



GOVERNING POLICIES

of the

FIRST UNITARIAN CHURCH  
ROCHESTER,  
NEW YORK

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# GOVERNING POLICIES

## I. Ends

### Policy A. Values

We, at First Unitarian Church of Rochester honor the ambiguity and uncertainty that is ever present in the ongoing search for greater meaning in life. We strive to embody the following values across race, culture, class and other perceived differences in all our work:

- Openness
- Wonder
- Belonging
- Engagement

Amended May 8, 2018

# GOVERNING POLICIES

## I. Ends

### Policy B. Mission

Through spiritual connection in community, we

- *Listen* deeply to others and ourselves
- *Open* to wonder and transformation
- *Serve* together with love and humility

Amended May 8, 2018

# GOVERNING POLICIES

## I. Ends

### Policy C. Ends

1. We are an inclusive spiritual community of belonging, welcoming all people to find their spiritual home with us:
  - a. Caring for each other in times of joy, sorrow and transition.
  - b. Giving generously of our time, talent and treasure to make our vision real.
2. We cherish and respect our children and youth, supporting their spiritual journey, and preparing them to live a life aligned with our Unitarian Universalist principles.
3. We engage in spiritual growth and development:
  - a. Providing inspiration, support and courage to explore our whole selves.
  - b. Recognizing our racial bias and confronting its impact on our relationships and behaviors.
  - c. Developing our ability to communicate openly and with loving kindness.
  - d. Strengthening our spiritual connections within our own community and beyond.
4. We act in partnership with others to end racial, social and economic injustice within our own community, in greater Rochester and the world.

Amended May 8, 2018

# GOVERNING POLICIES

## II. Board-Senior Minister Relationship

The congregation empowers the Board to lead ethically, legally and prudently on their behalf and to work in partnership with the Senior Minister. The Board exercises its governing control over the operations of First Unitarian Church of Rochester solely through delegated authority to the Senior Minister. The Board monitors Senior Minister performance and holds the Senior Minister accountable for progress on the Ends and compliance with the Senior Minister Limitations.

### Policy A. Unity of Charge

Only decisions of the Board acting as a whole are binding on the Senior Minister. Decisions or instructions of individual Board members, officers, teams, committees or church members are not binding on the Senior Minister or Staff.

# GOVERNING POLICIES

## II. Board-Senior Minister Relationship

### Policy B. Delegation to the Senior Minister

The Board's job is generally confined to establishing governing policies and delegating daily operations of the church and the subsidiary policy development to the Senior Minister. Ends policies (Section I) direct the Senior minister to achieve certain results. Senior Minister Limitations Policies (Section III) constrain the Senior Minister to act within the boundaries of prudence and ethics.

1. The Senior Minister is authorized to establish all further policies, make all decisions, take all actions and develop all activities that are a reasonable interpretation of the Board's governing policies.
2. Neither the Board as a whole nor individual Board officers or trustees have authority over the staff except as may be delegated by the Senior Minister.
3. The Board delegates to the Senior Minister the authority to act in its stead in regard to:
  - a. Section 8.4.B. Budget of the Bylaws of First Unitarian Church of Rochester. That is, the Senior Minister has the authority within the boundaries of the Senior Minister Limitations policies to:
    - i. Adjust expenditures during the fiscal year due to changes in projected income and expenses and /or due to unforeseen church needs, except that the Senior Minister may not modify allocations to the Property Maintenance and Improvement Fund, and except that any adjustment must maintain a balanced budget.
    - ii. At this time, the Board retains the authority as stated in the Bylaws over end-of-year surpluses or deficits. The Board intends to review this annually.
  - b. Section E.3 of the Bylaws of First Unitarian Church of Rochester, regarding the use of the Property Maintenance and Improvement Fund. That is, the Senior Minister has the authority within the boundaries of the Senior Minister Limitations Policies to utilize the funds to support major maintenance or improvement items associated with the main church building and grounds.
  - c. Section 8.2. Restricted Funds, enabling the Senior minister to determine, within the boundaries of the Senior Minister Limitations Policies that portion of the Income Endowment Fund to be used each year to support the annual operating budget.
4. The Board may change governing policies at any time, and as a result, shift the boundary between the Board's and Senior Minister's responsibilities and accountability.
5. The Senior Minister's authority does not extend to supervising the Board or otherwise directing the Board President, individual trustees or Board subgroups or committees regarding Board policy. Nothing in this policy is intended to interfere with mutual interaction about individual understanding of policies.

# GOVERNING POLICIES

## II. Board-Senior Minister Relationship

### Policy C. Role of the Senior Minister

The Board delegates the daily operation of the church to the Senior Minister and holds the Senior Minister accountable for its performance. The Senior minister establishes the working environment and guides the work of associated ministers, paid and volunteer staff, ensuring that they follow the governing policies. The Senior Minister is held accountable for the overall organizational performance in two areas:

1. Accomplishment of organizational Ends (I.C)
2. Organizational operation within the boundaries established with the Senior Minister Limitations policies (II.A-J)

# GOVERNING POLICIES

## II. Board-Senior Minister Relationship

### Policy D. Board Communication with the Senior Minister

As a partnership, the Board and the Senior Minister should seek to keep the other informed and supported in their work.

1. The Board must keep the Senior Minister informed of proposed changes in policies, plans for Board-sponsored activities that may affect staff or the congregation and other decisions or activities that may impact the work of the Senior Minister or staff.
2. The Board must advise the Senior Minister of any of the Senior Minister's actions which are detrimental to their mutual relationship.
3. The Board must not request information that is overly burdensome or detrimental to the efficient functioning of the church.

# GOVERNING POLICIES

## II. Board-Senior Minister Relationship

### Policy E. Accountability and Evaluation of the Senior Minister:

Accountability is accomplished through systematic and rigorous monitoring of the performance of the Senior Minister solely against the Board policies on Ends (I) and Senior Minister Limitations (III).

1. The purpose of monitoring is to determine compliance with Board Policies. Information that does not do this is not monitoring.
2. Each given policy is monitored in one or more of 3 ways:
  - a. Internal Report: The Senior Minister discloses interpretations and compliance information to the Board.
  - b. External Report: An external disinterested third party selected by the Board assesses compliance with the Board policy.
  - c. Direct Board Inspection: Discovery of compliance information by a trustee, Board member or the Board as a whole.
3. Any policy may be monitored by the Board using any of the three methods above at any time. However, each Ends policy and Senior Minister Limitations policy will be classified by the Board according to normal frequency and method of regular monitoring (see Charts, p.11,12). Whenever possible, Internal Reports should be made available by the Senior Minister to the Board prior to regularly scheduled meetings of the Board so that Trustees may review them.
4. The Senior Minister will provide to the Board documentation of the Sr. Minister's interpretations of the Ends Policies and Sr. Minister Limitations Policies in order to assure a shared understanding and appropriate monitoring of compliance with those policies.
5. For any component of the Ends policy or the Senior Minister Limitations policies, the Board can request information from the Senior Minister at any time. Any material change or event impacting these policies must be reported by the Senior Minister to the Board.
6. For every policy monitored, the Board assesses compliance using the standard of "a reasonable person interpretation" of the policy. The Board is the final arbiter of "reasonable person interpretation." If the Senior Minister makes decisions based on a reasonable interpretation of a policy that the Board did not envision or finds objectionable, the Board's remedy is to amend the Board policy.
7. Should the Senior Minister deem it necessary to violate Board policy, the Senior Minister shall inform the Board President. Informing is simply to guarantee no violation is intentionally kept from the Board, not to request approval. Trustee response, either approving or disapproving, does not exempt the Senior minister from subsequent Board judgment of the action.

# GOVERNING POLICIES

## II. Board-Senior Minister Relationship

Chart: Frequency and Method of Regular Monitoring (By Policy)

<b>Policy</b>	<b>Freq.</b>	<b>Method</b>
I.C Ends	Q*	Internal: Progress & Outcomes
	A*	Direct: Congregational Survey & Internal Report
III.A General Senior Minister Conduct	SA*	Internal Report; Exec. Session review
	A	Annual Sr. Minister evaluation
	1-3 Yr.	External Audit
III.B Staff and Volunteer Treatment	M*	Internal report (Staff changes)
	A	Review of Staff-related Policies Annual Sr. Minister Evaluation
	A	Direct: Staff Survey
III.C Treatment of Members, Friends and Visitors	A	Annual Sr. Minister Evaluation Review of Relevant Policies
III.D Compensation and Benefits	A	Internal report
III.E Financial Planning	Q	Internal report
	A	Direct Inspection (Before congregational budget approval)
III.F Financial Condition	M	Internal report
	A	Internal report; Exec. Session Review
	1-3 Yr.	External Audit
III.G Asset Protection	1-3 Yr.	External Audit/Incident driven
	A	Internal report; Exec. Session Review
III.H Data, Information & Intellectual Property	A	Internal report; Review of Security Policies
III.I Senior Minister Communication with the Board	SA	Internal report; Exec. Session Review;
	A	Annual Sr. Minister Evaluation
III.J Public Use of the Name of the Church	A	Internal report

\* A=Annually, Q=Quarterly, SA=Semi-Annually, M=Monthly

# GOVERNING POLICIES

## II. Board-Senior Minister Relationship

Chart: Frequency and Method of Regular Monitoring (by Frequency)

<b>Freq.</b>	<b>Policy</b>	<b>Method</b>
Monthly	III.B. Staff/Volunteer Treatment	Internal Report (staff changes)
	III.F. Financial Condition	Internal Report
Quarter	I.C. Ends	Internal: Progress/Outcomes
	III.E. Financial Planning	Internal Report
Semi-Annually	III.A General Senior Minister Conduct	Internal Report; Exec. Session review
	III.I Senior Minister communication with the Board	Internal Report; Exec. Session review
Annually	I.C Ends	Internal Report & Direct: Congregational survey
	III.A General Senior Minister Conduct	Annual Sr. Minister Evaluation
	III.B Staff and Volunteer Treatment	Annual Sr. Minister Evaluation Review of Staff-related policies
	III.B Staff and Volunteer Treatment	Direct: Staff Survey
	III.C Treatment of Members, Friends and Visitors	Annual Sr. Minister Evaluation Review of Relevant policies
	III.D Compensation and Benefits	Internal Report
	III.E Financial Planning	Direct Inspection (Before congregational budget approval)
	III.F Financial Condition	Internal report; Exec. Session review
	III.G Asset Protection	Internal report; Exec. Session review
	III.H Data, Information & Intellectual Property	Internal Report Review of Security Policies
	III.I Senior Minister communication with the Board	Annual Sr. Minister Evaluation
	III.J Public Use of the Name of the Church	Internal Report
1-3 Years	III.A General Sr. Minister Conduct	External Audit
	III.F Financial Condition	External Audit
	III.G Asset Protection	External Audit/Incident driven

Amended October 12, 2020

# GOVERNING POLICIES

## II. Board-Senior Minister Relationship

### Policy F. Disciplinary Policy

The Board will pursue the following process if it determines a policy violation has occurred. If the Board determines that the violation is egregious, an alternative process will be designed commensurate with the severity of the violation. At any point in either process, outside counsel may be engaged.

1. Step 1: The Sr. Minister will be informed of the policy violation. The Senior minister or staff member will submit to the Board a written plan to remediate the violated policy and present the plan for approval at the next Board meeting.
2. Step 2. If, after a specified period of time, the policy violation has not been corrected, written documentation of non-compliance will be placed on file.
3. Step 3. If the policy violation continues, the Board may consider suspension and determine how to notify the congregation, the means of doing so, and the content of the communication.
4. Step 4. If the situation remains unresolved, a termination process will be initiated.
  - a. Senior Minister: If the individual is a called minister, the board will
    - i. Recommend to the congregation that the called minister be terminated for continued policy violation.
    - ii. Call a meeting of the congregation in compliance with Bylaws Section 9.3 Removal of Called Ministers.
  - b. Non-Called minister: The board will
    - i. Approve the termination of the minister for continued policy violation.
    - ii. Inform the congregation of the removal of the minister.

# GOVERNING POLICIES

## III. Senior Minister Limitations

The Senior Minister shall not cause or allow any organizational practice, activity, decision or circumstance that is imprudent, in violation of commonly accepted legal, business and professional ethics or that violates Unitarian Universalist principles, First Unitarian's Ends, Mission and Values or First Unitarian's Bylaws or governing policies herein documented.

### Policy A. General Senior Minister Conduct

1. The Senior Minister shall not operate without procedural policy against misconduct and dishonesty that meets accepted business practices of the accounting industry. For purposes of this policy, misconduct and dishonest include but are not limited to the following:
  - a. Theft or other misappropriation of assets, including assets of the corporation or others with whom First Unitarian Church of Rochester has a business relationship
  - b. Misstatements and other irregularities in corporation records including the intentional misstatement of the results of operations
  - c. Forgery or other alteration of documents
  - d. Fraud and other unlawful acts
2. First Unitarian Church of Rochester specifically prohibits the above (III.A.1.a.- d.) and other illegal activities in the actions of the Senior Minister, the staff and all others responsible for carrying out its activities.

# GOVERNING POLICIES

## III. Senior Minister Limitations

### Policy B. Staff and Volunteer Treatment

With respect to the treatment of paid and volunteer staff, the Senior Minister shall not cause or allow conditions that are unfair, unsafe, disrespectful, unprofessional or discriminatory. Further, without limiting the scope of the above, the Senior Minister shall not:

1. Discriminate (as defined by city, state and federal laws) among existing or potential staff/volunteers on other than clearly job-related criteria, individual performance or individual job-relevant qualifications
2. Operate without written personnel policies that include at least:
  - a. Requirements for confidentiality.
  - b. Provisions for handling of internal grievances.
  - c. Protection against harassment and retaliation.
  - d. Guidelines for Internet, email and computer use.
3. Prevent paid or volunteer staff from bringing their grievance to the Board when:
  - a. Internal grievance procedures have been exhausted.
  - b. The paid or volunteer staff member alleges either that Board policy has been violated to his/her detriment or that Board policy does not adequately protect his/her human rights.
4. Allow paid or volunteer staff to be uninformed of their expectations and rights, including internal grievance procedures.
5. Allow the performance of paid staff to go unevaluated or undocumented.
6. Require paid staff to be or become members of First Unitarian Church of Rochester.

# GOVERNING POLICIES

## III. Senior Minister Limitations

### Policy C. Treatment of Members, Friends and Visitors

With respect to interactions with members, friends and visitors, the Senior Minister shall not cause or allow conditions, procedures or decisions that are unsafe, dangerous, undignified or fail to provide appropriate privacy or confidentiality. Accordingly, the Senior Minister shall not:

1. Fail to provide a reasonable level of safety, access and functionality in church facilities.
2. Fail to maintain and enforce procedures to ensure the safety of members, friends, visitors and children while at the church or at church functions which at least include:
  - a. Provisions to prevent the sexual abuse or sexual harassment of children, youth and others.
  - b. Provisions for responding to incidents of interpersonal harassment.
  - c. Appropriate response to physical safety threats.
3. Fail to establish, publicize and follow written policies for processing congregant grievances.

# GOVERNING POLICIES

## III. Senior Minister Limitations

### Policy D. Compensation and Benefits

With respect to compensation, benefits and employment of staff, consultants, contract workers and volunteers, the Senior Minister must not cause or allow jeopardy to the fiscal or institutional integrity of First Unitarian Church.

Accordingly, the Senior Minister shall not:

1. Change Senior Minister compensation, benefits or allocated professional expenses as established by the congregation.
2. Promise or imply permanent or guaranteed employment.
3. Establish current compensation and benefits that
  - a. Fail to consider the guidelines of the UUA or the prevailing wages for similar skill in the local nonprofit environment.
  - b. Exceed the church's ability to pay within current budget constraints.
4. Establish deferred or long-term compensation and benefits or obligations beyond the current budget year without prior approval of the Board.

# GOVERNING POLICIES

## III. Senior Minister Limitations

### Policy E. Financial Planning

The Senior Minister shall not cause or allow situations which jeopardize the church's fiscal integrity or its alignment with the Ends.

1. Accordingly, the Senior Minister shall not cause or allow financial projections for the fiscal year or any remaining part of the fiscal year that
  - a. Contain too little detail to enable reasonably accurate projection of revenues and expenses, that fail to separate capital and operational items or that do not disclose planning assumptions.
  - b. Plan the expenditure of more funds than are conservatively projected to be received in that period, absent legitimate articulated reasons.
  - c. Do not include reasonable projections for two additional years beyond the current fiscal year.
  - d. Do not separately present both a plan for capital expenditures and the means to pay for them. Capital expenditures include all long-lived tangible assets including land, land improvements, buildings and building improvements, equipment, furniture and office equipment, motor vehicles and similar assets.
  - e. Deviate materially from Board-stated priorities and requirements (see Ends policies) in its allocation among competing fiscal needs.
2. In preparing financial projections for the fiscal year, the Senior Minister shall not plan a draw from the church endowment fund that exceeds the guidelines in Appendix B Investment Policy, Spending Policy section.
3. The Senior Minister shall not fail to assure the timely planning and execution of Stewardship campaigns in support of the annual operations of the church.

Amended May 10, 2021

# GOVERNING POLICIES

## III. Senior Minister Limitations

### Policy F. Financial Condition

With respect to the actual ongoing condition of the organization's financial health, the Senior Minister shall not cause or allow the development of financial jeopardy or material deviation from priorities established in Ends policies. Accordingly, the Senior Minister shall not:

1. Allow revenues and expenses to go unmonitored against the operating budget.
2. Allow expenditures to go unadjusted should projected revenues be less than the amounts budgeted.
3. Fail to inform the Board of any projected budget deficit.
4. Allow incurred debts to go unsettled.
5. Use any restricted funds for other than their designated purpose.
6. Allow fund-raising events without prior approval by the Senior Minister.

Amended September 14, 2020

# GOVERNING POLICIES

## III. Senior Minister Limitations

### Policy G. Asset Protection

With respect to proper stewardship of the church's assets, the Senior Minister shall not risk losses beyond those necessary in the normal course of business. Accordingly, The Senior Minister shall not:

1. Unnecessarily expose the organization, its Board or staff to claims of liability or risk the nonprofit status.
2. Operate without insurance against corporate liability and personal liability of Board members and staff.
3. Unnecessarily expose or subject the church's tangible or intangible assets to loss or damage by theft, casualty, improper wear, insufficient maintenance or other cause.
4. Operate without insurance against theft and casualty losses at replacement value less reasonable deductible and/or co-insurance limits.
5. Operate without appropriate separation of financial duties among staff.
6. Allow unauthorized personnel access to material amounts of cash.
7. Make any purchase or award any contract
  - a. Without prudent protection against conflict of interest.
  - b. Costing over 1% of the annual budget without having obtained comparative prices and quality.
  - c. Costing over 3% of the annual budget without stringent method of assuring the balance of long-term quality and cost.
8. Make a single purchase or commitment of greater than \$10,000 without Board approval or split an order to avoid exceeding \$10,000.
9. Allow contracts involving church activities to be signed by other than authorized paid staff.
10. Sell, purchase, encumber or dispose of real property.

Amended October 12, 2020

# GOVERNING POLICIES

## III. Senior Minister Limitations

### Policy H. Data, Information and Intellectual Property

With respect to proper stewardship of the church's data, information and intellectual property, the Senior Minister shall not:

1. Operate without written and enforced policies for the safe access, collection, storage, transfer, sharing and disposal of confidential and private information, both paper and electronic.
2. Operate without an enforced policy for document retention for both electronic and written records.
3. Allow the intellectual property assets of First Unitarian Church of Rochester to be unprotected. These assets include liturgical materials, curricula, music and any other intellectual property developed by staff and ministers during their tenure unless otherwise specified in letters of agreement or employment contracts.

# GOVERNING POLICIES

## III. Senior Minister Limitations

### Policy I. Senior Minister Communication with the Board

With respect to providing information and counsel to the Board, the Senior Minister shall not cause or allow the Board to be uninformed, misinformed or unsupported. Accordingly, the Senior Minister shall not:

1. Fail to submit monitoring data required by the Board-Senior Minister Relationship Policy E.2.a. in a manner that is timely, accurate, complete and understandable.
2. Withhold from or provide untimely or inaccurate information of relevant trends, material external or internal changes, adverse media coverage or information that could impact the accomplishment of the Ends.
3. Present information in unnecessarily complex or lengthy form.
4. Fail to advise the Board if, in the Senior Minister's opinion, the Board is not in compliance with its own policies, particularly if it is detrimental to the relationship between the Board and the Senior Minister.
5. Withhold from the Board the need for changes in Board policies of which the Senior Minister becomes aware.
6. Fail to provide communication channels that support the Board's ongoing need to communicate with the congregation.

Amended October 12, 2020

# GOVERNING POLICIES

## III. Senior Minister Limitations

### Policy J. Public Use of the Name of the Church

With respect to the use of the name “First Unitarian Church of Rochester” or “First Unitarian Church” or “First Unitarian” to publicly endorse or support a position, person or event, the Senior Minister shall not:

1. Use the name for issues that do not reflect the values, mission or ends of the church.
2. Use the name for issues that do not have broad (though not necessarily unanimous) congregational support.
3. Allow its use by volunteer or paid staff without Senior Minister agreement. Without agreement, recourse is available through the Board’s grievance process, Policy IV.G.
4. Through the use of the church name or actions, endanger the organization’s public image or credibility, particularly in ways that would hinder accomplishment of its mission.

# GOVERNING POLICIES

## IV. Board Governance Process

The role and responsibility of the Board is to act on behalf of the members of the First Unitarian Church of Rochester to ensure that it fulfills its mission and achieves its stated Ends with effective use of resources and within the boundaries of legal and ethical behavior.

### Policy A. Governing Style

The Board approaches its task with a style that emphasizes strategic leadership rather than administrative detail, the future rather than the past, proactivity rather than reactivity with clear distinction between Board and staff roles. In this spirit, the Board will:

1. Focus chiefly on intended long-term impacts or Ends; not on the administrative or programmatic means of attaining them.
2. Direct, control and inspire the organization through the establishment of the broadest organizational values and governing policies.
3. Enforce upon itself whatever discipline is needed to govern with excellence.
  - a. Discipline will apply to policy-making principles, respect for defined roles and attendance.
  - b. After subjects have been discussed and voted upon, both majority and minority will support the action taken and speak with one voice.
4. Be accountable to the congregation for competent, conscientious and effective accomplishment of its obligations as a body. It will allow no officer, individual or committee of the Board to usurp this role or hinder this discipline.
5. Monitor, maintain compliance with and regularly discuss the Board's own process.
6. Ensure the continuity of Board improvements through systematic treatment of its own institutional memory and through periodic training and orientation of its members.
7. Establish a policy-fulfillment agenda for each program year (September – June) in cooperation with the Senior Minister. This agenda does not limit the work of the Board but only reflects its basic policy-based responsibilities. This includes:
  - a. Establishment of policy interpretations shared by Board and Senior Minister (II.E.4 and 5.)
  - b. Policy compliance monitoring (II.E, chart)
  - c. Sr. Minister Evaluation (II.E, chart)
  - d. Direct interactions with the congregation (IV.A.7; IV.B.4; Appendix C.4)
  - e. Board training (IV.A.6.)
  - f. Board's Process self-evaluation (IV.A.3)

# GOVERNING POLICIES

## IV. Board Governance Process

### Policy B. Board Responsibilities

The job of the Board is to make contributions that lead the congregation toward living its values and fulfilling its mission. The specific contributions of the Board are unique to its role and necessary for proper governance and management. Therefore, the job of the Board shall be to:

1. Provide authoritative linkage between the congregation and the operational organization of First Unitarian Church of Rochester. Accordingly, the Board will engage the congregation in [deep] conversation exploring their purpose in terms of their values, mission and aspirations and articulating that purpose as the Ends governing policy.
2. Establish and maintain open and regular communication with the congregation through candid presentation and deep listening to maintain a spirit of trust and of transparency within legal constraints. This includes and is not limited to informing the congregation of major policy decisions in a timely manner.
3. Write governing policies that, at the broadest levels, address:
  - a. Ends: Organizational products, impacts, benefits and outcomes (what good for whom at what cost/priority).
  - b. Board-Senior Minister Relationship: The delegation of authority and evaluation of its proper use.
  - c. Senior Minister Limitations: Constraints on Senior Minister authority that establish prudent and ethical boundaries.
  - d. Board Governance Process: Specification of how the Board conceives, implements and monitors its own task.
4. Assure Senior Minister performance through monitoring and evaluation in accordance with policies 2.a. and 2.c above.

# GOVERNING POLICIES

## IV. Board Governance Process

### Policy C. Fiduciary Responsibility

The Board is responsible for the financial well-being of the church. Its responsibilities include:

1. Assuring that annual budget recommendations align with church Ends and with other Board priorities.
2. Assuring compliance with Senior Minister Limitations policies
  - a. F. Financial Planning
  - b. G. Financial Condition
  - c. H. Asset Protection
3. Establishing and documenting the investment policy of the church, monitoring the investment practices governed by that policy and the financial condition of the investments themselves. (See Appendix B. Investment Policy)
4. Establishing and documenting Chartered Funds and assuring that their use is consistent with the Fund Charter.

Amended May 10, 2021

# GOVERNING POLICIES

## IV. Board Governance Process

### Policy D. Officers' Roles

1. President. The job of the President is to assure the integrity of the Board's process. The President or the President's designee is the only person authorized to speak for the Board.
  - a. The responsibility of the President is to ensure that the Board acts consistently with its own rules and those legitimately imposed upon it from outside the organization.
    - i. Board meeting content must confine itself to those issues that, according to Board policy, clearly belong to the Board to decide, not the Senior Minister.
    - ii. Deliberation must be timely, fair, orderly and thorough but also efficient, time limited and to the point. Robert's Rules of Order are observed when necessary in decision making.
  - b. The authority of the President consists of making any decision on behalf of the Board that falls within or is consistent with the Board policies on the Governance Process and the Board-Senior Minister relationship.
    - i. The President is empowered to call and chair Board meetings with all the commonly accepted powers of that position (e.g. ruling, recognizing).
    - ii. The President's authority does not extend to supervising, interpreting Board policies to, or otherwise directing the Senior Minister or staff.
  - c. Maintain regular communication with the congregation regarding current and anticipated Board activity and decision-making.
2. Vice President. The vice president is appointed by the Board from among its members. In the absence or disability of the president, the vice president performs the duties and exercises the power of the president.
3. Treasurer. The treasurer will:
  - a. Take the lead role on the Board in the monitoring of the Senior Minister Limitations in Policy E. Financial Planning, Policy F. Financial Condition, and Policy G. Asset Protection.
  - b. Provide Board members with orientation and an understanding of the financial statements presented to the Board.

# GOVERNING POLICIES

4. Clerk. The clerk assures the integrity of the Board's record. The clerk is responsible for:
  - a. Recording and distributing accurate minutes of Board and congregational meetings.
  - b. Maintaining the master copy of the current policies by recording amendments and distributing current policies to Board members and the Senior Minister and assuring that they are accessible to the congregation.
  - c. Making public announcement of all congregational meetings and other duties as assigned by the corporate Bylaws.
5. Executive Team: The Executive Team consists of the President, vice president, treasurer and clerk. The Executive Team:
  - a. Constructs the agendas for Board meetings and congregational meetings with the Senior Minister and with input from other members of the Board.
  - b. Provides counsel to the Senior Minister as requested, recognizing that the Executive Team cannot assume the role of the Board as a whole. That is, the authority of the Executive team does not extend to supervising, interpreting Board policies to, or otherwise directing, the Senior Minister or staff.

# GOVERNING POLICIES

## IV. Board Governance Process

### Policy E. Board Member Code of Conduct

The Board expects of itself and its members ethical and businesslike conduct. This commitment includes proper use of authority and appropriate decorum and compliance with the values of First Unitarian Church of Rochester in both group and individual behavior when acting as Board members.

1. Board members must represent un-conflicted loyalty to the interests of the members of First Unitarian Church of Rochester. The accountability supersedes any conflicting loyalty such as that to advocacy or interest groups and members on other boards or staffs. This accountability supersedes the personal interest of any trustee acting as an individual church member.
2. Should a Board member seek to be employed by the organization or act as a paid consultant, the trustee must resign from Board service.
3. Written policies, adopted by the majority vote of the Board, in the four areas of governance, shall exercise authority over the First Unitarian Church of Rochester. Individual Board members may not attempt to exercise authority over the organization. The Board will speak with one voice through its adopted policies.
  - a. Board member interaction with the Senior Minister or staff must recognize the lack of authority in any individual trustee or subgroup (committee, task force, ministry team) of trustees.
  - b. Board members interaction with the public, press, or other entities must recognize the same limitation and the similar inability of any trustee except the President to speak for the Board.
  - c. Board members will make no judgments of the Senior Minister or staff performance except as that performance is assessed against explicit Board policies by a formal evaluation process.
  - d. Board members are encouraged to continually self-monitor their individual performance as trustees against policies, against the qualifications listed in the current trustee position description as defined by the Leadership Nominating Committee, and against any other relevant Board evaluation tools.

# GOVERNING POLICIES

## IV. Board Governance Process

### Policy F. Committee Principle

The Board may establish committees to help carry out its responsibilities. Committees will be used sparingly to preserve the Board functioning as a whole and only when other methods have been deemed inadequate.

1. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes. Such authority will be carefully stated in order not to conflict with authority delegated to the Senior Minister.
2. Board committees are to help the Board do its job, not to help the staff do its job. Committees will assist the Board chiefly by preparing policy alternatives and implications for Board deliberation. Board committees are not to be created by the Board to advise staff.
3. Board committees cannot exercise authority over staff and in keeping with the Board's focus on the future, Board committees will not ordinarily have direct dealings with current staff operations.
4. This policy applies only to committees that are formed by Board action, whether or not the committees include non-Board members. It does not apply to committees formed under the authority of the Senior Minister.

# GOVERNING POLICIES

## IV. Board Governance Process

### Policy G. Addressing Grievances (See graphic following text.)

1. This policy applies to grievances brought by paid or volunteer staff or congregants who have sought resolution through the grievance process identified in the personnel policy document (Policy III.B.2.b) and whose grievance has not been resolved to their satisfaction. (See also Policy III.B.3)
2. The primary role of the Board is to address the grievance in the context of the Governing Policies. The Board determines if the incident or condition violated an existing policy, if an existing policy needs to be changed or a new policy needs to be created. If so, the Board takes appropriate action. In any case the person bringing the complaint is informed.

3. The process for addressing grievances is as follows:

A Board member receives a complaint.

- If the Board member is confident that the incident is not a violation of current Board policy and/or no new policy is required to cover the incident in the future, the Board member informs the person who brought the complaint (the complainant) within 20 working days that no further action can be taken by the Board and informs the Senior Minister about the nature of the incident. If the complainant is not satisfied, the Board is informed, and the complainant may submit his or her claim in writing to the Board President.
- If the Board member is not confident about the incident and how it relates to Board policy, the Board member asks the complainant to put the incident/ complaint in writing. If a written document is received, the matter is brought to the Board Grievance Team\* within 20 working days after receipt of the written complaint.

If the matter comes to the Grievance Team, it decides whether full Board action is required.

- If the Grievance Team decides full Board action is required and that the matter is urgent, the President (a member of the Grievance Team) calls a special meeting of the Board within 20 working days and the Senior Minister is informed.
- If the Grievance Team decides full Board action is required but that the matter is not urgent, the President places the item on the next meeting agenda; the President informs the Senior Minister about the incident.

# GOVERNING POLICIES

- If the Grievance Team decides full Board action is not required, the Board member who received the complaint informs the complainant within 20 working days that no further action can be taken by the Board. The President informs the Senior Minister of the incident.

If the matter comes before the full Board, the Board determines if there is applicable policy.

- If there is applicable policy the Board reviews this policy and asks the Senior Minister for his/her interpretation of this policy.
  - If, in the Board's opinion, the Senior Minister's interpretation is consistent with "any reasonable interpretation" of the applicable Board policy, the Board member who received the complaint informs the complainant within 20 working days that no further action can be taken by the Board. A Grievance Resolution Report\*\* is filed.
  - If in the Board's opinion the Senior Minister's interpretation is not consistent with "any reasonable interpretation" of the policy, the Board determines the degree of seriousness and takes appropriate action. The Board member who received the complaint follows up with the complainant within 20 working days of the Board action. A Grievance Resolution Report\*\* is filed.
- If the Board determines that there is not a Board policy applicable to address the incident, the Board decides whether to amend existing policy.
  - If existing policy is amended the reported incident will be made explicitly unacceptable in the future. The Board member who received the complaint will follow up with the complainant within 20 working days of the Board action. A grievance Resolution Report\*\* is filed.
  - If the Board decides not to amend existing policy, the Board member who received the complaint informs complainant within 20 working days that no further action can be taken by the Board. A Grievance Resolution Report\*\* is filed.

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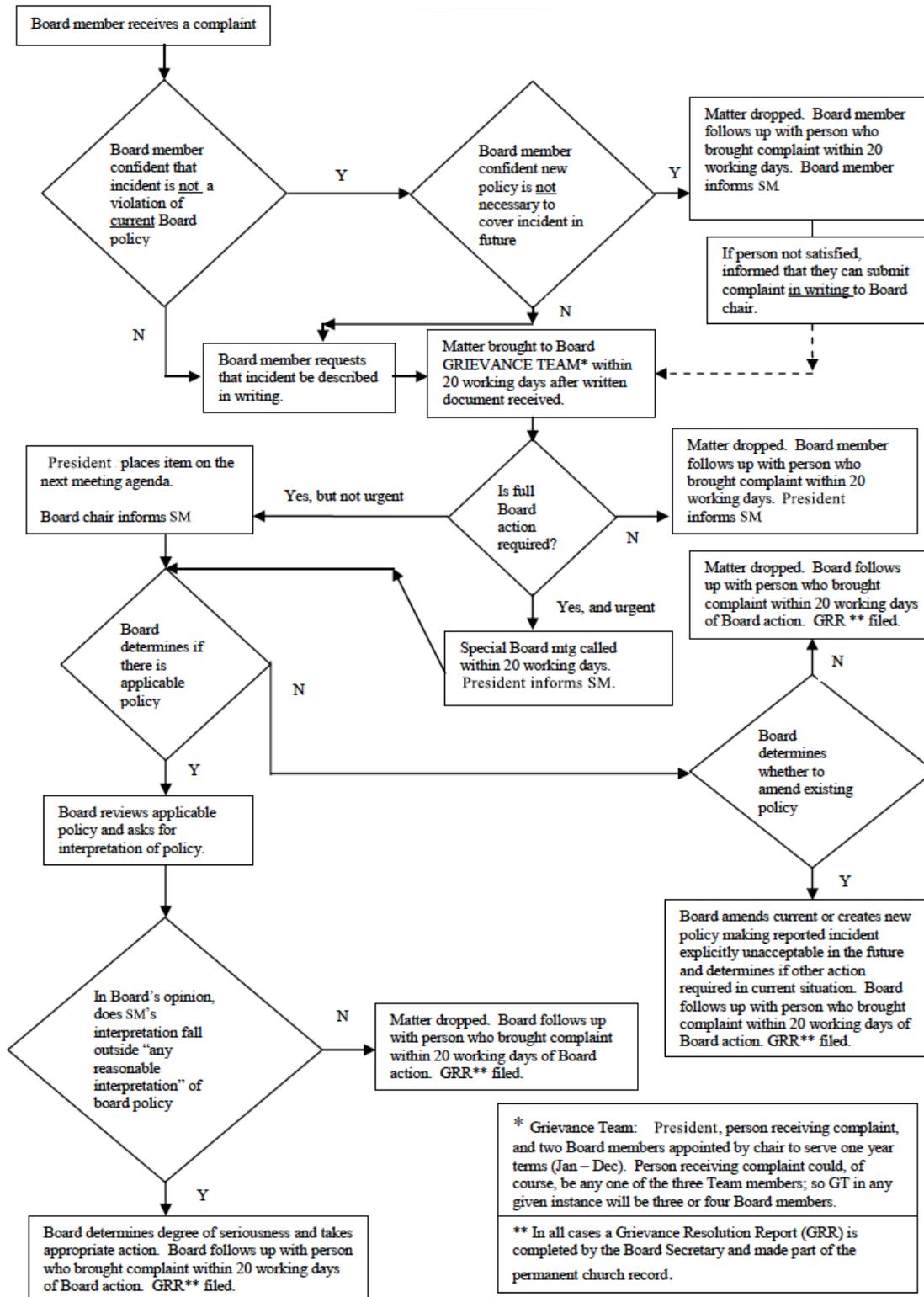
\*Grievance Team: Board President, Board member who received the complaint and two Board members appointed by the President to serve one-year terms (July-June). The Board member who received the complaint could be any one of the three Team members; the Grievance Team in any given instance will consist of three or four Board members.

\*\*In all cases a Grievance Resolution Report (GRR) is completed by the Clerk and is made part of the permanent record of First Unitarian Church of Rochester

# GOVERNING POLICIES

## Procedure for Addressing Grievances

SM=Senior Minister



# GOVERNING POLICIES

## APPENDIX A. Gift Policy

The First Unitarian Church of Rochester encourages the solicitation and acceptance of gifts to the church for purposes that further the congregation's mission and ends. This Gift Policy applies to all gifts offered to the congregation (other than payments on pledges to the annual operating budget). The policy is divided into two parts:

- Legacy Gifts and Major (Value Over \$25,000) Gifts
- Other Gifts

### **Legacy Gifts and Major (Value Over \$25,000) Gifts**

The church may accept both gifts that are unrestricted and gifts that are designated for specific purposes ("restricted gifts"), provided that such gifts are consistent with the congregation's mission and ends. The Board of Trustees will make all decisions on the acceptance of gifts, both unrestricted and restricted, in consultation with the Treasurer, the Legacy Committee and others as deemed appropriate. All unrestricted gifts, once accepted, immediately become the property of the congregation. In accordance with the bylaws of the church: "Memorial gifts of any size and other gifts that become effective as a result of death must be placed in the Income Endowment Fund unless otherwise specified by the donor." Restricted gifts, once accepted, will be managed in accordance with the agreed restrictions unless and until the restrictions are modified or removed.

In deciding whether to accept a gift, the Board will consider any potential associated costs (including maintenance, insurance, transport, appraisal, potential liability, costs of disposition or sale, etc.) and programmatic implications. The Board may seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate (such as closely held stock, restricted stock, transactions governed by contracts, potential conflicts of interest, etc.)

### **Marketable Securities:**

As a general rule, gifts of marketable securities will be converted to cash and transferred to the church's investment manager(s) for investment as quickly as possible.

### **Personal Property:**

In deciding whether to accept gifts of tangible personal property, the Board may consider the following criteria:

- Is the property consistent with the congregation's mission and ends? Are there carrying costs associated with the property? Is the property marketable? Are there any undue restrictions on the use or sale of the property?

### **Real Estate:**

In deciding whether to accept gifts of real estate, the Board may wish to consider the following criteria:

- Is the property useful for the purposes of the congregation?
- Are there carrying costs (which may include insurance, property taxes,

# GOVERNING POLICIES

- mortgages, notes, etc.) associated with the property?
- Is the property marketable?
- Are there any restrictions, reservations, easements or other limitations associated with the property?

In addition, prior to acceptance of a gift of real estate, the Board may require an environmental review. When appropriate, a title binder may also be obtained by the Board prior to the acceptance of the real property gift. These costs are usually paid by the donor.

## **Other Gifts**

The Senior Minister or their designee may accept other gifts to the church that further the church's mission and ends.

## **Gratitude**

An officer of the congregation and/or the minister(s) will promptly acknowledge all gifts in writing on behalf of the congregation. Donors will be provided with receipts sufficient to satisfy IRS requirements. In the case of real estate, the receipt may include a description of the property, but each donor will be expected to rely upon his or her own professional counsel concerning valuation, tax and estate planning implications of such gifts and representatives of the congregation should refrain from advising donors on these issues.

This policy may be changed by a vote of the Board of Trustees.

*Updated November 9, 2020*

# GOVERNING POLICIES

## APPENDIX B. Investment Policy

This Investment Policy (IP) covers both the Restricted Endowment Fund and the Board-Designated Fund (collectively, the “Fund”) of First Unitarian Church of Rochester.

### **Introduction**

An investment policy outlines and prescribes a prudent and acceptable investment philosophy and defines the investment management procedures and long-term goals for the investor.

A principal reason for developing a long-term investment policy is to protect against ad hoc revisions to First Unitarian Church’s long-term investment strategy for the Fund. This IP will help maintain a long-term perspective when short-term market movements may be distressing, and emotional reactions are most apt to occur.

The development of this IP for First Unitarian Church follows the basic approach underlying financial planning: assessing the current financial condition of First Unitarian Church; setting goals; developing a strategy to meet the goals; implementing the strategy; regularly reviewing the results; and adjusting the strategy or the implementation as circumstances dictate. Adopting this IP encourages a more disciplined and systematic investment approach, thus improving the probability of achieving the investment goals of the Fund.

This IP sets forth guidelines on investments and delegation of management and investment functions in accord with Prudent Investor standards and the standards of the New York Prudent Management of Institutional Funds Act (NYPMIFA).

### **Background**

The Board of Trustees of First Unitarian Church, ever mindful of their stewardship of First Unitarian Church’s assets, have caused this IP to be prepared as a policy framework for a disciplined process for investing the Fund.

Responsibility for the investment of the Fund generally rests with the Board of Trustees of First Unitarian Church. The Board has delegated responsibility for the Fund to the Investment Committee, which shall recommend and implement investment policy with regard to asset allocation, manager selection, portfolio supervision and endowment best practices. The Investment Committee further retains, and delegates responsibilities to, an Investment Advisor to implement this IP, and monitors the implementation and performance of the Investment Advisor retained in support of the objectives and policies set forth in the IP.

First Unitarian Church’s Fund has grown through contributions and legacies from donors who wish to ensure the financial strength of First Unitarian Church. To achieve this objective, First Unitarian Church will manage its Fund to provide a balance between present and future needs. Present needs will be met through the administration of the spending policy as defined herein. Future needs will be addressed by retaining a portion of the Fund’s total investment return, which after

# GOVERNING POLICIES

implementation of the spending policy is expected to be at least equal to the rate of inflation over time.

## **Purpose**

The purpose of this IP is to establish a clear understanding of the investment goals and objectives and management policies applicable to the Fund. This IP will:

1. Establish reasonable expectations, objectives, and guidelines in the investment of the Fund.
2. Create the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at an acceptable level of risk, including:
  - Describing an appropriate risk posture for the Fund;
  - Specifying the target asset allocation;
  - Outlining guidelines for distributions from the Fund;
  - Specifying the criteria for evaluating the performance of the Fund.
4. Define the responsibilities of First Unitarian Church's Investment Committee and the Fund's Investment Advisor.
5. Encourage effective communication between First Unitarian Church's Investment Committee and the Fund's Investment Advisor.
6. Assist First Unitarian Church's Board and Investment Committee in meeting its fiduciary obligations with respect to the management and investment of the Fund, consistent with applicable state law.

This IP is intended to be a summary of an investment philosophy and the procedures that provide guidance for the investment of the Fund's assets. The investment policies described in this IP should be dynamic. Therefore, this IP will be reviewed and revised periodically to ensure it adequately reflects current circumstances.

It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.

## **Context**

This IP of First Unitarian Church describes the investment objectives for the Fund and the general framework within which the Investment Advisor is expected to operate.

The primary objective of the Fund is preserving the real purchasing power of the Fund. The secondary objective is to provide a dependable source of funds to cover the on-going operating expenses of First Unitarian Church. The third objective is to minimize the year-to-year volatility of the Fund's value.

The objectives are set in recognition of the fact that any invested portfolio is subject to three major risks: capital risk (the risk of a decline in market value of the portfolio), reinvestment rate risk (the risk that in the future the assets of the portfolio will be

# GOVERNING POLICIES

reinvested at a yield lower than the current yield), and inflation risk (the risk that inflation will increase at a greater rate than the value of the portfolio, thus reducing the real worth of the assets). First Unitarian Church understands there are costs to hedging risk (e.g., protecting against risk may require that some percentage return be foregone, and/or protection against any one risk may, to some extent, preclude protection against other risks).

In order to meet the Fund's objectives over long time periods, First Unitarian Church's Board and Investment Committee has determined that the adoption of a total return investment strategy is best. This strategy recognizes the superior long-term average returns available through equity investments versus fixed income investments. The higher average returns in equities, however, come with a substantially higher risk of capital loss than fixed income investments. By assuming a long-term investment perspective, and by investing the majority of the Fund's portfolio in equities, First Unitarian Church can plan on a "total return" over time which will average better investment results than a portfolio that is designed solely to meet short-term needs. This allows the Board to adopt a spending policy which, in some years, will allow the organization to withdraw more value from the Fund than was actually earned in that year. Over longer periods, however, the expectation is to earn an average return that meets or exceeds the spending policy plus inflation.

## **Standards of Conduct**

The following standards will be met in the management of the Fund:

- a. Subject to the intent of a donor expressed in any gift instrument, the Board, in managing and investing the Fund, shall consider the purposes of First Unitarian Church and the purposes of the Fund.
- b. In addition to complying with the duty of loyalty imposed by law, each person responsible for managing and investing the Fund shall manage and invest in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A person who has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing the Fund.
- c. In managing and investing the Fund, the Board, Investment Committee and Investment Advisor may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of First Unitarian Church, and the skills available to First Unitarian Church.
- d. The Investment Committee and Investment Advisor shall make every reasonable effort to verify the facts relevant to the management and investment of the Fund.
- a. Except as otherwise provided by a gift instrument, the following apply:
  1. In managing and investing the Fund, the following factors, if relevant, must be considered:
    - a. General economic conditions;

# GOVERNING POLICIES

- b. The possible effect of inflation or deflation;
  - c. The expected tax consequences, if any, of investment decisions or strategies;
  - d. The role each investment or course of action plays within the overall investment portfolio of the Fund;
  - e. The expected total return from income and the appreciation of investments;
  - f. The needs of First Unitarian Church and the Fund to make distributions and preserve capital;
  - g. Other resources of First Unitarian Church;
  - h. The Board of Trustees does not wish the Church endowment to support, or profit from, the long-term use of fossil fuels which is responsible for destabilizing the global climate system. As cost-effective investment vehicles become available that closely match other investment criteria that are spelled out in this policy, investment funds will shift toward sustainable investments and away from fossil fuels.
  - i. An asset's special relationship or special value, if any, to the purposes of First Unitarian Church.
2. Management and investment decisions about an individual asset must be made, not in isolation, but rather in the context of the Fund's portfolio of investments as a whole and as part of an overall investment strategy and spending policy having risk and return objectives reasonably suited to the Fund and First Unitarian Church.
  3. The Investment Committee and the Investment Advisor shall diversify the investments of the Fund unless the Investment Committee determines that, due to special circumstances, the purposes of the Fund are better served without diversification. The Investment Committee shall review a decision not to diversify as frequently as circumstances require, but at least annually.
  4. Within a reasonable time after receiving property, First Unitarian Church shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the Fund into compliance with the purposes, terms, and distribution requirements of the Fund.

## **Delegated Decision-Making Authority**

First Unitarian Church's Board and Investment Committee will retain an Investment Advisor to the Fund. The Investment Advisor's role is that of a discretionary manager of the Fund's assets. The Investment Advisor's actions concerning the investment management of the Fund will be consistent with the investment objectives, policies, guidelines and constraints as established in this IP. In selecting, continuing or terminating an Investment Advisor, the Board and Investment Committee shall act in good faith, with the care that an ordinarily prudent person in a like position would

# GOVERNING POLICIES

exercise under similar circumstances, including assessing the agent's independence including any conflicts of interest such agent has or may have.

The Investment Advisor shall have the following responsibilities:

1. Periodically reviewing the investment program with the Board and Investment Committee or its delegate for adjustment of commitments to various asset classes. This includes rebalancing the Fund so that the asset allocation set forth in this IP is achieved.
2. Revising this IP to reflect any substantial changes in the needs and circumstances of First Unitarian Church.
3. Monitoring and evaluating investment performance and compliance with this IP.
4. In serving as advisor, the Investment Advisor owes a duty to First Unitarian Church and the Fund to exercise reasonable care, skill and caution to comply with the scope and terms of the delegation.

## **Time Horizon**

The time horizon applicable to this IP is 10 to 15 years. This time horizon will generally be used for making decisions about asset allocation; however, such decisions may be reviewed and revised whenever warranted by general economic conditions or the investment performance of specific asset classes. The Fund's performance will be monitored regularly and typically be judged for periods equal to the lesser of a full market cycle or 60 months.

## **Risk**

In general, the term "risk" as used in this IP will mean the degree of exposure to unacceptable outcomes from the investment program. For the Fund major unacceptable investment outcomes are:

1. Prolonged negative (total investment program) returns, on a cumulative basis, for periods longer than 3 to 5 years.
2. For the Fund as a whole, greater than 30% market value decline over a period of 24 months.
3. Disproportionately high volatility-to-expected return ratio.

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Fund is the determination of an appropriate risk tolerance. The three primary factors that affect this determination are the financial ability to accept

# GOVERNING POLICIES

risk (specifically, dramatic negative short-term performance), the psychological ability to accept risk, and the long-term investment return requirements.

The Board and Investment Committee, in determining the appropriate asset allocation for the Fund, reviewed the trade-off of investing in the higher returning equity investments versus investing in the lower returning, but less volatile fixed income investments. Based on the following historical market data, and given the Fund's long-term investment horizon, it was determined that a significant investment in equities is warranted. Furthermore, it was determined that the Fund should not be managed with the primary objective of avoiding negative annual returns. Such a focus would significantly reduce the Fund's ability to satisfactorily meet its long-term spending needs on an inflation-adjusted basis. To help mitigate the short-term volatility of the Fund, First Unitarian Church embraces a broadly diversified investment in domestic equities, international equities, real return assets, and fixed income securities. This broad diversification is expected to reduce the Fund's volatility versus a less diversified approach because of the less-than-perfect correlation among the asset classes being used.

## **Expected Market Returns and Volatility**

Based upon actual market performance history (1926-2019), the following are annual market index returns and volatility for the various asset classes indicated:

	Return	Standard Deviation
U.S. Large-Cap Stocks	9.70%	17.50%
U.S. Mid-Cap Stocks	11.00%	22.20%
U.S. Small-Cap Stocks	11.40%	26.50%
International Stocks*	8.70%	16.60%
U.S. Fixed Income	5.10%	4.30%
T-Bills (Cash)	3.30%	0.90%
Inflation	2.9%	1.8%

\* International stock data reflects the period January 1970 - December 2019.

Source: Dimensional Fund Advisors

## **Asset Allocation**

After review of long-term, historical capital market performance, the Board and Investment Committee has selected the following target asset allocation. This mix is expected to produce suitable and appropriate patterns of performance and volatility over time. The Investment Advisor may, from time to time, vary the actual percentages where, in its discretion, it deems the variation desirable to achieve the goals in this IP; however, the variation of total equities (target 70%), total fixed income assets (28%) and cash (target 2%), and should be maintained within plus/minus 5 percentage points of target allocation. Additionally, within the Equity Allocation asset classes, asset allocation should also be maintained within plus/minus 10 percentage points of target allocation by quarter end.

# GOVERNING POLICIES

<b>Total Portfolio: Asset Class</b>	<b>Target</b>
Equities	70.0%
Fixed Income	28.0%
Cash	2.0%
Total	100.0%

<b>Equities Allocation</b>	<b>Target</b>
Domestic	70.0%
International	30.0%
Total Equities	100.0%

The rationales for the above asset classes are as follows:

1. The role of equities is to maximize total return, providing growth of principal and current income, thereby supporting spending requirements while preserving the purchasing power of the Fund's assets. To serve these purposes, both domestic and international equities may be included in the Fund.
2. Fixed instruments will provide a deflation hedge, reduce volatility of the Fund, and produce current income to support spending requirements. The Fund will attempt to match the duration of the overall market and may be invested in government, agency, or corporate bonds.
3. The Investment Advisor will work with First Unitarian Church to ensure enough cash is available to provide liquidity and meet required spending needs consistent with the spending policy (see below).

Prohibited Transactions include the following:

All assets selected for inclusion in the Fund must have a readily ascertainable market value and must be easily marketable. The following types of assets or transactions are expressly prohibited: Options, private placements, selling short, commodities, unregistered or restricted stock.

The Board and Investment Committee reviewed potential outcomes for a portfolio with this asset allocation and has determined the risk profile is prudent relative to the potential returns based on historical risk and return characteristics.

## **Spending Policy**

The Endowment Fund is to be utilized in the following areas as approved by the congregation:

- A planned portion, not to exceed 30%, of the operating budget
- Start-up funding for capital additions/improvements.
- Start-up funding for new services and/or service expansion.
- Enhancements of church resources, supports and services.

# GOVERNING POLICIES

Spendable income is that portion of current total return, as well as portions of unspent total return of prior years, as allocated by the Board and approved by the congregation for spending in any fiscal year. The target annual distribution rate shall be no more than 5% of the average market value of the endowment for the preceding 20 quarters.

In exceptional circumstances, the Board may request the approval of the congregation for a distribution in excess of these guidelines.

It is the responsibility of the Board and Investment Committee and the Investment Advisor to oversee management of the Fund in ways commensurate with this spending policy. Distribution of spending income will be reviewed annually and made according to the following:

1. Provisions must be made with the Investment Advisor for timely and regular distributions as needed by First Unitarian Church.
2. Total return results that exceed actual distribution of allocated spendable income normally shall be reinvested and considered principle for all future computations and distributions.
3. When total return is less than allocated spendable income, distributions will be made from Fund assets that are unencumbered for such purposes, such as unspent total return of prior years. Unless otherwise restricted by an endowment gift instrument or a specific donor notice, New York State law provides that First Unitarian Church may expend so much of an endowment fund – including its historic dollar value – as it deems prudent and shall consider, if relevant, the following factors: the duration and preservation of the specific endowment fund; the purposes of First Unitarian Church and the specific endowment fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of First Unitarian Church; where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the specific endowment fund, giving due consideration to the effect that such alternatives may have on First Unitarian Church; and this IP. For each determination to appropriate for expenditure, First Unitarian Church shall keep a contemporaneous record describing the consideration that was given to each of the factors enumerated above.
4. Note that under NYPMIFA, for donor-restricted endowment funds, an appropriation of an amount greater than seven percent of the fair market value of a specific endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than five years immediately preceding the year in which the appropriation for expenditure is made, creates a rebuttable presumption of imprudence. For a specific endowment fund in existence for fewer than five years, the fair market value of the specific endowment fund must be calculated for the period the specific endowment fund has been in existence.

The Common Fund spending policy is specified in the charters of the individual funds.

# GOVERNING POLICIES

## **Unacceptability of Market Timing**

The Board has taken into account considerable evidence that a stable and prudent asset allocation, combined with the passage of time, is likely to provide a favorable outcome to an investment portfolio. The Board further recognizes the return objectives and level of risk exposure outlined in this IP could be negatively impacted if the asset allocation guidelines are not followed. This IP, therefore, does not provide for the introduction of short-term judgments, either to inject unplanned risk, or conversely, to reduce intended market exposure. Accordingly, the Board recognizes that adherence to this IP will occasionally appear to be either too risky or too conservative for current market conditions. However, the Board also recognizes there is no known source for consistently reliable short-term forecasts of the capital markets' movement or the magnitude of that movement.

## **Rebalancing**

Because different asset classes are not correlated, the Investment Advisor will exercise close scrutiny on the asset allocation shifts caused by performance. Accordingly, the Investment Advisor will review the relative market values of the asset segments and will have the discretion to rebalance as needed. To the extent that adequate rebalancing among asset categories cannot be affected via the allocation of new contributions, the Investment Advisor may re-direct monies from one asset category to another as market fluctuations skew the allocation away from target.

## **Performance Evaluation**

The Fund is expected to generate returns that are comparable to the returns in the capital markets. The Investment Committee shall measure the performance at quarterly intervals. Performance will be calculated on a time-weighted total return basis. Meetings between First Unitarian Church's management, Investment Committee or its delegate, and Investment Advisor will be held at least semi-annually to discuss Fund performance and any new developments that should be factored into this IP.

## **Policy Adoption**

This IP was reviewed, approved and adopted by the Board of Trustees of First Unitarian Church at its meeting on May 10, 2021, and is included in the minutes thereof. Asset Allocation updated January 10, 2022.

# GOVERNING POLICIES

## APPENDIX C. Policy Governance Committee of the Board

The governing policies are the framework in which the church operates, and it is the responsibility of the Board to create, monitor, apply in decision-making and change when appropriate. The policies identify the Ends, the long-term goals, of the church, the important aspects of the relationship between the Board and the Senior Minister, the limitations within which the Senior Minister is expected to work and the process through which the Board exercises its responsibility to the congregation.

Furthermore, since the Board exists in service to the congregation, it is important that the congregation has an appreciation for the governance framework, and that congregants have the opportunity to understand its practical operation in the life of the church.

To ensure that the Policy Governance framework remains alive and responsive to the needs of the congregation, Senior Minister, staff and volunteers and the Board itself, a Policy Governance Committee of the Board is established to:

1. Systematically review existing policies to assure their relevance, internal consistency and completeness, and when appropriate, recommend changes to the whole Board.
2. Evaluate, and when appropriate, recommend to the whole Board changes in existing policies in response to grievances brought by staff, volunteers or congregants. (Reference Policy IV.G. Addressing Grievances)
3. Evaluate, and when appropriate, recommend to the whole Board changes in existing policies or the creation of new policies in response to input from the Senior Minister. (Reference Policy III.I.5., concerning Senior Minister Communication with the Board.)
4. Hold congregational forums concerning the actual practice of Policy Governance within our church, through presentation and ongoing conversation, addressing interests, questions and concerns of congregants.

The committee will be comprised of at least three members of the Board, including one who is newly elected to the Board. The committee will meet at least once each quarter and will provide a forum for interaction with congregants at least twice each year.

# GOVERNING POLICIES

## APPENDIX D. External Audit Process

The Audit Team is appointed by the Board of Trustees periodically when an audit review is needed, usually every three years. It will have at least three and not more than five members of the congregation. The team will function independently of the Board of Trustees and maintain communication with the Treasurer. The Audit Team must maintain financial independence and avoid any conflict of interest, for example:

- Audit Team members may not be involved, in any manner, with handling church funds or preparing church financial records.
- Audit Team members may not be employees of the church or be related to a church employee.
- Audit Team members may not have a financial interest in the accounting firm that is selected.

### **Audit Team Responsibilities**

- Select a firm of independent certified public accountants experienced with not-for-profit and/or religious organization audits.
- Set the terms of engagement with the firm to conduct an audit review of the Church's financial affairs.
- Determine with the firm the scope of the financial audit review.
- Schedule the audit review and facilitate communication between the firm and the Church staff.
- Review the findings and recommendations with the Treasurer and the Senior Minister and jointly present the findings to the Board of Trustees.
- Submit the invoice from the firm to the Board of Trustees.

### **Board of Trustees Responsibilities**

- Establish a budget for the periodic audit review.
- Secure volunteers for the Audit Team and officially appoint them.
- Communicate requirements to the Audit Team.
- Provide any additional support to the Audit Team as needed.

### **Governing Policies Reference**

Policy II. E.

Adopted by Board of Trustees  
September 14, 2020