

## **UU FINANCE COMMITTEE POLICIES, Adopted by the Finance Committee October 25.2022**

### **I. CHECKING ACCOUNT SUPPLEMENTED BY BANK ACCOUNTS AND MONEY MARKET FUNDS**

1. We maintain a business checking account to accept our revenue and to pay for our monthly operating expenses. We also maintain an insured money market for transfers to the checking account, if needed.
2. Our current operating expenses are approximately \$50,000 per month. Our policy is to keep at least two months of normal expenses in the checking account. If the checking account drops below two months of expenses, then funds should be transferred into the checking account from our money market account or from a certificate of deposit to reach the two months goal. When the balance reaches three months or more of expenses, we should consider transferring some of the funds to a bank account, certificate of deposit that pays an acceptable interest rate, or an investment account. As of July 2022, the average monthly expenses are about \$50,000, so \$100,000 is all that is required for our current level of monthly expenses.
3. Multiple Certificates of deposit (CDs) with staggered maturity dates is one way to fund the Checking account. Other types of accounts may achieve the same objective, such as an insured money market fund or a money market fund that invests in short-term U.S. Government instruments and bonds.
4. We are fortunate that we have more than enough liquid bank deposits to have a long-term Investment Strategy.

### **II. LONG-TERM INVESTMENTS**

Long-term Investments can be purchased with money not expected to be needed in the next 5-10 years. Such investments include individual stocks, individual bonds, mutual funds and pooled investment funds such as the Unitarian Universalist Common Endowment Fund. These need not be as liquid as other accounts but should be investments that match the investment policy of the church.

### **III. INVESTMENT REVIEWS**

5. Our investments will be reviewed at least two times a year to determine if any changes need to be made. February and July will be the months these reviews are presented to the finance committee.
6. Two members of finance committee will review the investments to see how they performed related to relevant benchmarks for various time periods by comparable investments.
7. If this sub-committee determines that changes are in order, then there are three ways they can proceed.
  - A. They can recommend changes to the finance committee such as sales or purchases of existing funds.
  - B. They can also recommend changing the current policy of the finance committee and restrict new purchases to those managed by a financial adviser. Such a method will incur an annual fee of approximately 1%.

- C. They can recommend that new purchases be limited to accounts that are managed by a financial advisor. Examples are the UUA Common Endowment Fund and the United Church of Christ Fund (These are not classified as mutual funds.)

#### IV. OUR INVESTMENT POLICY

- We do not buy individual stocks because we do not have the expertise to review individual companies, nor to evaluate their ongoing suitability for the church.
- We do not hold individual stocks or mutual funds donated to the church for the same reason we don't buy and hold them.
- Currently we have a broker who will assist us in selling investments donated to the church without charging commissions for the transactions. Donations to the Church in stocks, mutual funds and bonds shall be liquidated as soon as practical by the Church's financial broker so the proceeds can be invested in accordance with the Finance Committee's asset allocation plan.
- We currently own a socially responsible mutual fund and a similar pooled fund from the United Church of Christ, and our endowment fund has a small investment in the Unitarian Universalist Common Endowment Fund.
- Investments in socially responsible mutual funds are preferable because doing so is consistent with the Church's 7 principles, and they often perform as well as other investments.

#### V. ASSET ALLOCATION GUIDELINES

- 33% in cash and, cash equivalents such as money market funds and certificates of deposit,
  - 34% in stocks in the stock portion of our mutual funds, or stock mutual funds.
  - 33% in the bond portion of our mutual funds or bond mutual funds.
- These guidelines are subject to adjustment in light of foreseeable financial trends and varying Church needs.

#### VI. MEETING SCHEDULES FOR THE FINANCE COMMITTEE AND BOARD OF TRUSTEES

1. The meeting dates of the Finance Committee and other church bodies that rely on up-to-date financial information must be timed with the ability of the church staff and accountant to close out the books for a given month.
2. The staff closes the Quick Books postings ~~books~~ for a given month by the 15<sup>th</sup> of the succeeding month. Once this is done, the church's accountant needs a few days to reconcile the Quick Books entries with the monthly statements for our various accounts and to provide a current profit and loss statement. This typically takes another five business days
3. Given the above timing for bookkeeping work, the Finance Committee should schedule its monthly meetings on the 4th Tuesday of each month.
4. Given the "up-stream" schedules noted above, the Board of Trustees should be encouraged to meet no sooner than the first week of the next month. This allows it to see the most current financial information available.

## VII. RELATIONSHIP WITH BOARD OF TRUSTEES

1. Aside from the respective official duties of the Finance Committee and the Board of Trustees, the Finance Committee both advises and requests advice from the Board of Trustees on which fund accounts should be used for new situations. Recent examples are where should the funds come from for an intern minister, an affiliated minister, and a sabbatical minister?
2. The Finance Committee suggests that the Board establish written guidelines for restricted donations. Restricted donations can be problematic for the Church and can create new on-going expenses.

## FINANCIAL ACCOUNTS AND OVERSIGHT OF THEM (THE MOTHERLOAD)

1. A spread sheet will be maintained that includes the following:
  - a. List of each financial account (e.g. bank) investment (e.g. mutual funds), etc.
  - b. Account numbers for each account
  - c. Passwords and PIN numbers to access online accounts. The combination to this room is \_\_\_\_\_
  - d. The amount of the accounts
  - e. Maturity of accounts, e.g., CDs
  - f. Rate of return (interest)
  - g. The institution holding the accounts
  - h. The business address, phone number, of the entities
  - i. A named contact person associated with each account at each financial institution.
  - j. The phone and text numbers, and email address for each contact
  - k. Credit Cards, numbers, credit limits, issued to whom, and who sets limits on various cards
  - l. Which Church members are signatories for the various accounts, e.g., checking
  - m. Which Church members are on file with the various financial institutions as responsible parties to contact and take orders from.
  - n. Which church members/Finance Committee members have viewing-only access to accounts?
  - o. The contents of the safe under the mail slots in the hallway from the church office.
  - p. Who keeps the combination to the office safe and who may access its contents?
  - q. We have a safe deposit box in the second PIN room adjacent to the Church Office that includes important church documents. The combination to the PIN. The combination to the PIN rooms is known by the congregational administrator. It should also be known by the Treasurer as they should be able to review what is in that box and keep an updated list of those items.

- r. There is a lockbox outside the front doors of the church on the right side.. It is for members to use to exchange materials and is not for valuables. The combination is 0000#
- s. Combinations and locations of keys to safes deposit boxes, etc.

#### OTHER PRACTICES AND POLICIES

- 2. There should be two people as signers for each bank and investment account except for our checking which may have more than two. It is our policy that two people sign all the checks issued by the church.
- 3. The list of signatories for the various accounts should be reviewed each year and updated as necessary with different individuals.
- 4. Any changes in signatories must be formally noted in a letter from the Board of Trustees detailing who should be removed from official lists and who should be added.
- 5. With a letter from the Board, the signature cards at our banks, etc. must be changed which requires the responsible parties to be present to sign the cards in the presence of a member of the financial institution's staff.
- 6. A comprehensive list of annual filings that are required of the Church shall be compiled and maintained up to date. For example, each July our independent contractor CPA is directed to send the applicable form to the California Secretary of State. Other examples may relate to regular filings with the IRS and County Assessor, State Insurance compensation Fund, and the UU Association of Congregations
- 7. The church insurance is currently with Church Mutual Insurance Company. Someone needs to review the annual coverage sheet for our workmen's compensation and fire, casualty, and liability insurance. For the past several years it has been the President of the Board.