



Financial Best Practices

Task Team Report

June 2021

Unitarian Church of Edmonton
Interim Transition Team

Contents

<i>Introduction</i>	<i>3</i>
<i>Supporting UCE’s Financial Future</i>	<i>3</i>
<i>Primary Recommendation</i>	<i>4</i>
<i>Further Recommendations</i>	<i>4</i>
<i>Roles, Responsibilities, Delegation of Authority</i>	<i>4</i>
Best Practices	4
UCE Current State	5
Recommendations	5
<i>Budget Planning, Preparation and Monitoring.....</i>	<i>5</i>
Best Practices	5
UCE Current State	6
Recommendations	6
<i>Financial Controls.....</i>	<i>7</i>
Best Practices	7
UCE Current State	7
Recommendations	8
<i>Fundraising and Fund Management</i>	<i>8</i>
Best Practices	8
UCE Current State	8
Recommendations	9
<i>Investments</i>	<i>9</i>
Best Practices	9
UCE Current State	10
Recommendations	10
<i>Risk Management</i>	<i>10</i>
Best Practices	10
UCE Current State	10
Recommendations	11
<i>Records Retention</i>	<i>11</i>
Best Practices	11
UCE Current State	11
Recommendations	11
<i>Internal Audit.....</i>	<i>11</i>
Best Practices	11
UCE Current State	12
Recommendation	12
<i>Moving Forward.....</i>	<i>12</i>
<i>Appendix A</i>	<i>13</i>
<i>Appendix B</i>	<i>15</i>

Introduction

The Financial Best Practices Task Team was established by the Interim Transition Team (ITT)¹ in February 2021, with the purpose of supporting sound fiscal management by ensuring that the Unitarian Church of Edmonton (UCE) fulfills its fiduciary and ethical responsibilities through the support of strong and effective financial systems, policies and procedures that advance UCE's vision and principles. *(See Appendix A - Terms of Reference.)*

The task team composed of Doug Eastwell, Susan Ruttan and Lynne Turvey reviewed resources from other organizations, collected internal documents and talked with a number of congregation members and staff playing key roles in the management of the church's finances. *(See Appendix B - Guiding Sources.)*

Although no one on the task team has specific accounting experience or credentials, all three have histories as members of the board and various committees, as well as a keen interest in learning more about best practices² and their application to UCE.

Financial matters fall under the umbrella of governance, and our team has been blessed with the collaboration of the Good Governance Task Team throughout the review process. As UCE's financial structure has many moving parts and its stability is integral to the church's existence, ITT determined that a separate task team should be assigned to examine those processes in greater detail. The review was not intended to be a financial audit, but rather an exploration of the systems at play and how they might be better supported.

Throughout the review it was made abundantly clear that the preservation of our treasured UCE community to date has been directly tied to the commitment and generosity of so many volunteers. It is with the goal of supporting this energy and spirit that the financial best practices team respectfully offers its research findings and recommendations.

Supporting UCE's Financial Future

The current phase in the life of our UCE congregation presents an opportunity to build vibrancy and resiliency. A robust financial management system is key to that success. The Financial Best Practices Task Team explored eight broad aspects of UCE's financial management system:

¹ The Interim Transition Team provides support to the congregation in transitioning towards a new ministry through examining our heritage, leadership, mission and connections.

² A best practice is a method or technique that has been generally accepted as superior to any alternatives because it produces results that are superior to those achieved by other means or because it has become a standard way of doing things, e.g., a standard way of complying with legal or ethical requirements.

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- roles, responsibilities and delegation of authority
- budget planning, preparation and monitoring
- financial controls
- fundraising and fund management
- investments
- risk management
- records retention
- internal audit

Based on best practices research and a review of UCE's current state, a number of recommendations have been developed in each of these categories.

It is a testament to the ongoing efforts of volunteers on the board, committees and task teams that the review did not find issues suggesting a significant system overhaul is required. Instead, there is a need for greater role clarity, process integration, communication between all stakeholders and ongoing evaluation of what works and what doesn't. This forms the basis for the following overarching recommendation.

Primary Recommendation

Comprehensive written, centrally accessible financial management policies and procedures should be formalized, outlining how all aspects of UCE's finances are to be handled. This will promote sound, consistent fiscal management and stewardship of resources and assets.

Further Recommendations

The following sections are more specific in their support of the main recommendation. Implementation of some recommendations may be quick wins for UCE, others might take more time to implement, and still others might be found less suitable for our church. Further examination and discussion by an implementation team will be important.

Roles, Responsibilities, Delegation of Authority

Best Practices

- Roles, responsibilities and delegation of authority are clearly articulated in written terms of reference³, policies⁴ and position descriptions as appropriate. These are clearly communicated to the congregation.

³ Terms of reference describe the purpose and operating structure of a nonprofit or charitable organization's board of directors and committees. By setting clear expectations, terms of reference guide behaviour and provide a framework for decision making.

⁴ A policy is a deliberate system of principles to guide decisions and achieve rational outcomes. A policy is a statement of intent, and is implemented as a procedure or protocol.

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- Training and orientation is provided to board members, committee chairs, staff and volunteers who have finance roles.

UCE Current State

- Terms of reference were developed and/or updated in 2018 for Finance and Audit Committees
- Endowment Fund has a section in UCE's bylaws, but no terms of reference exist for the Endowment Committee
- Bylaws describe general duties of the treasurer

Recommendations

- Terms of reference for the Board of Trustees should be developed and should include clear direction on financial and fiduciary responsibilities
- Treasurer's position description should be developed clearly identifying and defining roles and responsibilities. Bylaws, Finance Committee terms of reference and treasurer position description should align.
- Transition checklist should be developed to support transition from one treasurer to another
- Board orientation and training should include basic financial literacy targeted to UCE's financial reporting structure

Budget Planning, Preparation and Monitoring

Best Practices

- Policy and procedures are established and formalized for budget planning, preparation and monitoring
- Board is ultimately responsible for budget preparation and monitoring, with input from treasurer and Finance Committee
- Professionally designated accountant engaged, with no connection to congregation (quality of financial statements depends on quality of data collected)
- Planning and preparation of budget:
 - reflects UCE vision/mission/principles
 - clearly articulates categories including their uses and restrictions
 - reflects input solicited from stakeholders
 - segregates operational (current account) from structural (capital expenditures), and segregates restricted funds from general funds
 - identifies critical (must have) activities and discretionary (nice to have)
- Congregation receives clear and comprehensive budget proposal for approval at annual congregational meeting
- Monitoring of budget:

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- Board reviews monthly financial reports for a clear picture of overall financial health. Reports include Statement of Revenue and Expenditures (Profit and Loss), Balance Sheet, Statement of Changes in Financial Position (Cash Flow Statement)
- Board and committees understand use of restricted funds (e.g., casino)

UCE Current State

- A document titled “Financial Policies, Unitarian Church of Edmonton”, contains several points related to budget management, based on a number of previous approved board motions
- Finance Committee, through its terms of reference, has been assigned responsibility for preparing a proposed budget and/or budget revisions for recommendation to the board for subsequent recommendation to the congregation at a general meeting
- Finance Committee is also responsible for reviewing financial statements prior to board meetings, to identify any issues or concerns, and to make appropriate recommendations
- External accountant provides detailed monthly financial reports to the treasurer, which include Statement of Revenue and Expenditures (Profit and Loss) and Balance Sheet
- Treasurer also provides a summary overview of UCE’s financial status at monthly board meetings
- Accountant provides annual financial statements for both calendar year end for CRA purposes and for church year end for congregational purposes
- Accountant advises on available government grants and programs to support UCE’s financial health
- Work with the accountant is progressing to align budget categories with accounting report categories to enable more accurate coding of expenses and to ensure the budget aligns with contractual agreements, e.g., minister’s employment agreement

Recommendations

- Comprehensive policy and procedures for budget preparation and monitoring should be formalized and accessible to any congregation member requiring that information (i.e., electronic and paper)
- Policy should include clear direction for changing or exceeding the budget throughout the year
- Consider exploring the value of developing a purpose-based budget (reflective of UCE’s vision/mission/principles)
<https://www.uua.org/leadership/library/creating-purpose-based-budget>
- Finance Committee should become more involved in budget development and monitoring, further to the terms of reference
- Programs or committees with a budget should receive periodic reports on their budget status (2019 Audit Committee recommendation)

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- Treasurer's report at the Annual General Meeting should include year-to-date financial status
- Review accounting services for possible efficiencies, i.e., increased role for church administrator
- Generally review accounting services agreement every three years, at the beginning of the third year of service (2021/22)
- Note: 2016 Strategic Plan recommendations:
 - Develop longer-term financial plan
 - Increase building and grounds reserve

Financial Controls

Best Practices

- Comprehensive policies and procedures provide a clear framework and direction for managing the church's income and expenditures
- Procedure is documented for the submission, review, approval and payment of invoices and expenses
- Expenditure controls include clear authorizations, limit restrictions, and segregation of duties
- Handling of church income - rental/lease payments and donations (cash, cheques, pre-authorized and online payments) should be clearly delineated in policies and procedures
- All payments over \$5,000 should be approved by the board
- Board receives assurance from treasurer/accountant, at least twice a year, that all statutory remittances have been made and noted in minutes
- Regular review of contracts and systems for services and utilities should be undertaken

UCE Current State

- A document titled "Financial Policies, Unitarian Church of Edmonton", outlines only two points related to management of church funds
- Cheque requisition/expense authorization form is to be completed and authorized as indicated on the form, but all steps have not consistently been completed (as noted in the Audit Committee report of the last two years)
- Purchasing approval limitations and requirements have been established and are outlined on the back of the expense form but have not been formalized in policy (includes board pre-approval of purchases over \$2,000)
- Current processes for handling church income have been documented by a Finance Committee member but not yet formalized or widely shared
- Handling of cash/cheques after church services and throughout the month rests with only a couple of individuals, who also deposit the money in the bank and maintain records

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- Adjustments to signing authorities list are minuted, but the approval process has not always occurred at the first board meeting following the AGM
- UCE Building and Grounds Committee reviewed and replaced contracts for cleaning, phone system, snow plowing and removal (*2019/20 Auditor's report*)
- Further to a government-funded energy audit, UCE's lighting and heating task group has investigated and implemented significant improvements toward more energy efficient lighting (*2019/20 Auditor's report*)

Recommendations

- Current process for managing church funds must be clearly documented, centrally accessible, and guided by formalized policy that takes into account efficiency and safety. *Note: 2021 Audit report: "Documented processes for canvass recordkeeping and follow-up; handling cash revenue including collection of contributions during services; and a summary of long-term leases should be a priority for inclusion (in a policy and procedures manual)"*
- Expense authorization guidelines and processes should be reviewed and clarified by Finance Committee in consultation with the church administrator
- Succession planning and support for volunteers in key financial roles is crucial for security and stability (e.g., tellers)
- Need clear policy on designating signing authorities; the list of signing authorities should be reviewed by the board at least annually. Adjustment of signing authorizations should be determined and minuted at the June board meeting, following the May AGM.
- Policy for decisions around employment, contract work and volunteer recognition (e.g., honouraria) should be developed (currently underway).

Fundraising and Fund Management

Best Practices

- Clearly-defined, written policy and procedures for fundraising, donations and charitable tax receipts are established
- Board and committee training includes critical requirements and directives of Canada Revenue Agency (CRA) to maintain charitable status
- Board has a process to ensure that an accurate Registered Charity Information Return (T3010) is filed with Canada Revenue Agency within six months of year end, as required by law

UCE Current State

- Annual UCE Canvass campaign is managed by one member with help from one other
- A document titled "Financial Policies, Unitarian Church of Edmonton", specifies some requirements for fundraising and usage
- Tax receipts may be inadvertently distributed for ineligible activities

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- External accountant prepares Registered Charity Information Return (T3010) annually; treasurer reviews and signs report.
- Commercial renters in the church space can pose a risk to UCE's charitable status if too many are allowed. A few such renters are acceptable, e.g., people renting the kitchen, but most must be non-profit.
- Casino funds are segregated in a separate bank account

Recommendations

- Clearly-defined, written fund management policy and procedures for fundraising campaigns and donations should be formalized. (UCE's accountant should be consulted for advice.)
- Policy on donations should cover:
 - source and receiving of donations
 - management of donations
 - disbursement of donations
- Policy should stipulate clearly what tax receipts can be given and by whom
- Tax receipts for donations of goods or services should only be given at the discretion of the board and only when they meet CRA guidelines
- Practice of "cheque exchanges" should be included in a fund management policy to ensure clarity and compliance with charity rules for tax receipts
- A rental and tenant relations policy should be developed, and should reflect limitations imposed by CRA to maintain charitable status
- Casino Status
 - Board, staff, accountant and all volunteers handling building issues should be aware of the rules governing use of casino revenue, i.e., the Use of Proceeds rules outlined by the Alberta Gaming and Liquor Commission (AGLC). One-third of the UCE building is commercial space; therefore, no expenditure that includes that space can be paid with casino funds. Non-compliance could result in UCE losing authorization to work casino fundraisers.
 - A copy of the AGLC's Charitable Gaming Policies Handbook should be kept in the church office.
- Note: 2016 Strategic Plan recommendation:
 - Revitalize Ways and Means Committee

Investments

Best Practices

- Organizations with investable assets over \$100,000 should have an investment policy setting out asset allocation, procedures for investments and asset protection issues. Should take into account congregational objectives.

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- Board should be aware of relevant sections of the Alberta Trustees Act
- Investment funds with different restrictions should be segregated (UCE example: General, Operating, Casino, Endowment)

UCE Current State

- UCE bylaws set out requirements around structure, investment and management of the Endowment Fund, including appointment of three trustees by the board
- Two trustees have been appointed by the board
- GICs are managed by the Finance Committee and Board of Trustees. GICs are reported on the monthly balance sheet. Five restricted funds are in place: Allen fund, Morton Music fund, Collinge Music fund, Endowment fund and Casino fund. A separate GIC for general use has also been created.

Recommendations

- An investment policy setting out asset allocation, procedures for investments and asset protection issues should be developed. It should take into account congregational objectives.
- Regular reports on the status of the endowment funds (cash and GICs) should be submitted to the board.
- The Endowment Committee report at the May 2, 2021 AGM includes a recommendation to: “Determine the best place for responsibility for acknowledging endowment donations, as part of review of church processes, so that it can be supported for the long term.”

Risk Management

Best Practices

- Adequate insurance is maintained to protect property and to provide directors and officers liability, and is reviewed annually
- Annual fire inspection is conducted
- Facility rental policy addresses legal and insurance responsibilities for rentals to outside individuals/organizations
- Facility lease documents and other legal agreements are stored in a secure location
- Inventory of securities, valuables, equipment and other non-cash assets is maintained

UCE Current State

- Insurance on the building is renewed annually
- Liability insurance coverage is in place for directors and officers
- Annual fire inspections are conducted
- Not clear where leases and other legal agreements are stored
- Rental policy has not been formalized

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Recommendations

- Formalize a facility rental policy that includes legal and insurance responsibilities for rentals to outside individuals/organizations
- Ensure that any external contractors or subcontractors working on UCE site have current WCB certificates and appropriate insurance
- Inventory of securities, valuables, equipment and other non-cash assets should be developed and maintained

Records Retention

Best Practices

- Someone has been assigned to retain proper records for UCE, and church stakeholders understand their responsibilities in terms of records submission and retention
- Records are retained for as long as required under various statutes and CRA requirements, but no longer
- Retention and disposition schedules for various types of records are established and followed
- Proper safeguards are in place to protect the privacy of individuals' personal information
- Adequate back-up of computerized records is maintained

UCE Current State

- External accountant retains financial statements on behalf of UCE
- Church administrator has filed the lease and contracts she has been given but might not have them all
- Electronic and paper records are not consistently managed
- Regular cloud-based back-up of records is conducted by the Building and Grounds Committee chair

Recommendations

- Written policy and procedures following best practices for records management and retention should be developed and applied
- Policy should include best practices elements as described above

Internal Audit

Best Practices

- Follows generally accepted accounting principles
- Independent study of accounting records and systems determines if financial statements are fair and reliable

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- An informal audit may be done by the Finance Committee or several society members who have the appropriate knowledge, rather than a full external audit by a professional accountant

UCE Current State

- Audit Committee undertakes an annual informal audit, guided by terms of reference and an internal audit manual
- Committee currently has only one member (the auditor), who has the help of another UCE member with an accounting background

Recommendation

- Auditor recommends that regular position turnover is advisable, ideally to include a member with accounting credentials

Moving Forward

The review undertaken by the Financial Best Practices Task Team proposes development of comprehensive, clearly documented, and centrally located policies and procedures capturing eight broad categories of UCE's financial management system. In so doing, the congregation and its leaders will have easier access to consistently managed, cohesive financial guidance in support of the church's financial health.

Implementation of this report's recommendations will be best served by collaborating with the Good Governance Task Team and its recommendations.

The Good Governance report calls for establishing an Implementation Team, comprised of a combination of members from the Good Governance, Financial Best Practices and Volunteer task teams and other interested volunteers.

The Implementation Team will guide and support specific task teams with clear terms of reference to undertake further work in the key areas identified in both reports. A communication plan will aim to keep the congregation apprised of our progress and to celebrate our successes.

A coordinated plan of action will call upon the expertise and energy of the congregation and staff alike to generate and maintain the momentum for moving forward.

We need you all!

Appendix A

Unitarian Church of Edmonton Financial Best Practices Task Team Terms of Reference

Purpose of the Task Team

The purpose of the Financial Best Practices Task Team (FBPTT) is to support sound fiscal management by ensuring that the Unitarian Church of Edmonton (UCE) fulfils its fiduciary and ethical responsibilities through the support of strong and effective financial systems, policies and procedures that advance UCE's vision and principles.

Committee Roles and Functions

The FBPTT will:

- review the foundations and framework of UCE's financial planning, monitoring and controls system from the perspective of consistency, clarity, safety and accountability
- undertake the review with the aid of best practices research relevant to church and other non-profit organizations
- provide a comprehensive report to the Interim Transition Team, Board of Directors and congregation with recommendations

Membership and Structure

The FBPTT will:

- consist of at least three members: an Interim Transition Team member, a representative from the congregation, and either a board member or second member of the congregation
- liaise with the Interim Minister as needed
- seek additional assistance from members, staff and others with expertise as needed
- be chaired by the Interim Transition Team member

Accountability and Reporting Relationship

The FBPTT will:

- report verbally to the Interim Transition Team at regularly scheduled meetings
- prepare a written update on activities upon request

Key Responsibilities

The FBPTT will:

- identify key organizational components, structures and core documents required for sound fiscal management, adherence to governing laws and stewardship of resources and assets
- review current processes for budget preparation, monitoring and control; expenditure authorizations; cash handling; payroll administration; charitable donations; recordkeeping; reporting requirements; and availability of written policies and procedures pertaining to these processes
- review roles and responsibilities of the Board of Directors, Treasurer and committees (Finance and Audit), as well as of the church administrator and accountant, in terms of clear and effective lines of communication, authority, and delegation of financial, accounting and clerical responsibilities
- assess effectiveness of methods used to communicate UCE's financial picture to the congregation
- identify any gaps and actions needed to improve management of financial processes, while maintaining alignment with UCE's mission, vision, principles and goals

Timeframe:

The Financial Best Practices Task Team will remain active until disbanded by the Interim Transition Team, to whom it reports.

Deliverables:

- An update from this task team will be presented at the May Annual Congregational Meeting
- A final report will be completed by September 2021
- A communication plan will accompany the report to ensure full engagement of UCE

Meetings:

Meetings will be held as needed and as called by the Chair. Weekly meetings will be necessary as the project is launched.

Approved
Feb. 17, 2021
Interim Transition Team

Appendix B

Guiding Sources

- Unitarian Universalist Association (UUA) Congregational Resources
 - The Congregational Handbook*
 - Becoming a Safer Congregation*
- Canadian Unitarian Council
 - Reporting Requirements (Charities)*
 - Financial Sustainability*
- Not-for-Profit Resources
 - Alberta: Financial Responsibilities of Not-for-Profit Boards*
 - Alberta: Board Development: Financial Responsibilities*
 - Alberta: Budgeting for Not-for-Profit Boards*
- Canadian Council of Christian Charities
 - Board Self-evaluation and Transition Checklists*
 - Financial Controls in Small Offices*
 - Keeping the Risk Where it Belongs*
 - Importance of Good Record Keeping*
- Imagine Canada: Standards Program for Canada's Charities and Nonprofits
- Current policies and procedures:
 - Documented in board motions – compiled by Gloria Krenbrenk, Board Secretary*
 - Binders/manuals – provided by Janet Polkovsky, Church Administrator*
- In-depth conversations and resources provided by UCE Committee Chairs: Finance (Treasurer), Canvass, Audit