

# **Evaluation of the UUCF Financial Stewardship Program by the Program Evaluation Committee**

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# Evaluation of the UUCF Financial Stewardship Program

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## Executive Summary

This report presents the Program Evaluation Committee's (PEC) assessment of the Financial Stewardship Program at the Unitarian Universalist Congregation of Fairfax (UUCF). The following questions framed the evaluation:

- How does UUCF promote a secure financial future?
- Who has or should have ultimate responsibility for financial stewardship<sup>1</sup>?
- Is there a role for a Lay Minister for Financial Stewardship (LM/FS); and, if so, what is that role?

The answers are complex, but can be summarized as follows:

- UUCF needs a comprehensive financial stewardship strategy that integrates fundraising (revenue) and financial management (expenditures).
- The Board of Directors has overall accountability for financial stewardship and should more actively exercise that responsibility.
- The role of the LM/FS has never been formally defined, has been personality dependent and is not needed.

### Findings and Recommendations

Early in this evaluation it became apparent that no entity had assumed overall responsibility for financial stewardship. The Board was not taking an active role, the LM/FS position was not adequately defined and the CT's responsibilities for UUCF's functioning were largely limited to day-to-day operations. Fundraising and budgeting were operating at a tactical level, without a strategic vision.

***Leadership for financial stewardship is the central focus of this report. The overarching theme is that financial stewardship leadership at UUCF should be both broadened, so that more congregants are engaged in financial stewardship and deepened, so that there is a "bench" of financial leaders who can step up as needed to ensure continuity for sound, responsible financial vision and operations.***

**Finding #1: *UUCF lacks a comprehensive financial strategy with centralized responsibility and oversight.***

**Recommendation #1:** The Board should create a Financial Stewardship Oversight Committee (FSOC)<sup>2</sup>, chaired by the Treasurer, that is responsible for developing and monitoring the implementation of a

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<sup>1</sup> For purposes of this evaluation, the PEC defined "financial stewardship" as responsibility for obtaining all revenue and overseeing all expenditures for UUCF.

<sup>2</sup> For ease of reference in this report, the PEC refers to the proposed committee as the Financial Stewardship Oversight Committee (FSOC). The Board may choose any name it deems appropriate.

comprehensive financial stewardship strategy that integrates fundraising (revenue) and financial management (expenditures).

**Finding #2: *The Lay Minister for Financial Stewardship position has never been formally defined, has been personality dependent and is not needed.***

**Recommendation #2:** The position of Lay Minister for Financial Stewardship should be abolished.

**Finding #3: *Servicing the mortgage debt is the second largest expenditure from the operating budget, after staff salaries.***

**Recommendation #3:** The Board should, to the maximum extent possible, devote all further expenditures of Reach funds toward reducing the mortgage debt.

**Finding #4: *The reserve funds have become dangerously low and are no longer adequate to meet UUCF's needs.***

**Recommendation #4:** As the Board intended at the beginning of the Reach campaign, at least \$100,000 of Reach funds should be used to rebuild the reserve funds.

**Finding #5: *Financial management at UUCF is excellent, thanks, in large part, to a dedicated and capable Executive Director, but oversight is minimal.***

**Recommendation #5:** The Financial Stewardship Oversight Committee should execute the responsibilities for financial oversight of the former Audit Committee, as laid out in the Governance Manual (section IX.H).

**Finding #6: *UUCF successfully raises significant sums of money for specific social justice and humanitarian causes but is less successful in raising money for day-to-day operations.***

**Recommendation #6:** UUCF leadership should include appropriate discussion of financial stewardship and generosity in worship services, new member classes and other venues.

**Finding #7: *The burden of fundraising has fallen on the Executive Director and the Parish Minister rather than the lay leadership.***

**Recommendation #7:** The FSOC should explore a wide variety of innovative methods of fundraising.

## Financial Stewardship at UUCF

This report presents the Program Evaluation Committee's (PEC) assessment of the Financial Stewardship Program at the Unitarian Universalist Congregation of Fairfax (UUCF). The following questions framed the evaluation:

- How does UUCF promote a secure financial future?
- Who has or should have ultimate responsibility for financial stewardship?
- Is there a role for a Lay Minister for Financial Stewardship (LM/FS); and, if so, what is that role?

The answers are complex, but can be summarized as follows:

- UUCF needs a comprehensive financial stewardship strategy that integrates fundraising (revenue) and financial management (expenditures).
- The Board of Directors has overall accountability for financial stewardship and should more actively exercise that responsibility.
- The role of the LM/FS has never been formally defined, has been personality dependent and is not needed.

### 1. INTRODUCTION

The UUCF Governance Manual states (section VII.E.2) that “[t]he Board shall engage in comprehensive review of programmatic areas of the Congregation on a multi-year basis. This Programmatic Assessment shall occur on a schedule adopted by the Board. In conducting the Programmatic Assessment, the Board may form a committee to assess a particular area, or it may direct a Board-chartered committee to assist it.”

The Board and the Coordinating Team (CT)<sup>3</sup> decided that program reviews should be conducted by the CT, with reports submitted to the Board for review. Thus, the PEC is a subcommittee of the CT.

The PEC has conducted two prior program evaluations. The first was done on the fellowship program in 2012-2013 and the second on the social justice program in 2013-2014.

When the CT was in the process of selecting a program for the current evaluation, the following motivated the selection of financial stewardship:

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<sup>3</sup> The Coordinating Team (CT) comprises five members: the Parish Minister, Associate Minister, Executive Director and two lay members of the congregation. It meets weekly and is charged with implementing the policies and goals of the Board of Directors on behalf of the congregation.

- UUCF had a budget shortfall that needed to be addressed and it was clear that finances needed sustained attention.
- The Lay Minister for Financial Stewardship had recently died; it was unclear who might take that position and how it should be executed.
- Some key staff, including the Parish Minister, had recently resigned and UUCF was undergoing a period of transition and intense self-examination.

The Board approved the CT's recommendation that the financial stewardship program be evaluated. The PEC conducted this evaluation during the fall of 2014 and the winter of 2015.

## 2. FINANCIAL STEWARDSHIP LEADERSHIP

Early in this evaluation it became apparent that no entity had assumed overall responsibility for financial stewardship. The Board was not taking an active role, the LM/FS position was not adequately defined and the CT's responsibilities for UUCF's functioning were largely limited to day-to-day operations. Fundraising and budgeting were operating at a tactical level, without a strategic vision.

***Leadership for financial stewardship is the central focus of this report. The overarching theme is that financial stewardship leadership at UUCF should be both broadened, so that more congregants are engaged in financial stewardship and deepened, so that there is a "bench" of financial leaders who can step up as needed to ensure continuity for sound, responsible financial vision and operations.***

### **The Board and Financial Strategy**

The UUCF Governance Manual (section IX.G) states that "[t]he Board shall have overall accountability for UUCF financial stewardship ...." Although the Board is permitted "to use the services of standing and ad hoc committees to assist it in meeting the financial needs of the congregation," ultimate accountability rests with the Board.

### **Finding #1: UUCF lacks a comprehensive financial strategy with centralized responsibility and oversight.**

The Board has not fully embraced its responsibilities for financial stewardship, particularly regarding fundraising. The Board can delegate but cannot abrogate its fiduciary responsibility, which includes gathering resources.

The PEC notes the following:

- The responsibilities of the new Financial Oversight Committee (FOC) are described in new section IX.H of the Governance Manual as being concerned exclusively with oversight of financial management (expenditures). Those responsibilities belonged to the predecessor of the FOC, called the Audit Committee. The FOC is a committee of the Board chaired by the Treasurer. The Committee is not assigned any role or responsibility for fundraising, even though the Bylaws (Article VI.5) explicitly hold

the Board responsible for fundraising: "The Board shall oversee the procurement of all monies necessary to support the Congregation."

- In recent years, the Board has addressed the congregation about its long-range vision for UUCF's financial future only three times. In 2002 and 2007, the Board recommended to the congregation that mortgage debt be undertaken in support of UUCF's building program. In 2013, at the commencement of the Reach campaign, the Board issued a statement listing its priorities for spending Reach funds. Otherwise, at each June's annual meeting, the Board Treasurer presents to the congregation the budget for the coming year, which by its nature concerns only the short term.
- The Board has not been involved in recruiting chairs for the Annual Giving Campaign or auction, nor in planning smooth transitions from one chair to the next. These responsibilities have been left to the ministers. Recruiting, particularly for the AGC chair, has been difficult. The AGC is being led this year by UUCF's Executive Director. There is no clear successor to the current auction chair, who is in her second year.
- Most importantly, because fundraising has been left to the ministers, the congregation staff and volunteer members, financial planning is done year to year. As stated above, there is no long-range strategy for fundraising, expenditures, mortgage retirement, or maintaining adequate reserve funds.
- The Board has not required timely reports from the Endowment Fund Committee, even though the Bylaws (Article XII.7) mandate that the Committee "report quarterly to the Board on new contributions to the Fund, the current investment portfolio, incurred expenses, past actions and future intentions."
- Interviewees expressed concern that the Board has gone too far in being just a visioning entity and offered opinions that the Board is responsible for the overall health of the congregation, including its financial health.

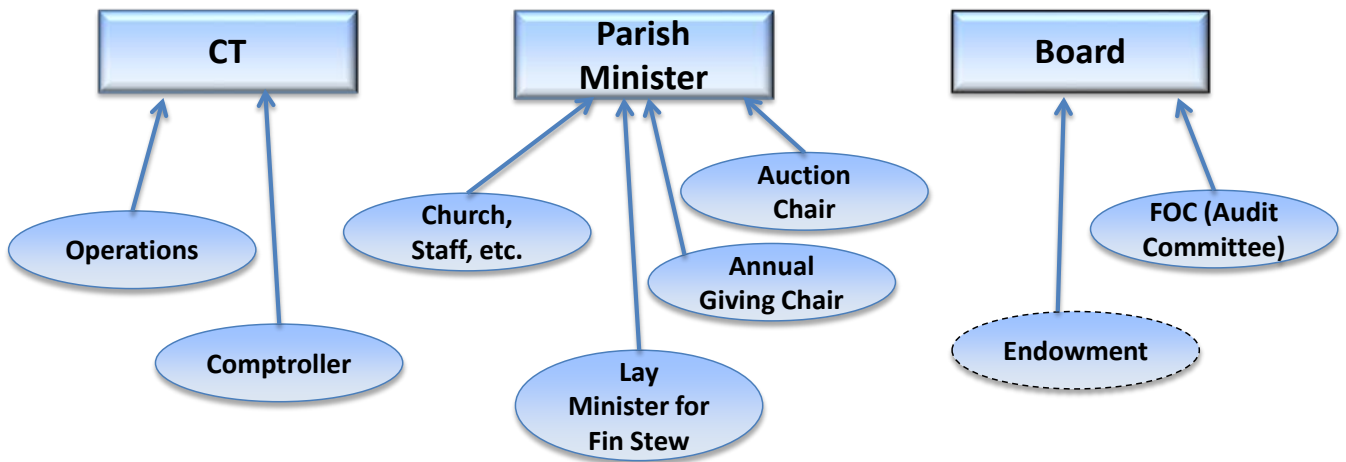
**Recommendation #1: *The Board should create a Financial Stewardship Oversight Committee (FSOC), chaired by the Treasurer, that is responsible for developing and monitoring the implementation of a comprehensive financial stewardship strategy that integrates fundraising (revenue) and financial management (expenditures).***

The PEC emphasizes that, by taking the organizational steps described in Recommendation #1, the Board would not be departing from the principles of policy governance. On the contrary, proper implementation of long-range visioning and planning for mission achievement can only happen in the context of a long-range financial strategy. Development of such a strategy is an entirely proper Board function under policy governance; indeed, only the Board can do it.

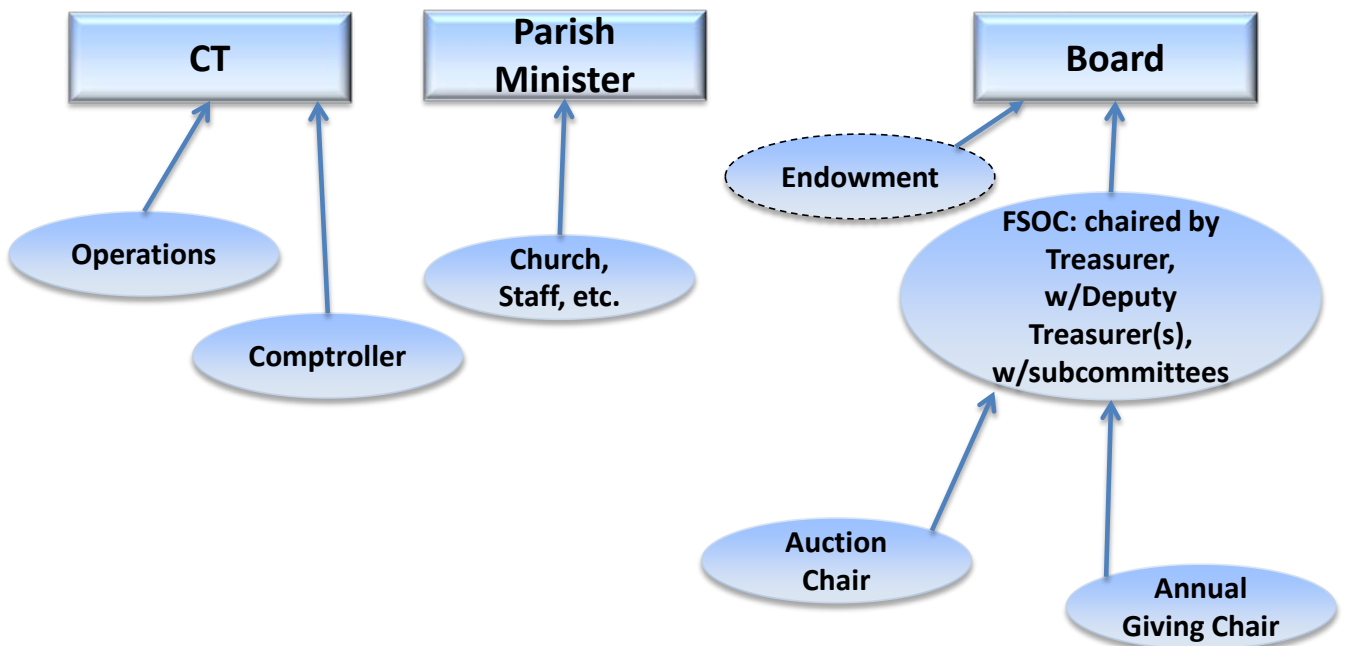
The current and proposed structures for financial stewardship are shown in the diagrams below. The FSOC would oversee both financial management and fundraising—all aspects of finances at UUCF. Membership on the FSOC would be open to congregants as well as Board members, as was the Audit Committee and its replacement, the Financial Oversight Committee (FOC). The PEC urges that to the maximum extent possible,

non-Board members of the FSOC have familiarity and comfort with issues of fundraising and financial management.

### Current Structure



### Proposed Structure





Training and continuity are important considerations for financial stewardship leadership. Some Treasurers have taken office not knowing what their predecessors did or, in one case, even who he/she was. The Treasurer should have at least one Deputy Treasurer who could provide continuity if the Treasurer were to leave the Board, such as by expiration of his term. A Deputy would not need to be a Board member but could be drawn from the membership of the FSOC. The point is that at least a couple of people besides the Treasurer should have in-depth financial knowledge about UUCF so that there is always someone in a position to step up as Acting Treasurer if needed. The Treasurer is a Board position, but could be filled by a non-Board FSOC member in an acting capacity until the Board selects and trains a new Treasurer.

### **Lay Minister for Financial Stewardship**

***Finding #2: The Lay Minister for Financial Stewardship position has never been formally defined, has been personality dependent and is not needed.***

Since the establishment of the position of Lay Minister for Financial Stewardship (LM/FS) seven years ago, UUCF has been fortunate to fill the position with three highly competent and dedicated individuals. However, roles and responsibilities were never formally defined. Each lay minister brought his own strengths and vision to the position. Both of the former LM/FSs interviewed<sup>4</sup> described their roles as key to fundraising endeavors such as the Annual Giving Campaign (AGC) and auction. However, at least one AGC chair was not aware that the position of LM/FS existed.

Unlike the other lay minister positions at UUCF, the LM/FS is not tied to any program. In effect, the position supports other programs by raising money. The other lay ministers report to the ministers, but financial stewardship is a Board responsibility and should not be under the Parish Minister.

Given these considerations, and with the role of the Board of Directors in financial stewardship strengthened, there would no longer be a need for a LM/FS.

***Recommendation #2: The position of Lay Minister for Financial Stewardship should be abolished.***

### **3. BUDGET**

Many in the congregation do not have clear knowledge of UUCF's income sources, its various financial accounts and the expense categories within its overall budget. Congregants may wonder how UUCF can have a budget shortfall so soon after Reach, a major fundraising campaign, and while there is money in the Endowment Fund. This section addresses where UUCF's money comes from and where it goes.

#### **UUCF Accounts**

Consistent with its status as a congregational church, UUCF is entirely self-supporting. It receives no financial support from any outside entity. Generally UUCF maintains the following bank and asset accounts:

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<sup>4</sup> The most recent LM/FS, Stan Richards, died during the summer of 2014.

- The **operating checking account** holds funds for the costs associated with day-to-day UUCF operations and maintenance.
- The **operating and capital reserve savings accounts** hold funds for emergency expenses not covered by the operating checking account.
- The **custodial fund checking account** holds funds for the operating costs of UUCF-sanctioned functions. Persons chairing such functions may be given advances from the custodial account; all proceeds derived from the functions are deposited back into the account.
- The **capital campaign (Reach) checking account** holds contributions of members and friends to the recent Reach capital campaign, which can be spent only with Board approval.
- A **brokerage account for stock transfers** is used in processing gifts of stock from UUCF members and friends.
- The **Endowment Fund** is a permanent fund completely separate from any other fund. Members and friends who wish to leave a legacy to UUCF make deposits into the fund. The principal in the account is not spent—only a portion of the investment earnings are ever spent.

### Operating Budget Revenue

Support for the operating budget derives from the sources shown in Table 1. The single biggest source of income for the operating budget—over 80 percent—is pledges of members and friends. The amount from the Reach account is intended as a one-year contribution to fund the first year’s salary for the part-time Minister for Social Justice and the audiovisual technician.

**Table 1. Operating Budget Revenue Sources (Estimated): 2014-2015**

Source	2014-2015 Budget	Percentage
<b>Total Operating Pledges/Donations</b>	\$1,046,750	82.6%
<b>Rental Income</b>	\$96,184	7.6%
<b>Auction Income</b>	\$50,000	3.9%
<b>Reach Campaign</b>	\$41,750	3.3%
<b>Plate Collections</b>	\$20,000	1.6%
<b>Other Income</b>	\$12,000	.9%
<b>Total Operating Income</b>	\$1,266,684	100.0%

**Operating Budget Expenditures**

The expenses that are paid out of the operating budget are shown by category in Table 2.

**Table 2. Operating Budget Expenditures (Estimated): 2014-2015**

Expense	2014-2015 Budget	Percentage
Personnel	\$896,970	70.8%
Mortgage Debt Service	\$108,354	8.6%
Buildings and Grounds	\$78,700	6.2%
UUA/JPD Fair Share	\$66,000	5.2%
Office Administration	\$61,660	4.9%
Programs	\$55,000	4.3%
Operating and Capital Reserves	\$0	0.0%
<b>Total Operating Expenses</b>	<b>\$1,266,684</b>	<b>100.0%</b>

***Finding #3: Servicing the mortgage debt is the second largest expenditure from the operating budget, after staff salaries.***

**Staff salaries**

Staff salaries and benefits constitute the primary expenditure from the operating budget. About 71% of the operating budget for 2014-2015 is expended on personnel, primarily salaries and benefits. In addition to five permanent full-time positions, there are nine part-time positions plus a full-time ministerial intern position. The full-time positions are Parish Minister, Associate Minister, Director of Religious Exploration, Director of Music and Arts and Executive Director.

The UUCF staff has expanded significantly in recent years in the number of part-time positions. This is the result of the increased professionalization of UUCF services to its members and the decline in the availability of volunteers. The following are some examples:

- **Communications.** The days of a bimonthly paper newsletter that was prepared by a single staff member, then folded and mailed by a group of volunteers are long gone. Now UUCF's communications activities are much more frequent and are provided by two paid staffers who work a total of 40 hours per week. They maintain the UUCF website, prepare the regular weekly electronic announcements, manage social media and any ad hoc announcements and publish the ministers' blogs.

- **Audio-visual technician.** The audio-visual technician works 15 hours per week, primarily in support of the weekend services. He is much in demand, however, and could probably work many more hours if the budget permitted.
- **Teen Religious Exploration.** The teen Religious Exploration program was, in the past, led by adult volunteers, with varying results. It is now led by a 20-hour-per-week professional.
- **Bookkeeper.** The UUCF's bookkeeping used to be provided by someone who worked off-site, was often unavailable, and had an informal reporting arrangement with the congregation. UUCF now has an on-site bookkeeper who works 15 hours per week and reports directly to the Executive Director.

### **Mortgage Debt**

UUCF's mortgage debt of more than \$1.3 million is the result of the building program that got underway in 2002. Two capital campaigns were undertaken in 2000 and 2006, but substantial debt financing proved to be necessary in order to renovate the Administration Building, construct the Program Building and make improvements in the Sanctuary.

In a statement to the congregation on January 20, 2013, the Board announced that the first two priorities of the Reach capital campaign would be the parking lot project and a connection to the public sewer system.<sup>5</sup> Retirement of UUCF's mortgage debt was the third priority after the parking lot and the sewer connection.

In its statement, the Board projected that the Reach campaign would raise \$3.2 million, the parking lot project would cost \$700,000 and the sewer connection \$115,000. The Board further projected that it would be possible to retire \$1,000,000 of UUCF's mortgage debt.

Unfortunately, none of those projections came to pass. As of December 31, 2014, UUCF had received \$2,585,000 in Reach pledges, slightly more than half of which have been paid. The parking lot project is now complete, at a total cost of nearly \$924,000. The sewer connection is projected to cost \$209,000. Significant expenditures of Reach funds have been made for new furniture and other improvements to the Sanctuary and Program Building, technology improvements, and, on a temporary basis, two part-time staff positions.<sup>6</sup> As a result, as of December 31, 2014, projected debt reduction has dropped to \$615,000, less than half of the mortgage. No payments on debt reduction have been made yet.

**Recommendation #3: *The Board should, to the maximum extent possible, devote all further expenditures of Reach funds toward reducing the mortgage debt.***

UUCF's annual mortgage cost of \$108,000 is a huge strain on the operating budget. Even the partial mortgage reduction now planned would create much-needed "budget space" by reducing the annual principal and interest cost and would help to avoid staff and program cuts during times of reduced pledges to the operating fund.

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<sup>5</sup> In addition, the Board announced that 10% of all Reach funds would be set aside for social justice and outreach.

<sup>6</sup> The Minister for Social Justice and the audio-visual technician.

To achieve even a \$615,000 reduction, however, it is necessary for the Board and the CT to resist further spending of Reach funds in other areas of congregational life - no matter how worthy the spending might be. The sewer connection project and the social justice/outreach set-aside must be funded, consistent with the Board's January 2013 statement. Good financial stewardship means paying the bills that have already come in and the mortgage debt represents the bill for the building program that has transformed UUCF's campus. The PEC would support the Board's plan to use \$100,000 in Reach money to rebuild UUCF's reserve funds. Otherwise, dedicating further Reach funds to debt reduction, to the maximum extent possible, would be consistent with the Board's intentions and would be in the best interests of the congregation.

#### **Other major expenditure categories**

**“Fair share” payments to the UUA and Joseph Priestley District (JPD):** To support their operations, both the UUA and JPD suggest an amount of money to be paid to them yearly for each of a congregation's members. Paying its “fair share” is not mandatory, but UUCF chooses to do so. In the current budget, UUCF's “fair share” contributions amount to \$66,000 - \$60 per capita to the UUA and \$28 per capita to the JPD. Some UUCF members believe that UUCF receives financial support from the UUA and the JPD. Actually, the reverse is true; financial support flows from UUCF to those organizations. As noted above, UUCF is entirely self-supporting.

**Programs:** A relatively minor portion of the operating budget is spent on programs. After staff costs, the mortgage, “fair share” contributions and other areas of regular expenditure such as maintenance, utilities, supplies and insurance are set aside, programs take up a very small share of UUCF's budget - less than 5%. Thus, when major budget reductions are necessary, there is little to be gained by cutting programs.

#### ***Finding #4: The reserve funds have become dangerously low and are no longer adequate to meet UUCF's needs.***

The 2014-2015 budget allows for no contributions to UUCF's reserve funds. When UUCF's Executive Director arrived in 2009, the capital reserve fund had a balance of about \$35,000; there was no operating reserve at all. The Executive Director put in place practices to gradually build both funds. The capital reserve fund reached its highest balance - \$54,000 - in August 2010, when it became necessary to draw on the fund to replace the roof on the Administration Building. The fund presently stands at \$42,256. A major capital expense is looming: the wood-shingle Sanctuary roof, which is now more than 30 years old, will soon need to be replaced.

The operating reserve fund reached its highest balance - \$57,600 - in June 2013. At that point, the congregation stopped contributing to the fund, and instead began to regularly draw on the fund to meet cash flow problems caused by UUCF's declining membership and number of pledges. The operating reserve fund now stands at \$6,310, a dangerously low level.

The Board's January 2013 statement of Reach priorities designated \$150,000 to replenish the reserve funds. The most recent Reach budget, at the end of calendar year 2014, allows only \$100,000. No actual contributions to the funds have yet been made. The 2014-2015 operating budget originally called for a \$12,000 contribution to the operating reserve, but that was abandoned when pledges did not fully fund the proposed budget.

**Recommendation #4: *Although some of the original plans for Reach expenditures needed revision, the Board should still designate at least \$100,000 of Reach funds for rebuilding the reserve funds.***

The amount should be divided so that the capital reserve fund is increased to \$100,000, in order to defray the replacement of the Sanctuary roof. The remaining amount should go to the operating reserve fund. If UUCF's finances permit, annual contributions to the operating reserve fund should resume with the goal of building that fund to \$100,000. Such balances would be close to what the Board intended at the beginning of the Reach campaign.

#### 4. FINANCIAL MANAGEMENT

Financial management encompasses all activities associated with the expenditure of funds from the various budget categories. UUCF's financial management is, by all accounts, efficient and effective, operating within well-defined guidelines. However, oversight - the "second set of eyes" that ensures funds are spent responsibly and for the purposes they were intended - is minimal. This section examines the role of the Board, external auditors and the Comptroller in overseeing financial management.

**Finding #5: *Financial management at UUCF is excellent, thanks, in large part, to a dedicated and capable Executive Director, but oversight is minimal.***

The Governance Manual (section IX.J) charges the Board with hiring an Executive Director with responsibility for, among other things, overseeing financial operations, managing long-range financial plans, monitoring budget and cash flow and budget preparation.

When the Executive Director was hired in 2009, the books were in disarray. He acted quickly to professionalize financial management at UUCF and make significant process improvements. He is widely regarded as doing a superb job. The bookkeeper, who reports to the Executive Director, is credited with keeping excellent detailed records.

As a matter of good practice (in no way reflecting on the Executive Director), there should be a system of checks and balances on the Executive Director's financial management activities. Although the Executive Director is responsible to the CT and the Parish Minister, neither entity challenges him much. Several mechanisms that might provide appropriate checks and balances are not utilized:

- The Board has not fully assumed its responsibilities for financial oversight.
- There has never been a full audit of UUCF financial statements.
- The role of the Comptroller is not well defined.

#### Oversight

Someone should be checking, probably quarterly, such things as whether UUCF-generated financial statements accurately reflect bank statements. Custodial funds (e.g., for coffee sales, flower team, Partner Church, Memorial Grove), the Endowment Fund, restricted gifts and Share the Plate receipts should also be examined periodically to assure they are being spent for their intended purposes. There should be a "second set of eyes" on the ministers' discretionary funds and professional expense allotments, not to assess the appropriateness of expenditures, but to review the fund amounts versus outlays.<sup>7</sup>

## Financial Audits

Prudence dictates that audits (or other levels of review) be done routinely and not wait until a problem arises. General accounting practice recognizes three levels of review, all conducted by CPAs:

- A **full audit** looks at financial statements, records, systems and regulations for compliance with generally accepted practices (GAP). It tests a sample of transactions. UUCF has never had a full audit of its financial statements. In fact, according to the UUA Director of Stewardship and Development, only about one-quarter of large congregations do have audits. Primary reasons are that a full audit is expensive - \$15,000 to \$18,000 - and the amount of money even large UU congregations deal with is small compared to businesses.
- A **financial review** is less exhaustive than a full audit. It looks at balance sheets and financial statements to assess compliance with GAP and does some testing of records. It is substantially less expensive than a full audit - generally about \$8,000. At the end of FY 2011, a financial review was done by a "mom and pop" organization for \$1500; however, a knowledgeable staff member said it was a poor job.
- A **compilation** ensures that financial statements are in accordance with GAP. Starting three years ago, UUCF has annually commissioned a compilation report, which costs about \$4000 per year. The bank that granted UUCF two building loans in the past several years required compilation reports.

Another type of review is a **review of agreed upon procedures**, which looks at policies, procedures and internal controls. Such a review was done as part of the 2011 review described above; changes were suggested to some of UUCF's internal financial controls policies and those changes were made. Looking forward, such a review should be done on a periodic basis, perhaps as part of one of the other financial reviews.

## Comptroller

Although the Comptroller may perform some audit procedures, there is no comprehensive job description for the position that specifies the activities the Comptroller should undertake and how often. Various duties of the Comptroller, an unpaid lay position, are noted in the Governance Manual (section IX.K) and the office's Financial Controls document. The Comptroller, as stated in the Governance Manual, is appointed by the CT to provide a segregation of duties within UUCF financial management. Specific responsibilities include assisting in

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<sup>7</sup> The ministers do not make any kind of report on how these funds are spent.

the preparation of routine financial reports and the annual budget; conducting timely reviews of financial records, reports and transactions for consistency with the budget and policies; and reporting to the CT any departures from prudent practice and approved policies.

The Financial Controls document mentions a number of other duties of the Comptroller. Perhaps most salient is the Comptroller's responsibility for signing checks. The Comptroller routinely signs any check under \$2500.<sup>8</sup> Expenditures over \$2500 require two signatures. In addition, any capital or non-budgeted operating expenditure over \$10,000 must be approved by the Board. The Comptroller, on a regular basis and at least quarterly, is also to review bank reconciliations prepared by the bookkeeper; perform limited audit procedures; monitor fund transfers from one back account to another; and approve all on-line payments. She is to review monthly, quarterly and annual report detail and convey any concerns or discrepancies to the CT or the Board.

The language in these two documents is, in some instances, vague - for example, calling for "timely" reviews in the Governance Manual and "limited" audit procedures in the Financial Controls document. Thus, there is substantial latitude in how the job is carried out and each of UUCF's several Comptrollers has put his or her personal stamp on the position.

Moreover, the Governance Manual specifies that the Comptroller report to the CT any departures from prudent practice and approved policies; whereas, the Financial Controls document states that the Comptroller is to convey any concerns or discrepancies to the CT or the Board.

**Recommendation #5: *The FSOC should execute the responsibilities for financial oversight of the former Audit Committee, as laid out in the Governance Manual (section IX.H).***

No one interviewed suggested that there is anything amiss with respect to UUCF's financial statements, nor did the PEC find anything to cause concern. However, as part of its oversight responsibilities, the FSOC should consider the following:

- Commissioning a higher level financial review or audit by an outside entity, perhaps every three to five years.
- Creating a mechanism for the Comptroller to report concerns to the Board as well as the CT.
- Writing a job description for the Comptroller to more clearly define the requirements of the position and provide for closer and more consistent oversight of financial activities.
- Establishing a clear policy, together with the Coordinating Team, that defines which financial oversight duties are the responsibility of the Board and which are to be carried out by the CT.

## 5. FUNDRAISING

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<sup>8</sup> If the Comptroller is unavailable and a check is needed immediately, the Executive Director may sign the check, providing documentation for the Comptroller to review the next time she comes into the office.



Fundraising is the great financial challenge for all congregations. This section focuses mainly on the funds raised to keep UUCF in operation, which are obtained primarily through the Annual Giving Campaign. The complexity of this issue makes it one of the most difficult to address. The discussion in this section is grouped under two topics: current giving at UUCF; and alternative methods of fundraising.

### **Current Giving**

**Finding #6: *UUCF successfully raises significant sums of money for specific social justice and humanitarian causes but is less successful in raising money for day-to-day operations.***

UUCF members and friends give generously to causes that are not included in the operating budget. Those causes include specific social justice programs, humanitarian appeals and congregational projects that raise a significant portion of their funding outside the operating budget. Examples include natural catastrophe relief (e.g., Haitian earthquake, New Orleans hurricane), Share the Plate projects (local, national and international), FUUSE stipends and Partner Church scholarships. Each year since 2005, UUCF members have donated \$1,500 to \$3,000 per month to Share the Plate causes.

At the same time, the Annual Giving Campaign (AGC), which provides over 80 percent of the congregation's annual operating budget, usually fails to meet its goals. The AGC for 2014-2015 fell so far short of its goal that it was necessary to conduct a follow-on "Step Up" campaign to narrow the gap and meet basic needs such as salaries, mortgage payments, utilities, dues to the UUA and JPD, class room supplies, etc.<sup>9</sup> Although the average pledge has gone up every year for the last six years, the average pledge for the 471 pledging units for 2014-2015 (\$2140) was still less than the average cost of congregational operations per pledging unit (\$2200). (See Appendix D)

A number of interviewees and focus group participants noted that it seems someone is always asking for money for something outside the operating budget, which affects annual pledges to the operating fund. In addition to annual appeals for FUUSE and Partner Church and weekly Share the Plate solicitations, there have been three capital campaigns in close succession - two building campaigns, which got underway in 2000 and 2006 and the recent Reach Campaign. The Endowment Fund undertook a major fundraising effort in 2011-2012. As one interviewee noted, UUCF needs to strike a balance between providing opportunities to give and not asking too often.

**Types of givers.** A useful framework for viewing stewardship is four concentric circles that represent levels of involvement by the congregation:

- Leaders/stewards - innermost circle
- Involved - next circle
- Members - third outer circle
- Visitors/consumers - fourth circle

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<sup>9</sup> Several factors contributed to the shortfall in the 2014-2015 AGC and the need to conduct a follow-on campaign. Rev. Mary Katherine Morn had just departed after a long and successful ministry; UUCF's membership had dropped from a high of 757 to its current 707; and two large givers had recently died.

The differences among the groups may lie in how responsible each group feels for the well-being of the congregation. Year after year, 25 percent of those making pledges - the leaders/stewards - demonstrate their commitment by contributing about 60 percent of the total amount pledged. Focus group participants stressed the need to address particularly the middle groups of pledgers, to increase their understanding about how much it costs UUCF to provide the services they value and to move them into the next higher category of involvement.

***Recommendation #6: UUCF leadership should include appropriate discussion of financial stewardship and generosity in worship services, new member classes and other venues.***

Ministers and lay leaders must be willing to talk about money. Currently, most of the talk about financial stewardship occurs in conjunction with the AGC. Financial stewardship is much broader than an annual appeal for funds to keep the lights on. The message to the congregation needs to be about the commitments we make at all levels - including time, energy and finances - to carry UUCF's message of love and justice into the world. As one interviewee said, "This is how we carry out our purpose in the world." There is an inherent connection between UUCF's mission, on the one hand and money, on the other. Stewardship must be aligned with all dimensions of congregational life and mission.

One of UUA's consultants on financial stewardship recently led a workshop on that topic at UUCF. He made several important points that UUCF leadership should consider:

**Transformational giving vs. exchange giving.** The consultant said it is better to talk about transformational giving rather than exchange giving. The former stresses that giving supports UUCF in transforming oneself and the world. The latter frames giving as more of a fee-for-service, where one gives in order to get a service, such as RE. The idea of transformational giving inspires people and may reach those who are not already stewards to give to something larger. Stewardship is about living our values, to transform ourselves and the world. One UUCF member from the Reach campaign attributed some of its success to the fact that, in campaigning for contributions, money was mentioned in the last few minutes, but the rest of the discussion was about transformation.

**Most people want to hear about the impact their giving can make.** That is transformational giving. People other than "stewards/leaders" are not interested in line-item budgets. Most people want to know what changes can happen as the congregation fulfills its mission.

**Need for invitation and guidance.** The consultant said that we need to help the outer circles to understand how stewardship works in the congregation. We need to provide invitation and guidance to people at all levels of giving.

**Priorities of giving.** We should tell people that the most important gift they can give is to the annual giving campaign. As we found in our interviews and focus groups, fundraising can confuse people because they feel continuously bombarded to give. We do not give them a sense of priorities. The number one priority should be the annual pledge. We can tell people, "If you are thinking of giving, give to the annual pledge rather than to the auction or other event. If you have more you can give,

then choose from among all of the other appeals.” This is important in welcoming new members, when the minister can talk about financial generosity in front of the whole congregation while addressing the new members.

**Most of the giving requests do not raise much money compared to the AGC.** Such events as auctions are wonderful for fellowship, but it takes a lot of people a lot of time for the money raised. The yield is both variable and unreliable from year to year. The annual giving campaign raises a lot more money with the time and efforts of a lot fewer people.

Stewardship is a central responsibility of the congregation. It is transformational and that message needs to be framed multiple ways.

**Link between Spirituality and Generosity.** The ministerial staff, RE Director and Adult Programs Chair, in conjunction with the FSOC, should develop courses and presentations for adults and children to strengthen understanding and awareness of generosity as a spiritual practice.

Even among our select group of interviewees, all of whom are involved in financial stewardship at UUCF, there was a broad spectrum of attitudes about stewardship and financial management as a spiritual practice. These attitudes ranged from seeing no connection at all (“Financial management has no connection to spirituality; it is just something that has to be done.”) to regarding financial stewardship as an integral part of one’s spiritual life (“Giving what I can of my ‘time, talent and treasure’ is central to my being part of this community.”). One person suggested that covenant groups should talk about financial stewardship. “We deal with other heavy-duty spiritual questions - why not this one?”

**Voices.** The responsibility for financial stewardship needs to be framed clearly as our congregational responsibility for our mission and our congregation. It is not the minister’s congregation, or the Board’s. Although the Parish Minister may have a compelling and necessary voice in fundraising, it is not in the best interests of the congregation to have the ministers too closely associated with a fundraising role. It is better primarily to have lay people asking lay people for money. FSOC members and other lay leaders, as well as ministers, should establish a year-round dialogue with the congregation about UUCF’s financial requirements, the relationship between fundraising and mission and the potential impact on congregational activities that could result from underfunding. There are a variety of media through which leaders can make periodic reports to the congregation on UUCF’s financial status and on-going fund-raising efforts: messages from the pulpit, the UUCF website, orders of service, weekly announcement emails, social media and “Faith Matters” blogs.

**Content.** Members should be educated about congregational financial realities - about where UUCF gets its money and how much it costs to keep the congregation operating. As noted previously, UUCF is entirely self-supporting. No funding comes from any source outside the congregation. Keeping UUCF’s facilities running, paying the ministers and other staff, funding programs and paying the mortgage amounts to more than \$3,500 a day.

Another financial reality is the cost per child for RE. UUCF is known for its excellent RE program. A simple message about the cost per child to run that would inform pledgers what is being provided in monetary, not just spiritual, terms.

**New Member Classes and Follow-Up.** Financial stewardship should receive more time and attention in new member classes. New members want to learn about UUCF and the programs it offers; however, they - particularly those who have been “unchurched” and have no tradition of giving - need to understand that money is what allows everything else to happen. Material for the new member packet specifically tailored for new members and more "air time" in the classes would be appropriate. Follow-up with those who do not return their pledge forms should be prompt.

**Religious Exploration.** In UUCF's religious exploration program, financial stewardship emphasis is on social justice - an admirable focus. Chapel donations are collected to help finance an orphanage in India that was started by a UUCF member. In middle grades, participants are introduced to collecting money for other social justice causes. However, little or no attention is given to educating students about the simple reality that it also takes contributions from our members to finance UUCF operations. The point is not to involve youth in contributing to UUCF, but to make them aware that as adults we support UUCF on a steady, sustained, ongoing basis. Because we support what we value, we support UUCF as well as social justice causes.

**Donor Care.** Leadership needs to help prevent donor burnout from constant giving requests from multiple directions. After a service, the Commons can be full of tables with people asking for money for various causes. The FSOC should take two actions on behalf of donors:

- Set requirements for fundraising and accountability, so the Board makes sure that the money goes where it is intended and the congregation receives feedback on its impact.
- Review the giving calendar established by the Coordinating Team to ensure that it is consistent with established policy and procedures.

## **Fundraising Methods**

***Finding #7: The burden of fundraising has fallen on the Executive Director and the Parish Minister rather than the lay leadership.***

The professional staff, assisted by hard working but inexperienced AGC chairs, has assumed responsibility for the AGC. The Lay Minister for Financial Stewardship has in the past created a small committee, but the effort was personality-driven and limited in scope. Lay leaders of fundraising efforts have generally come in cold, without, in some cases, knowing much about the congregation's needs or finances. A few members of the congregation have taken on a disproportionate share of the financial responsibility. The situation leads to inordinate pressure and burnout in both the professional staff and the lay leadership.

***Recommendation #7: The FSOC should explore a wide variety of innovative methods of fundraising.***

As they explore various methods of fundraising, members of the FSOC will gain invaluable experience. It may be helpful to include one or more individuals with professional fundraising experience on the committee if such talent is available in the congregation. The FSOC might also consider periodically, perhaps every third year, hiring a professional consultant to work on the AGC.

The following are fundraising ideas from interviews and focus groups:

- Some people respond to social justice appeals; they might respond to other "appeals" for specific projects that are not labeled "pledge." That point contradicts guidance from the UUA consultant, but is still worthy of exploration.
- One congregation lists all pledges in order from top to bottom (no names) so people can see for themselves where they stand.
- Non-pledge revenues such as rentals should be reviewed to ensure UUCF receives fair value.
- At one congregation, a personal approach, with AGC reps going to people's homes, worked best.
- Follow up on unpaid pledges might be improved.
- One congregation includes key financial indicators in the newsletter and weekly handouts to the congregation.
- One congregation has a special fund to retire the mortgage. Members pledge an extra \$20 to \$25 per month to that fund above their annual pledge.
- A rolling annual pledge, rather than asking everyone to pledge at the same time of year, could encourage a continuing dialogue about financial stewardship within the congregation. According to a UUA consultant on stewardship, the results of year-round pledging are not very good, although it is important to keep the congregation aware of the primacy of the annual pledge throughout the year in small ways whenever there are opportunities to remind the congregation.
- Some members may respond better to quarterly solicitations than committing to a total amount annually.
- One congregation targets appeals to specific segments of the membership, e.g., someone involved in social justice makes the pitch to members interested in social justice.
- In one congregation, one year's AGC divided the congregation into three groups based on the amount previously pledged: leaders, sustainers and supporters. Special messaging targeted to each group encouraged group members to increase their pledges.

Some of these suggestions may be useful for UUCF fundraisers, although, admittedly, some would make it harder to plan an annual budget.

## 6. **CONCLUSION**

UUCF has been fortunate in the past to have talented and dedicated financial stewards. As we move forward, we need to broaden congregational responsibility for the financial welfare of UUCF under the Board of Directors. We need a sound financial strategy and active involvement by the congregation in financial stewardship if UUCF is to continue to thrive as a healthy congregation achieving our mission of transforming ourselves, our community and the world through acts of love and justice.

## Appendix A: Method

The research for this evaluation of financial stewardship at UUCF included four major components.

**Individual Interviews.** The PEC conducted individual interviews with current and former Parish Ministers, Comptrollers, Board Presidents, Treasurers and Lay Ministers for Financial Stewardship.

**Focus Groups.** The PEC conducted two focus groups with UUCF leaders who have taken active roles in fundraising at UUCF.

**Document Review.** The PEC reviewed a variety of documents, including the following:

1. UUCF Governance Manual and Bylaws
2. UUCF Financial Controls document (2009, rev. 2014)
3. UUCF Financial Reports (2014-2015)
4. Summary of pledge data (2009-2014)
5. UUCF Budget (2014-2015)
6. UUCF Independent Accountants' Compilation Reports (2012, 2013)
7. UUCF Financial Statements and Review Letter (2011)
8. Memorandum from Mary Katherine Morn to the Financial Stewardship Council (2012) re: Financial Stewardship Committee Role
9. Memorandum from Rich Sider to Coordinating Team (2011) re: Stewardship Leadership

**Research into Practices of Other Congregations.** The PEC looked at financial stewardship programs at three local UU congregations:

- All Souls Church Unitarian
- Cedar Lane Unitarian Universalist Church
- River Road Unitarian Universalist Congregation

The Unitarian Universalist Church of Arlington did not respond to requests for information.

The PEC agreed that comments and observations of interviewees and focus group participants would not be attributed to individuals, except for a few attributions made with the permission of the interviewee or focus group participant. Staff and members who participated are listed in Appendix B, as are the people interviewed from other congregations. The PEC appreciates the support, thoughtful insights and active participation of all of these individuals.

## Appendix B: Interviews and Focus Groups

### UUCF Interviewees

Barb Brehm	Rev. Mary Katherine Morn
Don Reagan	Pete Krone
Rev. Jennifer Brooks	Rich Sider
Joanne Schneider	Steve Myles
Kristin Moyer	Linnea Nelson
Lynn Howell	Carol Jensen

### UUCF Focus Group Participants

#### **Group 1**

Darryl Branting  
Karen Liggett  
David Saunders

#### **Group 2**

Craig Bennett  
Dave Anderson  
Nancy Rooney  
Terry Gopelrud

### Individuals at Other Congregations Interviewed

Katie Loughary	All Souls Church Unitarian
Sara Deshler	Cedar Lane Unitarian Universalist Church
Jim Heaney	River Road Unitarian Universalist Congregation



### Appendix C: Other Congregations

The UUCF Governance Manual (section VII.E.2.c) requires a program review to consider "similar programmatic activities of other non-profit and religious institutions regardless of their denomination or affiliation." The PEC examined the financial stewardship programs at three other large Washington-area UU congregations: All Souls Church Unitarian, Cedar Lane Unitarian Universalist Church and River Road Unitarian Universalist Congregation. The Unitarian Universalist Church of Arlington did not respond to the PEC's request for information.

**Congregation #1.** This congregation is in the process of transitioning to policy-based governance and its financial management structure is in flux. A new finance committee, a sub-committee of the board, has replaced the finance team. The staff now has more responsibility for the budget, which was formerly a finance team prerogative. The congregation had an "internal" audit 12 years ago but no audits since. They have no bank loans and don't think they need an audit.

The congregation is working toward setting up a standing committee to do fundraising. The Board has no role in fundraising. Money from the annual giving campaign, an auction, a rummage sale, an arts and crafts sale and rentals all goes into the operating fund. An individual annually gives \$40,000-\$45,000 and this year gave a gift of \$800,000. The congregation has run a deficit for the last several years; this year the deficit is \$175,000. To the extent necessary, money from the big donor will be used to offset the deficit. In 2013, the average pledge was \$1700.

**Congregation #2.** Operating under policy-based governance, the treasurer, elected directly by the congregation and not a member of the board, is responsible for oversight of all financial transactions. He also advises the board re financial issues. The board exercises broad policy control. The congregation does not have lay ministers. The executive director prepares the annual budget and submits it to the board for its approval; final approval comes from the congregation. The largest expenditures are for staff and building loan payments.

The executive director is in charge of fundraising. Every year a two- or three-person committee is appointed by the executive team (the equivalent of UUCF's Coordinating Team) to plan an annual "Generosity Campaign." (They are considering adopting a year-round approach.) Seventy-five to 80 percent of the pledges are rolled over from one year to the next. They try to have face-to-face visits with individual members once every three years. The role of the board in fundraising encompasses policy development, establishing priorities and long-range planning. The board gives the Generosity Campaign a high priority in terms of publicity and encouragement. Pulpit support is good. The biggest problem is convincing young members who have grown up "unchurched" or with no giving tradition of the need to give generously.

The congregation has a complete audit by an outside auditing firm every three years at a cost of about \$18,000. To secure a substantial loan for renovations, the congregation is required to have a financial review in each of the intervening years, at a cost of about \$8,000.

**Congregation #3.** This congregation is in the process of changing its governance structure, moving toward policy-based governance and much is in flux. The treasurer is appointed by the board but is not a board member. The treasurer and the finance committee oversee spending and sign checks above a certain level. They occasionally do a quasi-audit.

The financial stewardship committee (FSC) deals with fundraising. It is tasked with conducting an efficient annual giving campaign (AGC), making new members aware of their financial responsibilities and promoting the endowment fund, i.e., encouraging contributions. This year they are also involved in a capital campaign, although that is being run primarily by a consultant. They hope to raise enough to pay down the mortgage - the current mortgage debt costs about \$80,000 per year, in an operating budget of \$1.2 million.

Strategies the FSC has used to get more people involved include targeting appeals to specific segments of the membership, e.g., having someone involved in social justice make the pitch to members interested in social justice. Last year's AGC divided the congregation into three groups based on the amount previously pledged: leaders, sustainers and supporters. Special messaging targeted to each group encouraged group members to increase their pledges. The FSC thinks this helped increase pledges. They tried to portray the AGC as raising funds for our budget to support our congregation and our ministers.

Appendix D: Pledge Data 2009-2014

2009-2010			2010-2011		
Total	\$939,801		Total (as of 6/8/10)	\$983,137	
Average pledge	\$1,987		Average pledge	\$2,057	
Median pledge	\$1,500		Median pledge	\$1,500	Percentage
		Percentage			
1st Quartile Pledging Units (\$234950)	30	6.3%	1st Quartile Pledging Units (\$245784)	33	6.9%
2nd Quartile Pledging Units	64	13.5%	2nd Quartile Pledging Units	67	14.0%
3rd Quartile Pledging Units	102	21.6%	3rd Quartile Pledging Units	105	22.0%
4th Quartile Pledging Units	276	58.4%	4th Quartile Pledging Units	273	57.1%
Total Pledges	472		Total Pledges	478	100.0%
			Change Analysis - 09/10 - 10/11		
			No Change	35.6%	
			Increased	33.9%	
			Decreased	23.6%	
			New Pledge	6.9%	
			Total	100.0%	
2011-2012			2012-2013		
Total	\$1,041,391		Total	\$1,077,942	
Average pledge	\$2,074		Average pledge	\$2,097	
Median pledge	\$1,500	Percentage	Median pledge	\$1,500	Percentage
1st Quartile Pledging Units	33	6.9%	1st Quartile Pledging Units	36	6.8%
2nd Quartile Pledging Units	70	14.6%	2nd Quartile Pledging Units	73	14.0%
3rd Quartile Pledging Units	110	23.0%	3rd Quartile Pledging Units	113	21.8%
4th Quartile Pledging Units	289	60.5%	4th Quartile Pledging Units	292	56.6%
Total Pledges	502		Total Pledges	514	
			Change Analysis - 10/11 - 11/12		
No Change	34.7%		No Change	37.4%	
Increased	32.7%		Increased	35.5%	
Decreased	22.7%		Decreased	20.1%	
New Pledge	9.8%		New Pledge	7.0%	
Total	99.9%		Total	100.0%	
2013-2014			2014-2015		
Total	\$1,039,026		Total	\$1,004,108	
Average pledge	\$2,099		Average pledge	\$2,140	
Median pledge	\$1,500	Percentage	Median pledge	\$1,500	Percentage
1st Quartile Pledging Units	32	6.5%	1st Quartile Pledging Units	30	6.4%
2nd Quartile Pledging Units	64	12.9%	2nd Quartile Pledging Units	60	12.7%
3rd Quartile Pledging Units	108	21.8%	3rd Quartile Pledging Units	102	21.7%
4th Quartile Pledging Units	291	58.8%	4th Quartile Pledging Units	279	59.2%
Total Pledges	495		Total Pledges	471	100.0%
			Change Analysis - 12/13 - 13/14		
No Change	72.6%		No Change	29.1%	
Increased	9.8%		Increased	43.2%	
Decreased	13.4%		Decreased	24.0%	
New Pledge	4.3%		New Pledge	3.6%	
Total	100.1%		Total	100.0%	
			Change Analysis - 13/14 - 14/15		
No Change	72.6%		No Change	29.1%	
Increased	9.8%		Increased	43.2%	
Decreased	13.4%		Decreased	24.0%	
New Pledge	4.3%		New Pledge	3.6%	
Total	100.1%		Total	100.0%	