to ensure adequate coverage.

Treasurer Duties

[Article VII, Section 4 re-align responsibilities of the Treasurer in keeping with Shared Governance, making the duties of the position more manageable, and recognizing staff financial responsibilities.]

Article VII. Officers

Section 4. Treasurer

[added sections]

The Treasurer is a member of both the Board and the Finance Committee. The primary job of the Treasurer is communication of financial information, questions, and decisions among the:

- Staff
- Finance Committee
- Board
- Congregation

The Treasurer has signatory authority on checking and other financial accounts.

[Deleted sections indicated below. In practice, most of these tasks have been done primarily by Staff for many years. The Senior minister is accountable to the Board for this work.]

~~The Treasurer is responsible for:~~

- ~~• reporting, at least quarterly, to the Board on the financial condition of the Church, or at such times as required by the Board;~~
- ~~• furnishing periodic statements to pledging units detailing the status of their pledges;~~
- ~~• receiving, safely keeping, and accounting for all money and other property of the Church entrusted to the Treasurer;~~
- ~~• disbursing the same under the direction and to the satisfaction of the Board of Directors;~~
- ~~• and preparing the annual financial report of the Church.~~

~~The Treasurer is responsible for maintenance of:~~

- ~~• a current roster of the pledging units and their pledges;~~
- ~~• a complete accounting of the financial records of the Church, which shall remain the property of the Church, and which shall be open for inspection by any member.~~

Finance Committee Responsibilities

[Article IX, Section 2 to amend Finance Committee duties to be aligned with the Treasurer and staff responsibilities.]

Article IX, Standing Committees
Section 2. The Standing Committee on Finance
Sub-Section b. Responsibilities

Sub-Section b. Responsibilities

[deleted sections]

~~The SCF shall meet at least once a month. It is charged with assisting the Treasurer in reviewing the financial condition of the Church, advising the Treasurer on matters brought to the Committee for consideration, making recommendations for funding Church facilities and activities, and recommending financial management procedures and Policies for Board approval. The SCF shall oversee and participate in the budget process.~~

[added sections]

The Finance Committee is responsible for acting as the Board's experts on the:

- o detail of the church's financial condition
- o accuracy of budget preparation
- o financial outlook of the church

The Finance Committee monitors adherence of staff to policy, and advises the Board on needed policy creation, procedure change, or non-adherence to policy.

The Finance Committee (or a person to whom they delegate) is responsible for reviewing and approving payment vouchers, tax returns, and bank reconciliation statements.

Budget Procedures

[Article X, Section 2 amended to align budget procedures with the responsibilities of the Congregation, Board, Finance Committee, Treasurer, and staff.]

Article X. Budget
Section 2. Budget Procedures

[deleted section]

~~The Standing Committee on Finance, with the support of appropriate Church staff, shall be responsible for building the proposed budget for the ensuing year, taking into account the budget priorities established by the Board of Directors. The proposed budget shall be reviewed by the Board of Directors, which shall approve the final draft for submission to the Congregation. The Congregation shall approve or vote to change the recommended budget at the Annual Meeting.~~

[added section]

Each year the Board sets priorities for the budget and creates rules to govern how income lines will be established. The Staff drafts a budget consistent with these priorities and rules. The Finance Committee reviews this budget for accuracy and conformity to the Board's direction. The Board makes changes if necessary and recommends the budget to the Congregation at the annual meeting.

Article X. The Budget
Section 3. Budget Modifications

[amended section]

The Board of Directors may modify the approved operating budget ~~from time to time, as in its judgment may be required,~~ but shall not make or approve expenditures in aggregate above 5% of the approved budget without the vote of the congregation. ~~that would exceed the total unless supplemental income is obtained in the amount of the increase.~~

Senior Minister Responsibilities

[Article VIII, Section 3 amendment to add head of staff responsibilities to current Senior Minister duties.]

Article VIII. Ministry
Section 3. Duties [added section]

The Senior Minister will serve as head of staff and in that role is responsible to the Board for church administration, and implementation of goals, policies and procedures established by the Board and all duties herein assigned to “Staff.”

II. Leadership Succession Committee

[Article IX, Section 5 to amend responsibilities of the Leadership Succession Committee.]

Article IX. Standing Committees
Section 5. The Leadership Succession committee
Sub-Section b. Responsibilities

The Committee shall:

- consult with the ministers and lay leadership concerning appropriate candidates for elected Standing Committee positions;
- maintain position descriptions and resource files for leadership positions;
- make recommendations to the Board for those members and chairs of Standing Committees appointed by the Board;
- make recommendations to the Board for members of the Internal Audit Committee;
- ~~assist the Program Team in identifying members who would benefit from further leadership development;~~
- and select candidates for elected positions at Congregational meetings.

III. Program Team

[Amend Article VI, Section 5 as it relates to the Program Committees and Article IX, Section 4 concerning the Program Team.]

Article VI. Board of Directors

Section 5. Committees

Subsection b. Program Committees (amended)

A Program Committee is a committee that is part of the Church's programming meant to enrich the lives of the Church's constituents and community. ~~While ultimately under the jurisdiction of the Board, the composition, responsibilities, and performance of Program Committees belongs to the Program Team.~~ Church Staff is responsible for supporting the effectiveness of program committees.

Article IX. Standing Committees

Section 4. Program Team (deleted section)

Sub-Section a. Membership

~~The Program Team shall consist of seven members in good standing. Three members shall be one current member of the Board, a Minister, and, as ex-officio, the Church Administrator or designee. All other members, who are appointed by the Board, serve for two-year terms corresponding to the Church fiscal year, with a staggered rotation. A Committee member completing two terms may not be reappointed until after one year off of the Committee. The exceptions to term limits are the Minister and Church Administrator who are permanent members with no term length or limit. The Program Team shall have no designated chairperson, although the Church Administrator shall serve as convener of the Committee.~~

Sub-Section b. Purpose and Responsibilities

~~The Program Team is responsible to the Board for the effectiveness of the Church's programs, which enrich the lives of the Church's constituents and community. Program Committees are one part of this, while other parts include, but are not limited to, Social and Affinity Groups and community outreach. The chairpersons of any Program Committee shall be appointed by the Program Team. The Program Team shall also be responsible for the development and implementation of leadership development programs.~~

Leadership Succession Committee's Slate of Nominees for 2012

Moderator

Michael McDonald (1 year term)

Michael McDonald wishes to continue to lead congregational meetings as the Moderator. Michael has been a member of the church since 1985. He gained his moderator skills when serving the church as Secretary of the Board and then Parliamentarian. He developed his understanding of church operations through his work in religious education, our summer camp for kids, pledge drives, finance committees, long range planning, facilities maintenance and producing the church's first web site.

Michael moderated the congregation meeting that formally created this position and has thoroughly enjoyed serving as Moderator since then. He is grateful for the wonderful job that the Board, church leadership, and ministers do in leading the church business and preparing the congregation for productive and positive congregational meetings. Michael values how his role helps free church leaders to participate more fully in Congregation meetings and focus their energy on the business they understand so well.

Treasurer

June LeCrone (1 year term)

June has been a member of First Unitarian since January 2009, and currently serves on the church Board, Finance Council, and the Social Justice Council. She has also been a volunteer in the church office. Each of these activities has provided an understanding of the church's needs and expenses, and prepared her to serve as the Treasurer.

June is a retired special education teacher and district administrator for the Las Cruces Public Schools. She is married to Dan LeCrone. They have three adult children and two grandchildren. She enjoys Tai Chi classes and spending time with family and friends.

Board President

Nancy Kilpatrick (1 year term)

I am eager to continue to serve on the UU Board as President in this exciting time of growth. Our role in the liberal religious community is very important to me and I want to do my part in securing a strong foundation and welcoming space for Unitarian Universalists in Albuquerque.

Board Members

Stephen Phillips (2 year term)

Stephen Phillips joined First Unitarian in 2006 with his wife Rodene following their return to the Southwest they love. They currently serve as ushers. Steve is delighted to be part of the Design and Construction Team and is head of the Healthy Community Team. He deeply believes in the work and programs of this church and the UUA and would like to continue contributing to their success. Steve is a retired academic scientist who enjoyed teaching medical students and PhD candidates. He currently

works part-time co-directing an undergraduate work-study program at the University of New Mexico for students interested in a career in biomedical research.

Meara Christopher (2 year term)

Meara Christopher grew up in the church, attending RE and the church's summer camp. In high school, she was an active member of the youth group and acted as a youth representative on the RE committee. She has been active in planning and working at the church's summer camp for 6 years, including 2 years working with the high school youth, and taught Coming of Age last year. The church has been a large part of Meara's life since she was young and she believes that joining the board will give her an opportunity to help give back. Meara is a masters student at UNM and does Web work for a local company.

Pat Diem (2 year term)

Pat Diem serves as Co-Coordinator for the SipNSup dinner program and on the Worship Committee. She also served in the past as a tutor in the after-school tutoring program.

She has been a member of three other Unitarian Universalist Churches in Wichita, KS; Greensboro, NC; and Bethlehem, PA over the past 40 years and served on the Board and as President of the UU Church in the Lehigh Valley in Bethlehem, PA.

Her professional career began at Sandia Labs in 1975 then transferring to ATT with assignments in NC, PA and New Jersey. She retired from ATT in 1998 and joined a consulting firm for 8 years retiring again in 2006.

Tom Wofford (2 year term)

Tom, age 42, moved to Albuquerque in August 2002 and joined First Unitarian in March 2004. He served a year as treasurer of our Coyote Willow chapter of CUUPS (Covenant of Unitarian-Universalist Pagans) and a year as chair of the CUUPS chapter board, during which time he led solstice church services and helped organize chapter events. He later was actively involved in the Young Adults group. He currently sings contemporary music with Spare Parts. Tom has served one term on the Board, which he has thoroughly enjoyed. He was on the committee to assist Christine in finding our current assistant minister, and is currently working with a committee to update our policies for large church governance. He is a professional physicist, a part-time instructor at CNM, and the father of two sons.

Endowment Committee

Dan Small (2 year term)

Dan Small has been a member at First Unitarian for 19 years. During that time he has held leadership positions in RE, Young Adult groups, Board of Directors and is currently the chair of the Endowment Fund Committee. Dan has agreed to serve one more year as chair, after which he will explore other opportunities for leadership. Dan is married to Wendy Small, (whom he met on our sanctuary steps), and together they are raising 3 young daughters: Campbell (10), Kira (8) and Caitlyn (5).

Jim Middleton (2 year term)

Jim has served on the Endowment Committee for the past two years. He would like to continue his work for another two years.

Sara Friederich (2 year term)

Sara grew up in Akron, Ohio but has lived in the southwest since 1976. She has been involved in a wide variety of volunteer positions since joining 1st UU in 1989. Sara is married to Ron Friederich, whom she met while “womaning” the Membership table at our church!

Sara served on successive “Balloons Ole” fundraising campaigns in the 1990’s, which brought UU’s from all over the country to Albuquerque for Fiesta. She was active in the drive to select and purchase the chairs for our sanctuary, which we still sit in every Sunday. She served on the Board 1998-2001, and was Board President during the initial phases of our last major building project. Sara directed the process of re-writing and re-negotiating the contract with LaPuerta Daycare and the creation of the Shared Space Committee. She served on the Stewardship Committee for many years, several years as Chair, and has also served on the Nominating Committee.

Sara looks forward to serving on the Endowment Committee, particularly in the aspect of arranging and promoting opportunities for congregation members to learn more about the benefits of planned giving.

Leadership Succession Committee

Chair: Nancy Cushman (1 year term)

Nancy has served on the Leadership Succession for the past 3 years. She has been a member of the church since 2001 and has served on the Board, the Building and Grounds Committee and Program Team in the past. She presently works on the church grounds, is a Covenant Group facilitator, and chair of the Leadership Succession Committee. She is excited to help find the best leaders for our church and to work with the Program Team to identify and develop new leaders.

Marian Schreyer (2 year term)

Marian Schreyer and her husband Buck were first introduced to Unitarianism in 1962 while attending the University of Michigan. When they moved to Albuquerque in 1965 they sought out First Unitarian, and all four of their children spent their early years in it’s RE program. Marian’s returning to work full time as a pharmacist resulted in their family becoming lapsed Unitarians. When Marian retired in 1997 she reconnected to First Unitarian. Since then she has served on the Nominating Committee (2 years) and was chair of the Membership Committee (6 years). Marian has also participated in a Covenant Group and served on the Steering Committee for those groups. Most recently Marian has served on The Leadership Succession Committee and The Stewardship Committee. Both Marian and Buck enjoy taking part in Sip’n’Sup Dinners.

Arne Gullerud (2 year term)

Arne has been a member of First Unitarian since 2003. Better known as the tall guy who hangs around Kristin Satterlee, he serves as the co-chair of the iMinistry committee,

and is one of the advisors for La Amikoj, the youth group. He has served on the Leadership Succession Committee for the last two years as the unofficial computer guy, and is seeking to stay in that position for another two years. Arne works for Sandia National Labs and spends a good part of his free time doing geeky things.

Geri Knoebel (2 year term)

Geri Knoebel joined First Unitarian in 1994. Geri has been a board member since 2007, including holding the position of president for 2-1/2 years and has served as Treasurer this past year. Geri has also served on the Building Finance Task Force, the Shared Governance Task Force, the Bylaws Task Force, the Second Minister Search Committee, the Healthy Community Team, and was a Visiting Steward for three Stewardship Campaigns. Now retired, her professional experience includes 19 years at UNM where she held senior program manager responsibilities including financial management, administration, human resources, and planning for public policy projects related to transportation. She also has financial planning and management experience with United Way for Central Maryland (8 years) and with other not-for-profit organizations.

Report from the Staff on the Audit Report

Passwords

The audit committee recommends that staff determine a method for recording and securing active church accounting system passwords and consult the schedule proposed by the UUA to determine a plan for the frequency of password changes.

The staff has a password protection procedure which will be implemented at the next staff meeting.

Bookkeeping

Recommendation: First Unitarian should have available to it a simple, clear, and written description of the routine steps the bookkeeper takes each day of a representative month, at the end of each quarter, and at yearend, which any other person who might be called upon to perform these duties in her absence can use as a guide. The current bookkeeper has attempted to prepare this during her regular working hours but has been too overloaded. The audit committee recommends that she be contracted with to do this off-hours.

Kathy agrees with the importance of this task but does not wish to work more hours for us. However, Jay is cross-training on some of Kathy's duties with the hope that she will be able to give concentrated time to this beginning in March and complete it by Summer.

Check Signing

The audit committee recommends that the Board consider having a cosignature or initials added to checks for which the amount is above a predetermined amount. Routine payroll checks could be excepted.

We are told that banks don't like co-signatures, and we already initial checks for other reasons. Therefore we recommend that a co-signature be required on the voucher for all checks over \$2,500. Thus, for these larger checks, at least three persons will look over the voucher (and documentation) for the item.

Authorization of Expense Items

There were some instances of an authorizing person approving expenses (prior to payment) of another person at the same level of management or those they incurred on their own account. The audit committee recommends that a simple, clear, and written procedure be put in place to accommodate authorizations in case of absences.

The staff will create a procedure for authorizing of expense items. It will require that every expense voucher (with documentation) be looked over by at least two persons, -Kathy, and the check-signer. If the voucher is payable to the same person authorizing the voucher we will require another signature on the voucher. In case of extended vacation or absence, we will have

the vouchers signed by someone at a different level of management. The Treasurer will initial all vouchers with a procedure in place to cover any prolonged absence.

Personnel: Letters of Employment

The audit committee recommends that each employee should cosign his or her letter of employment.

From now on, new employees will co-sign their letters of employment.

Federal Reporting Requirements

Recommendation: As tax laws and regulations are in continual change, all payroll procedures should be routinely reviewed by a tax attorney for currency and the attorney's final engagement letter (report or opinion) should be retained in the personnel files.

The staff is confident that its payroll procedures are up to date with tax laws. The UUA monitors new IRS rulings that pertain to churches and tells us about them and we subscribe to a newsletter for church finance folks which does the same. If the board wants to get an attorney opinion on our procedures, the money will have to be found and something else not funded.

Incoming Mail

Recommendation: Mail received in the church office often includes checks. The audit committee recommends that a procedure be put in place for opening and logging the mail. The person who opens incoming mail should not be the bookkeeper or any authorized signatory on First Unitarian's checks, such as the church administrator.

While we understand that the committee feels very strongly about this, it cannot be accomplished with the current staff configuration and is not an appropriate job for volunteers. Doing this would require a 16 hour a week receptionist at the cost of about \$11,000, since you have to have someone here to log in mail every work day. (And there would be no point in doing this unless the mail was delivered to a locked box to which check-signing staff didn't have access to a key.)

Christine polled other ministers of large churches and got two responses, both from congregations which handle more money than we do and which have about the same procedures as we do. Together we could think of no way for one of our check-signing employees (Christine, Angela, or Jay) to accomplish any meaningful amount of theft without getting caught within 3 months. The church pays for insurance against this sort of activity; we think it is enough.

As a further safeguard of the checks, we have instituted a process by which they are stamped "for deposit only, First Unitarian Church" as soon as received, that is, by ushers on Sunday and by Jay during the week.

If the board determines to implement the committee's recommendation, it would be a significant sacrifice of the congregation's other goals.

Documentation from Church Committees

The audit committee sought to review minutes of all church committees that oversee a budget of \$3,000 or more. However, minutes were available only from First Unitarian's Board and the finance committee. The audit committee recommends (1) that all church committees that manage budgets greater than n (an amount to be determined by the Board) keep minutes of their meetings; and (2) that all committee minutes include *in the body of the minutes* the date of the meeting and the names of those in attendance.

Requiring volunteer committee chairs to take official minutes is problematic. We can set the expectation but it is hard to enforce at the "minutes" level. Some safeguards might be invented to safeguard the payment level; requiring names of decision-makers for significant large requests. If ministry decides to purchase a new projector, for instance, the names of those deciding to do so could be requested before the check is issued.

2010 Internal Audit Committee Report First Unitarian Church, Albuquerque October 8, 2011

STATEMENT OF PURPOSE, SCOPE, AND AUTHORITY

Purpose

The purpose of First Unitarian’s internal audit committee is to help the congregation prepare for an audit conducted by a certified public accountant. “This audit program is not intended to be and should not be used as a substitute for an external audit conducted by a certified public accountant.” However, the work of the internal audit committee should “reduce the cost and improve the effectiveness of an external audit.”¹ In addition, an audit protects the Board members, officers, ministers, employees, and member volunteers, all of whom may have financial responsibilities for the congregation, against fraud.

The audit committee is charged with reviewing “the adequacy of the Church’s financial management controls and soundness of the system of cash management that protects both staff and volunteers through sufficient checks and balances.”² A more complete description of the audit committee’s responsibilities is set forth in the First Unitarian Church of Albuquerque Internal Audit Review Procedures, June 2010. These reports are also available to the congregation in hard copy or online.

Scope

This internal audit was the first such audit conducted by First Unitarian. It was a review of the fiscal year 2010. The committee focused on First Unitarian’s financial procedures and practices, using “Internal Audit Review Procedures”³ as our guiding document. Where needed, we sought additional information on church policies that inform the flow of authority related to financial procedures. The following list of activities, from “Internal Audit Review Procedures,” identify the focus of the committee’s work.

- Financial recording—accounting systems
- Asset protection—insurance
- Protections for the claims of others—insurance
- Asset protection—maintenance
- Asset protection—banking and cash receipts
- Accounts payable
- Accounts receivable

¹ “First Unitarian Church of Albuquerque Internal Audit Review Procedures,” compiled by David Damour, John Ellig, and Tom Stafford (Finance Committee members) and Kathy Keller and Ruth Star (staff members), June 2010, p. 5.

² First Unitarian Internal Audit Policy, adopted August 17, 2010.

³ “Internal Audit Review Procedures,” June 2010.

Investments
Payroll and payroll-related calculation of taxes, benefits, or pensions
Fund accounting—appropriateness of classifications
Financial and other office procedures

Most items were reviewed, some in more detail than others. Some additional factors, such as 2011 documentation, were pursued as part of the review to further understand developments and refinements underway in the church. Opinions as to these factors were not made part of this 2010 audit.

Authority

The internal audit committee has been authorized by the Board of the congregation. Members of the committee are Richard Bailey (one-year term), Brian Frieder (two-year term), Andrea Lee (one-year term), and Dorothy Reynolds (two-year term). David Damour served as advisor to the committee through June 2011.

AUDIT COMMITTEE PROCEDURES

Using the chart of accounts produced by the PowerChurch accounting system for FY 2010, the committee reviewed file documentation of sample items of income and expense, which were randomly selected from different line items across different months of the year. The committee interviewed individual administrators and staff to learn how such income or expenditures came to be. It tracked accompanying documentation for accuracy, authorization, timeliness, ease of access, clarity, security, and thoroughness.

The committee interviewed only First Unitarian's key administrators, treasurer, president, and staff for this 2010 audit. Some interviews and file searches were conducted by one audit committee member and others were conducted by teams of two.

Other church committee heads and staff (such as music, building and grounds, RE, etc.) who also collect and/or expend monies were not interviewed. Their financial involvement was indirectly observed via the sampling of receipts and expense reports from the accounting line items and random months we selected for which each such committee head or staff member was responsible.

Letters were sent to all institutions holding church monies to ascertain that account balances conformed to those in the accounting system. Similarly, letters were sent to a random sample of pledge units (adjusted slightly to assure it covered large to small contributors) to ascertain whether their pledged and paid gift records conformed to those entered into the accounting system.

FINDINGS

The overall condition of financial management controls, cash management, and system checks and balances for the fiscal year 2010 appears to be sound. The Board, officers, staff, administration, and ministers appear to be competent and aware of their responsibilities. They were most cooperative as the Audit Committee carried out its responsibilities, and for that the committee expresses its thanks.

* * * * *

Financial Statements. Many checks and balances are in place, some details of which are explained below. In the broader sense, once the budget is approved for the fiscal year, reports of income and expenditures and comparisons to the budget are produced monthly for the church administrator, the treasurer, the finance committee, ministers, and the Board for review. These monthly reviews appear to be thorough, with questions and cautions, if any, documented on a follow-through form prepared by the treasurer and communicated to the relevant account manager as needed. They are also available to the congregation in hard copy or online.

Accounting Practices and Procedures. The PowerChurch Accounting System in place is state of the art, widely respected, and used by many churches nationwide. The system in use at First Unitarian contains all recent updates provided by the system designers and is capable of quickly producing out-of-the-standard reports when called upon. Entries once made cannot be altered in system without accompanying detailed journal entries.

Access to system content is controlled by passwords and limited to the bookkeeper,⁴ administrator and the two ministers. The bookkeeper, however, makes all entries.

All financial entries flow through the bookkeeper. There is not a simple-to-use description of the routine steps the bookkeeper employs on a regular basis that could be used by another individual should the bookkeeper become unavailable. It was clear, however, that a sound routine is actually in place.

First Unitarian maintains one local checking account and all income and expenses flow through this account. PowerChurch allocations are made for each dollar in or out of that account. First Unitarian's branches each maintain a local checking account but have only deposit slips. All monies deposited therein are withdrawn and redeposited into the church's Albuquerque bank account (and allocated into the PowerChurch system) on a regular basis. All branch bills are paid from the Albuquerque account.

Signatories on the main US Bank account, the safe deposit box, and the Raymond James & Associates investment account are the Board president, treasurer, the two ministers and the church administrator. The same five signatories are authorized for the church branches' Wells Fargo Account. (Board meeting 7/19/11; signatories are routinely

⁴ In 2010 this position was termed *Bookkeeper*; however, the current title is *Financial Manager*.

updated by the Board as personnel changes, removing those leaving and adding replacements.) Only one signature is required for accounts. Having all checks cosigned is not optimal because it would require reprinting all checks, is no longer a favored practice by banks, and creates a scheduling problem for the system.

Church credit cards are issued to the senior minister, assistant minister, church administrator, RE director, and facilities manager.

Securities and Investment Accounts. Investment accounts and the UUA Endowment accounts are not local. Transfers into and out of these accounts, however, are made through the Albuquerque bank account and allocated into the accounting system accordingly. Pensions and health insurance flow through the UUA in the same manner.

Accounts Receivable. Twenty-nine of 32 pledge units responded to inquiry letters, and 27 units affirmed that First Unitarian's records conformed to their own records. All institutions holding church monies responded to the audit committee's letters, and their account balances conformed to the church's books, with some adjustment for timing of payments and entries.

Cash Management and Disbursements. Within the system, all monies received from any source appeared to be accurately reported and promptly deposited into the church bank accounts; said accounts appear to be balanced regularly and in a timely manner.

Income devolves to First Unitarian in a wide variety of forms: cash, checks, credit cards, and automatic or semiautomatic donor bank withdrawals and transfers. All are sorted and appear to be allocated to appropriate subaccounts. Where appropriate and identifiable, conformation of sums received or booked is sent to the giver promptly (quarterly in the case of pledge payments) for verification.

Sunday collections are placed in the safe and, on the following Monday, are counted and allocated by at least two persons (usually four) under the direction of the church administrator; each counter signs and attests to the totals and the allocations. Sums are entered into the accounting system and deposited into the bank account no later than Tuesday.

Land, Building, and Equipment Records. Rents appear to be paid in a timely manner and conform to the leases, which are reviewed annually. Short-term rentals are routinely processed. (No representation is made here as to the conformance of short-term rental amounts to the policy regarding such rent rates, which varies according to the users' relationship to church membership). A specific percentage of all rental income is removed from the "Rental Income" line item when payment is received, and the amount is allocated to the reserve fund for maintenance purposes.

The audit committee did not review inventory record keeping or maintenance schedules practices and procedures.

Accounts Payable. Expense items (invoices and expense reports) to be paid are routinely documented with accompanying in-house forms, which provide for descriptions of the expenditure, purpose, and authorization signatures. (Occasionally, some documentation as to purpose was a bit unclear by the submitter, but no serious problems were detected; all reports sampled were supported by invoices and/or receipts.) Checks are prepared by the bookkeeper and forwarded to an authorized check signer with the accompanying documentation. Totals appear to be entered accurately into the appropriate PowerChurch account or subaccount.

Every attempt is made to avoid the use of a petty cash account designation. Where questions arise as to allocation, the bookkeeper routinely involves administrators in any final decision.

Occasionally, new programs or activities that occur during the ongoing year are relegated to an account that does not have a line item in the current year budget or in the income and expense statement. In this case, a separate account is created in the PowerChurch system that operates alongside of the existing reporting categories and with its own monthly income and expense statement. An example for the 2010 audit year was the creation of a Capital Account for the proposed building fund, now fully underway. These reports are made available monthly as an add-on report to the reviewing authorities.

Due to absences, some authorizations were made by an individual at the same level of authority as the submitter. This was very rare and was not deemed to be a serious problem; however, having written procedures in place for dealing with expense authorizations when absences occur would be prudent. (Although we encountered this practice in our brief review of 2011 files, the absence of a written procedure for such circumstances was also true for 2010.)

Insurance Policies. Insurance policies (property, hazard, and liability) are in place and premiums appear to be paid in an accurate and timely manner. (It is beyond the purview and competence of the audit committee to ascertain the sufficiency of insurance coverage.)

All people handling money for First Unitarian are covered by a general insurance bond. The policy was current. (No representation is made as to the adequacy of coverage.)

Personnel Matters Relating to Financial Procedures. Personnel files are locked and secure; only the ministers have a key to the double-barred file cabinet. Within the cabinet, the individual personnel files appear to be complete, with background checks, job descriptions, and a letter of employment setting out salary and benefits. These letters are signed by representative(s) of the church but not by the employee.

Benefit packages include health insurance and pensions. Employees may opt out of certain benefits, and some do. Not all benefits commence with hire; some have pre-set time delays and/or income level requirements. These policies operate through the UUA and deposits appear to be in conformance with the various elections of the employees.

Each employee receives a copy of the Personnel Policy Manual, which he or she signs and attests to having read and understood the requirements in place. It was not clear that this signatory page is in each employee's individual personnel jacket.

Federal Reporting Requirements. Payroll taxes and withholding appear to be computed and paid in a timely, accurate, and routine manner. End of year reports to employees and taxing authorities appear to be timely and accurate. Ministers have a special status under U.S. and state tax laws. As such, tax reporting procedures for ministers are treated as self-employed individuals. This is true for both of First Unitarian's ministers.

RECOMMENDATIONS

As noted at the beginning of this report, the overall condition of financial management controls, cash management, and system checks and balances appears (as to the fiscal year 2010) to be sound.

Passwords

The audit committee recommends that staff determine a method for recording and securing active church accounting system passwords and consult the schedule proposed by the UUA to determine a plan for the frequency of password changes.

Bookkeeping

First Unitarian should have available to it a simple, clear, and written description of the routine steps the bookkeeper takes each day of a representative month, at the end of each quarter, and at yearend, which any other person who might be called upon to perform these duties in her absence can use as a guide. The current bookkeeper has attempted to prepare this during her regular working hours but has been too overloaded. The audit committee recommends that she be contracted with to do this off-hours.

Check Signing

The audit committee recommends that the Board consider having a cosignature or initials added to checks for which the amount is above a predetermined amount. Routine payroll checks could be excepted.

Authorization of Expense Items

There were some instances of an authorizing person approving expenses (prior to payment) of another person at the same level of management or those they incurred on their own account. The audit committee recommends that a simple, clear, and written procedure be put in place to accommodate authorizations in case of absences.

Personnel: Letters of Employment

The audit committee recommends that each employee should cosign his or her letter of employment.

Federal Reporting Requirements

As tax laws and regulations are in continual change, all payroll procedures should be routinely reviewed by a tax attorney for currency and the attorney's final engagement letter (report or opinion) should be retained in the personnel files.

Incoming Mail

Mail received in the church office often includes checks. The audit committee recommends that a procedure be put in place for opening and logging the mail. The person who opens incoming mail should not be the bookkeeper or any authorized signatory on First Unitarian's checks, such as the church administrator.

Documentation from Church Committees

The audit committee sought to review minutes of all church committees that oversee a budget of \$3,000 or more. However, minutes were available only from First Unitarian's Board and the finance committee. The audit committee recommends (1) that all church committees that manage budgets greater than n (an amount to be determined by the Board) keep minutes of their meetings; and (2) that all committee minutes include *in the body of the minutes* the date of the meeting and the names of those in attendance.

Recommendations Specific to the 2011 Internal Audit

The 2010 audit committee recommends that in 2011 the audit committee should be expanded to six members so that more interviews and documentation tracking can be conducted in a shorter time frame. At least two members should be long-time members of First Unitarian who have in the past served on important financially involved committees in order to provide historical perspective for the committee as a whole. We also recommend that the Board appoint the chair of the 2011 audit committee and that this chair be one of the people who served on the 2010 committee.

More clarity is needed from the Board as to the committee's need for maintaining privacy of communications, working papers, and intercommittee correspondence during and after the audit. It is recommended that the committee's working papers be secured in the same manner as the personnel files and available only to the Board president, the members of the next audit committee, and the external auditors, when engaged. These working papers should be retained until at least the completion of an outside audit, or seven years, when they could be destroyed.

SUBMITTED with unanimous consent, by the Audit Committee, this date of:

Richard Bailey_____ Brian Frieder_____

Andrea Lee_____ Dorothy Reynolds_____