MONITORING REPORT: FINANCIAL
Executive Limitations Policies #3, 4, 6, and 9
June 2009

POLICY EL #3: FINANCIAL PLANNING AND BUDGETING

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from the Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a multiyear plan.

INTERPRETATION:
We interpret this policy to mean that the Executive Team must produce a conservative budget within board-approved planning assumptions and with realistic projections about revenue and expenses for the fiscal year that are based on available data, and that such data must be presented to the Board. Total salary and benefit costs must not exceed 70% of the budget total. Capital expenditures and funds to pay for them must be presented separately from the operations budget. Both the operating budget and capital budget must be created with the Board's established Ends' priorities in mind. A reserve fund process must be included with the capital expenditures budget, sufficient to cover any expected long-term expenditures anticipated in a multi-year capital expenditures plan.

Accordingly, the Executive Team shall not allow budgeting that:

1. Exceeds the scope of its planning assumptions as discussed with and approved by the Board.

We report compliance. Budget assumptions for the remainder of fiscal year 2008-2009 were presented in December's Financial Limitations Monitoring Report and approved by the Board.

Budget Assumptions for fiscal year 2009-2010 were approved by the Board at a special Board meeting in January. The Executive Team is assisting the Board in rewriting this policy to better reflect the Board's assumptions regarding the budget.

2. Contains too little detail to enable reasonably accurate projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

We report compliance. No one has asked for more detail in the budget or monthly reports to the Board.

3. Provide for total salary and benefit costs exceeding 70% of budgeted total annual income without approval of the Congregation.

We report compliance. For fiscal year 08-09, total budgeted salary and benefits is $574,052 which is 65.63% of budgeted income $874,616.

For fiscal year 09-10: the total budgeted salary amount is $509,003 and the total income is $784,270 for a percentage of 72.55%. Although this exceeds 70%, the congregation voted to waive this rule allowing us to remain compliant.

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

We report compliance. For fiscal year 08-09 ending May 31, 2009, income was $739,120, and expenses were $756,682. However on June 4, 2009, $50,000 was transferred from the reserves to the operating budget as anticipated in the 08-09 budget. Therefore as of June 5, 2009, income is $806,017 and expenses are $758,043.

For fiscal year 09-10, the budgeted income is $784,270 and the budgeted expenses are $783,832. We anticipate getting a lower amount of pledge income than is stated in the budget for fiscal year 09-10. The Executive Team will be creating a plan to make up for the difference following the end of fiscal year 08-09 when the exact amount is known. We will present to the Board a plan to address this shortfall in the next monitoring report against these Limitations.

5. Does not separately present a plan for capital expenditures and the means to pay for them.

We report compliance. For fiscal year 08-09, we established a plan for capital expenditures in the form of a Capital Expenditures Fund, and Guidelines for use of this fund described in March 2009 Monitoring Report.

For fiscal year 09-10: The Executive Team created a budget for capital expenditures. The congregation to voted to approve this budget at the Annual Meeting in May 2009.

6. Fails to contain a process to maintain a reserve that is sufficient to cover the expected long-term capital expenditures as determined by an ongoing multi-year plan.

We report compliance. The draft budget presented to the Board in February of 2009 contained reserve funds for contingencies to be added to over a multi-year timeframe. The plan presented for fiscal year 09-10 included two years worth of expenditures.

POLICY EL #4: FINANCIAL CONDITION AND ACTIVITY

With respect to the actual, ongoing financial condition and activities, the Executive Team shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

INTERPRETATION:
We interpret this policy to mean that the Executive Team must keep expenses within the bounds of the established budget, and such expenses must be incurred with the Board's established Ends' priorities in mind. No commitments can be made that binds financial obligations beyond the current budget year without board approval. We must request Board approval for any requested expenditure in excess of $7,500. At least two bids must be obtained for any expenditure in excess of $2,500, where practical. It is assumed that an expenditure would not require competitive bids if it were considered an emergency, and delay of the expenditure to obtain bids would cause a serious problem. Funds received from givers must be expended in the manner requested by the giver. Church debts, taxes and filings must be completed and settled in a timely fashion. A statement for pledge commitment and payments made will be mailed to members on a monthly basis or in the last month of each quarter. Monies owed to the Church and not paid within a reasonable period shall be pursued aggressively. The Executive Team may not purchase, sell or encumber real property without approval of the Board and/or congregation.

Accordingly, the Executive Team shall not:

1. Expend more funds than have been budgeted for in the fiscal year.

We report compliance. As of May 31, 2009, income was at 91% of budget and expense were at 93.5% of budget. For further details consult our report against EL 3.4. The church's accounting software generates budget percentages at the conclusion of the month. Therefore these numbers do not reflect the $50,000 reserve transfer made on June 4.

2. Commit to spending that binds financial obligations beyond current budget year without Board approval.

We report compliance. No financial obligations have been made beyond the current budget year. Grants were approved in the budget in May 2008 for the UUs of South Jersey Shore and to the UUs of Central Delaware as per the congregation – approved five-year Grants for Growth Fund – contingent on available future funding.

3. Make a single unbudgeted purchase or commitment exceeding $7500, and any expenditure exceeding $2500 will require two competitive bids where practical.

We report compliance. The Buildings and Grounds Team is getting a second bid on a project to clean the sanctuary. It is anticipated that this would exceed $2500.

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

We report compliance. The congregation voted at the 2009 Annual Meeting to spend money in the capital campaign fund for paying off the mortgage to the UUA.

5. Fail to settle payroll and debts, or to complete government-ordered filings/tax payments, in a timely manner.

We report compliance. We have a payroll service that handles our twice-a-month payroll and takes care of all tax filings.

6. Fail to aggressively pursue receivables after a reasonable grace period.

We report compliance. Receivables consist of pledges and rental income. Fran Grubb, the Administrative Assistant, rigorously pursues rental issues when rarely necessary. Quarterly statements are mailed to all members, currently our sole means of reminding members if their pledge payments are in arrears.

7. Acquire, encumber or dispose of real property.

We report compliance. We did not acquire, encumber, or dispose of any real property during fiscal year 2008-2009, nor do we anticipate doing so in fiscal year 09-10.

POLICY EL #6: ASSET PROTECTION

The Executive Team shall not allow the assets to be unprotected, inadequately maintained, or unnecessarily risked.

INTERPRETATION:
We interpret this to mean that sufficient insurance coverage must be maintained to ensure adequate replacement value coverage. The members of the Board are protected against personal liability in their capacity as trustees under the Church's certificate of incorporation and Delaware law, except for bad faith acts or breaches of the duty of loyalty. (A breach of the "duty of loyalty" means action motivated by an interest other than the best interests of the Church. The classic example is self-dealing, like embezzlement or selling church property to a trustee or officer at an unfair price.) The staff members are not exonerated under Delaware law, which is why we carry insurance for them. Access to money by a single source must be prevented. The building must be properly maintained, and wear and tear must be monitored to prevent unnecessary damage. Activities that might jeopardize the

Church's non-profit status are not allowed. The handling of funds must meet the standards of the Church's auditor. Operating funds must be held in protected accounts, and should be interest bearing when possible, provided that normal transactions are not interrupted. Files, information and historical data must be protected from loss or damage. The Church's public image and credibility must be maintained to ensure the ability of the Church to carry out its mission statement. Audits must be performed in accordance with the Bylaws, and professional investment advice should be obtained on a regular basis.

Accordingly, the Executive Team may not:

1. Fail to insure against theft and casualty losses as close to replacement value as possible, less reasonable deductible and/or co-insurance limits.

We report compliance. The church has an insurance policy through KTD which includes coverage for theft and casualty. It carries a $250 deductible for loss of business personal property.

2. Fail to insure against corporate liability and personal liability of Board members and staff, taking into account pertinent statutory provisions for indemnification and exemptions applicable to Delaware non-profit organizations.

We report compliance. We have an umbrella policy that covers liability in many ways, including all staff members. Due to the austerity of the budget in fiscal year 09-10, Board insurance was not included.

3. Allow single party access to church funds.

We report compliance. The Administrative Assistant manages the accounts for the money coming in, and the Business Manager primarily manages payments of checks, with the Treasurer overseeing all. Depending on the account, at least two of the following are authorized to take action on church accounts: The President, Treasurer, Business Manager, Finance Team Chair, and Administrative Assistant.

4. Subject plant and equipment to improper wear and tear or insufficient maintenance.

We report compliance. Staff maintains our property and follows a regular maintenance schedule. The Building and Grounds Team and the Green Sanctuary Team works with our Building Supervisor to plan maintenance and improvements. One such work day occurred in May. There was a pruning of the bushes done on June 6.

5. Unnecessarily expose the organization, its Board or staff to claims of liability or risk the nonprofit status.

We report compliance. The Executive Team has not taken any action that would move us outside the parameters defined by this limitation.

6. Receive, process or disburse funds under controls insufficient to meet the Board-appointed auditor's standards or other government standards.

We report compliance. As a result of the self-audit conducted this year, the Administrative Assistant will periodically audit the Business Manager. This is in addition to the practice of the Business Manager periodically auditing the Administrative Assistant.

7. Invest or hold operating capital in illiquid instruments, including uninsured checking accounts or CDs, and bonds of less than AA rating, or in non-interest bearing accounts except where necessary to facilitate ease in operational transactions.

We report compliance. Our operating funds are in an operating checking account (the balance is under $250,000 so they are insured) and a Smith-Barney cash-equivalent account – all US Treasury funds. Additional funds from the Capital Campaign now reside at Citizens Bank in Insured Money Market accounts. Under the new FDIC rules, these accounts are insured.

8. Fail to have a Board approved investment policy for non-operating capital.

We report compliance. The Board approved an Investment Policy that was presented to them by the Executive Team.

9. Invest non-operating capital other than in accordance with the approved investment policy.

We report compliance. We reported non-compliance with this policy in March 2009 because the Heritage Fund's portfolio was different that the asset weight described in the Investment Policy. We have altered the portfolio so that it is now in compliance with the asset weights described in the Investment Policy. This corresponds to Option A in the plan to come into compliance that was described in our March 2009 Monitoring Report.

10. Fail to protect intellectual property, information, and files from loss of significant damage.

We report compliance. We back up our computers daily as well as engage in off-site protection once a week. Confidentiality is maintained with password protection on all staff computers. The new non-broadcast Wi-Fi network in the church is also protected through passwords and SSID codes with limited access.

11. Endanger the organization's public image or credibility, particularly in ways that would hinder accomplishment of its mission.

We report compliance. The Executive Team has not taken any action that would move us outside the parameters defined by this limitation.

12. Fail to arrange for regular conduct of outside audits and professional investment advice.

We report compliance. The Finance Team and the Business Manager completed a self audit. The church has a broker managing our investment accounts in consultation with our Finance Chair. The Business Manager has left messages at Barbacane Thornton, the company that did our previous audit, and has not yet received a callback. We will schedule an external audit with some company by the end of June.

POLICY EL #9: ENDS FOCUS OF GRANTS OR CONTRACTS

The Executive Team may not enter into any grant or contract arrangements that fail to emphasize primarily the production of Ends and, secondarily, the avoidance of unacceptable means.

INTERPRETATION:
We interpret this policy to mean that the Executive Team must be aware of a grant recipient's intended use of any grant. Usage of the grant must fall within the established Ends, and such use must not be irresponsible, immoral, or illegal. The Team must also be satisfied that the recipient has the ability of achieve their intended results.

Accordingly, the Executive Team shall not:

1. Fail to prohibit particular methods and activities to preclude grant funds from being used in imprudent, unlawful, or unethical ways.

We report compliance. The Growth Team supports and monitors activities of both the South Jersey UU's and the Dover congregation to whom we awarded grants in June. In December we awarded grants to UUCD for $1000.00 and UUSJS for $1000.00. We hope to pay a final disbursement of $1000 to both churches at the end of the fiscal year 08-09, however we will determine if we can make these payments based on our income and expense status after 6/15/09.

2. Fail to assess and consider an applicant's capacity to produce appropriately targeted, efficient results.

We report compliance. The only grants we currently provide are the Grants for Growth. The Growth Team is tasked with vetting the recipients. The Social Justice Team recommends recipients for Special Collections to the Executive Team for final decisions. One of the selection criteria is the applicants' capacity to produce results that are in alignment with our principles.

EXECUTIVE TEAM ASSESSMENT:
The Executive Team is closely monitoring the final pledge income number for the 09-10 budget. There may be a shortfall between income and expenses in next year's budget, however we do not think it will be very large compared to this fiscal year's shortfall. As of this report we are not non-compliant, but foresee this as possible in the near future. Therefore, the Executive Team will consult with the Treasurer and the Stewardship Team on the final number for the pledge income and how we will address it. This plan will be reported to the Board in the next round of financial limitations monitoring reports.

Respectfully submitted by the Executive Team,

Rev. Dr. Joshua Snyder,
Rev. Barbara Gadon,
Helen K. Foss,
Ruth Mette