

Financial Records Review Committee Annual Report

2008-2009 Church Year

FRR Committee Members: Steve Hedges, Steve Ladew

A review of the financial records of the UU Church of Nashua was conducted on May 20, 2009, with Steve Hedges, Steve Ladew, and Mike Wilt in attendance. Similar financial record reviews of White Wing and the Cemetery Association were held on May 19 and May 17, respectively. In attendance at the White Wing review were Steve Hedges, Steve Ladew, Becky Parsons and Kate O'Shea. Present at the Cemetery Association review were Steve Hedges, Steve Ladew, David Robbins, Russ Leonard and Harry Purkhiser. All records examined were found to be in satisfactory order, the accounting processes and record-keeping systems were well organized and sound, and no outstanding anomalies were observed in any of the records reviewed.

A summary of each of these reviews is included in this report. First, however, there were a number of recommendations made in last year's Financial Records Review Committee (FRRC) annual report that are still outstanding and worthy of action. These are paraphrased again here for consideration and possible action by the Executive Board. The FRRC recommends that:

- A robust description of the roles and responsibilities of the FRRC be documented and approved by the Executive Board. The FRRC strongly recommends that its charter be clear and consistent from year to year and that it include an annual review of the financial records of the church, White Wing School and the Nashua Cemetery Association. As an amendment to last year's recommendation, it is suggested that the FRRC take the action to draft this document during the 2009/2010 church year and submit it to the Executive board for approval.
- The Executive Board create a task force to take a more detailed look at the legal relationships and fiduciary responsibilities that exist among the church, White Wing and the Cemetery Association and to provide the congregation with a clear and concise report of their findings. The major concern here is that the congregation understands the church's financial liabilities in the unlikely event of lawsuit against White Wing.
- The expenses incurred by the church in support of White Wing should be reviewed in order to inform a possible reassessment of the annual charge to White Wing for using church facilities. It is also recommended that a limited survey be conducted in our local area to determine the fair market value for the facilities that we provide to White Wing.
- An updated version of the church's bylaws be posted on the church's website so that it is readily accessible to all members. We recognize that there is ongoing work to revise our bylaws to make them more appropriate to the church's current needs. This recommendation could wait until these updates are complete.

UU Church of Nashua

It was obvious during our review that the Treasurer, Mike Wilt, continues to carry out the duties of his office in a thorough and organized manner. With the help of his Assistant Treasurer, Phil Brown, he has completed an impressive modernization and automation of the church's accounting and payroll processes. The Treasurer uses QuickBooks to keep track of the church's finances, which allows for rapid, accurate and reliable online reconciliation between our records and those of the bank. PayCycle, a web-based payroll application is used for automatically processing paychecks for both the Church and White Wing staff. Mike's recommendation to create a second Assistant Treasury position will expand the number of church members who are proficient in the bookkeeping processes and computer applications that Mike has put in place – an important step toward ensuring the ongoing maintenance of our financial records.

The FRRRC reviewed the comparison statement that provides an itemized accounting of income and expenses relative to church's annual budget. Spot checks were then conducted of the paper and/or electronic records of several random transactions. All records reviewed were accurate and very well organized. The only recommendation that the FRRRC might make is for the Treasurer to institute a more formalized process for the offsite storage of backup electronic files to minimize our vulnerability to loss of financial data due to a catastrophic event such as fire.

White Wing School

White Wing is officially a branch of the church and operates under the same federal tax ID number. The financial books for White Wing, however, are kept separate from the church's books, except for payroll, which is essentially handled as an administrative passthrough (zero-net) item in the church's budget. The bulk of White Wing's \$245K+ income comes from tuition and their major annual expense is payroll (approximately \$173K). The school makes an annual occupancy payment to the church, which amounts to facilities rental, utilities and custodial services. This year, this occupancy payment was \$21,370, as budgeted. A money market account is used to hold the bulk of White Wing's assets, with funds transferred to a Citizens Bank checking account in small increments to support operational expenses.

Similar to the process used to assess the church's financial records, the FRRRC reviewed White Wing's year-to-date Profit & Loss Comparison Statement, which was very well organized and accurate based on the review of a number of random transactions. The same computer application used by the church, QuickBooks, is used by the White Wing School for maintaining its financial records. This commonality of accounting processes is very advantageous. The paper records of invoices, payments, bank statements, etc. are extremely well organized. CD ROM backups of electronic financial data are generated weekly and each month a backup CD is stored offsite for security reasons. To supplement these sound accounting practices, an independent accountant is hired to check the books monthly and to perform a full bank statement reconciliation.

In summary, White Wing's financial health is sound and their record keeping is commendable.

Nashua Cemetery Association

According to church bylaws, the Nashua Cemetery Association (NCA) is an organization within the UU Church of Nashua, although its finances are managed separately from those of the church. The only source of income for the NCA is their invested funds account. These funds have been combined with the church's endowment into a common investment fund, but the Bank of America tracks the two balances separately. The NCA has set up automatic monthly payments from this fund equal to the combined interest and dividends paid by the cemetery's portion of the investment fund.

The balance sheet for the NCA is relatively simple and the review performed by the FRRRC was straightforward. The bulk of the expenses go to general maintenance of the grounds, which is contracted out as hourly labor to congregant Jim Thorpe. An examination of selected invoices, payments and bank statements demonstrated that the records were accurate and complete.

Last year, the FRRRC recognized that there was no check or balance in place to prevent the NCA President or Treasurer from unilaterally taking out as much money from the invested funds as he/she chooses, up to the total balance of the account. A recommendation to establish a safeguard mechanism was made last year by the FRRRC. At the time of this year's financial records review, this recommendation had not yet been acted upon.

The President, Harry Purkhiser, and Treasurer, Russ Leonard, took the action to remedy this directly. Since then, the Nashua Cemetery Board of Trustees has approved the following resolution: "The Treasurer of the Nashua Cemetery Association shall have the authority to withdraw funds from either the checking account or the invested funds in amounts up to \$4,999.99 per occurrence. The withdrawal of any amount of \$5,000.00, or above, shall require the signature of both the Treasurer and the President of the Nashua Cemetery Association."

As of this writing, Russ Leonard is in the process of working out the details of this resolution with Bank of America. In addition, he plans to instruct Bank of America that all withdrawals from the cemetery funds should be directly deposited (i.e. ACH transferred) into the NCA's checking account at Sovereign Bank and not via a check being issued to the Association's treasurer. Once implemented, these initiatives will address all objectives of the original FRRRC recommendation.

Acknowledgment

We would like to extend our sincere appreciation and gratitude to all parties who opened their books and responded to the inquiries of the FRRRC. Without exception, everyone was extremely open, accommodating and supportive of the process. Special thanks go to Mike Wilt, Becky Parsons, Kate O'Shea, Russ Leonard and Harry Purkhiser. The FRRRC also would like to recognize David Robbins who assisted in some of the reviews. David has volunteered to serve a term on the committee beginning in September. If approved by the congregation, David will make an excellent addition to the FRRRC.

Respectfully Submitted:

Steve Hedges

Steve Ladew