

UUFLG

THE UUFLG FINANCE/BOOKKEEPING POLICY AND PROCEDURES

Prepared by: The Finance Committee

Revision History

Version	Date	Author	Change Description
1	4/12/2011	The Finance Committee	Document formatted for the final approval by the Finance Committee
2	5/3/2011	The Finance Committee	Modified Section 3, in response to feedback from the board, to add an explicit approval process for expenditures beyond approved budget.
3	9/6/2013	The Finance Committee	Modified Section 3 to correspond to current approval policy in effect.

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1 MISSION OF THE TREASURER AND THE FINANCE COMMITTEE

The mission of the Treasurer is described in the [UUFLG Bylaws](#), section VII.7.d as

“The Treasurer shall be responsible for the receipt and disbursement of all Fellowship moneys, and keep a complete accounting of the finances. The Treasurer shall chair the Finance committee and the Endowment Committee”.

The UUFLG Bookkeeper is appointed by the Treasurer with the Finance Committee’s approval. The Treasurer oversees the activities of the Bookkeeper and shall keep the Finance Committee apprised of the duties assigned to the Bookkeeper. The Bookkeeper supports the Treasurer in handling and recording all financial transactions. All records kept by the Bookkeeper will be available to the Treasurer and Backup Treasurer.

The mission of the Finance Committee is to manage all UUFLG funds, report monthly to the Board on the status of UUFLG finances, manage the annual pledge drive, prepare the budget for the next year for approval by the membership at the Annual Business Meeting, and support fund-raising activities during the year including the Annual Auction and Christmas Boutique.

The Finance Committee is formed by members with relevant experience volunteering their time to serve on the committee. All active members who want to be on the committee should contact the Treasurer for approval.

The backup Treasurer serves when the regular Treasurer is not available and is a member of the Finance Committee appointed by the Treasurer. The backup Treasurer shall have access to all the information necessary to function as the Treasurer.

2 PREPARING BUDGET

The budget for the next fiscal year to be approved by the Membership at the Spring Business Meeting is prepared by the Finance Committee at the end of the Annual Pledge Drive in March. The total pledges received during the drive are used as pledge income as well as additional pledges expected during the fiscal year and the amount of pledges expected to be

written off at the end of the fiscal year. The operating committees provide input regarding their anticipated expenses. Both income and expenses are adjusted to provide a balanced budget unless special circumstances dictate a need to anticipate a surplus or deficit at the end of the fiscal year. The completed budget is then submitted to the Board for approval.

3 CONTROLLING EXPENDITURES

Committee Expense Budgets: The current budget figures for expenses for the fiscal year for each line item for a committee can be found in the Latest Revised Estimate column of the P&L Budget Report. These budget figures are adjusted during the year in the following ways:

1. Adjustments of line items within the overall budget of a committee which do not change the total expenses for that committee can be made by the committee chair with the approval of the Treasurer.
2. An increase in the overall budget of a committee can be requested by the committee chair to the Finance Committee. If, in the opinion of the Finance Committee, that increase can be accommodated in the total budget without reducing the Operational Reserve, the Finance Committee can approve it. No further approvals are necessary. If accommodating the increase requires reducing the Operational Reserve, Board approval is required.
3. During the latter half of the fiscal year, the Finance Committee periodically reviews each income and expense line item in detail to provide the most accurate estimate of the Operating Reserve available at the beginning of the next fiscal year as possible. This accuracy is needed to do realistic planning of next year's budget as well as to provide realistic guidance to the committees. In doing this review, income and expense line items may be adjusted. Any adjustment of committee budget line items is done with the approval of the committee involved.

4 PLEDGE AND REPORT TO DONORS

Pledges are made by donors by informing the Treasurer in writing, usually using a pledge card prepared for that purpose. Pledges are received both during the annual pledge drive for the following fiscal year, as well as during the current fiscal year for that year. Pledges and payments on those pledges are recorded by the Bookkeeper.

Pledge Statements are sent out to all members and friends who have made a pledge for the current fiscal year shortly after the beginning of the fiscal year. Statements are sent to those with an outstanding balance in December, April and June. In January, a statement of the donations made to UUFLG by each member and friend during the previous calendar year is sent to them to use in preparing their taxes. These donations are categorized as pledge payments, non-pledge donations to the UUFLG general fund and donations to other charities recorded by UUFLG.

5 HANDLING INCOME

After each Sunday Service, the Treasurer, or Treasurer Backup, records the cash collected on a Collection Form. The cash in each cash envelope is recorded with the donor; amount and purpose: e.g. pledge payment; non-pledge contribution; fund raiser donation etc. The anonymous cash is recorded. The total cash is counted and replaced with a personal check from the Treasurer or backup Treasurer. The form and the checks are placed in a drawer in the office for the Bookkeeper to prepare the deposit. A copy of the form is kept by the Treasurer. Before the deposit is mailed, the Treasurer does an online check of the records of the deposit and instructs the Bookkeeper by email to correct any errors. The checks and bank deposit form are mailed to US Bank in Los Gatos by the Bookkeeper. A copy of the bank deposit form is filed in the Office.

The Treasurer, Treasurer backup and Bookkeeper have access to the online records and the deposit and collection forms.

6 PAYING EXPENSES

All requests for checks to be made out are submitted to the Treasurer or Bookkeeper in writing in the form of a signed invoice or an email request. Requests describe the purpose sufficiently that the proper account can be assigned to the expense. All requests are filed in hard copy or in email folders by the Treasurer Backup Treasurer or Bookkeeper.

Checks require one signature by an authorized signer. Check signers are selected by the Treasurer and are authorized by the Board. A record of that authorization is kept on file at US Bank. Refer to Appendix 2 to see the list of current members who are authorized to sign checks.

All monthly recurring charges such as for PGE, water, garbage pickup, telephone, web hosting etc., are set up with the company as automatic bank withdrawals. Some recurring charges such as for our website are charged to our Master credit card. In addition the DRE and Bookkeeper have UUFLG credit cards to which they charge UUFLG expenses. Receipts are turned in for each credit card charge which the Treasurer or Bookkeeper matches to the credit card account and records to the appropriate expense account. The monthly AT&T white pages listing charge as well as our custodial services charge is paid through free online bill pay accounts set up with US Bank. A bill pay account is also set up to reimburse the DRE for UUFLG expenses she pays with her own money. Receipts are kept on file by the Bookkeeper for three years for the purpose of audit.

7 PAYROLL

New employees fill out a W-4 form which the Treasurer uses, along with their contracts, to set up their accounts on QuickBooks. All employees are paid by direct deposit. Near the end of each month, the Treasurer or Bookkeeper requests their time worked for that month in time to get their pay into their account on the last day of the month. Bi-monthly or weekly payment may be provided in specific cases. At the beginning of each month, the Treasurer uses QuickBooks online to pay our payroll liabilities, including monthly, quarterly and annual payments to the IRS and EDD. QuickBooks submits all payments and reports online, using e-payment and e-file. A copy of each report and the details of each payment are maintained by QuickBooks online.

Each January, W-2 forms are prepared for each employee on QuickBooks and the IRS copies are submitted by e-file. Employee hard copies are sent to them by mail and a copy is kept on file by the Treasurer. 1099 Misc. forms are filled out and sent to the Custodial Service and the Gardening Service. 1099-INT forms are filled out and sent to those holding active loans. IRS copies of 1099 forms are mailed and hard copies are filed by the Treasurer.

8 CASH ACCOUNTS

All income is deposited into the US Bank Checking Account and all expenses are paid out of that account. The credit card expenses are automatically withdrawn from the checking account each month by US Bank. No hard copy of credit card bills is kept since it is available online for the Treasurer, backup Treasurer and Bookkeeper.

Money determined by the Treasurer (or Backup Treasurer in the Treasurer's absence) to be in excess of that needed in the checking account for monthly expenses, may be transferred to a Fidelity Cash Reserves Account if justified by a sufficiently higher interest return. The checking account in QuickBooks is reconciled each month against the bank statement by the Bookkeeper and the bank statement and reconciliation report is filed in hard copy by the Bookkeeper.

9 ENDOWMENT FUNDS

The only funds owned by the Fellowship which are not managed in the QuickBooks Accounts are the Endowment Funds. Endowment donations are sent directly to the UUA Endowment Fund for investment. The balance of each endowment fund is recorded under current assets in the Balance Sheet. We specify a fraction of the balance to be sent to us quarterly which we record as income from the fund. Any income we receive from any of the invested funds is deposited in the checking account and recorded as a current liability in the Balance Sheet until it is disbursed as ordered by the Board. The Board may request to stop receiving income from the funds during a period of very small positive and negative returns to avoid depleting the funds. UUA provides a report on each fund monthly online which the Bookkeeper uses to update the balance shown in each fund on our balance sheet. The Treasurer and backup Treasurer have access to the online monthly reports.

10 MEMBER LOAN PAYMENTS

There are six members who have currently active loans in the process of repayment. These loans are secured by mortgages on the UUFLG property. Interest and principal payments are made quarterly in accordance with the current loan amortization schedule for each loan. Amortization schedules are sent to the lender and filed in hard copy by the

Treasurer. A loan payment spreadsheet is filed by the Treasurer for each year, which is derived from the amortization schedules. In January of each year, 1099-INT forms are prepared by hand and the appropriate copies sent to the IRS and the lender. A hard copy of each is kept on file by the Bookkeeper.

The terms of the loans have been changed several times with the written approval of the lenders. Any exception shall be noted in the Appendix Section 15.4. When all of the loans have been paid in full, the mortgage liens will be removed by a title company.

Loans to UUFLG are solicited by the Treasurer only after authorization by the Board and the Membership. Loan payments to the lenders are recorded in the accounting records, i.e. in QuickBooks Online. A copy of the Promissory Note and other title company papers are kept on file by the Bookkeeper.

11 FINANCIAL REPORT RECORDS

A P&L Statement and Balance Sheet are issued each month by the Treasurer and distributed, along with budget information, to the Finance Committee and the Board. The financial reports are posted each month on the UUFLG website as an appendix to Board meeting Minutes.

12 BACK UP OF ACCOUNT AND REPORT DATA

The QuickBooks account data is online and is backed up daily by Intuit. Our website is backed up by the webhost, DreamHost.com.

13 ACCOUNTS AND BOOKS AUDIT

Section VII.1.b of [UUFLG Bylaws](#) states that the board of trustees appoints an Audit Committee for examining the Fellowship's books and accounts. This documentation specifies the auditing procedures and the duties of the audit committee.

13.1 Nominating auditors

In January of each year the finance committee nominates, for board of trustee's approval, two to three active UUFLG members to serve as

auditors. The annual audit shall start in late April to early May and conclude by the end of June each year.

13.2 Auditing Process

The auditors can decide on a full audit or an incremental audit. A full audit is needed if

- No full audit has been conducted in 3 or more years;
- Previous audit had failed to pass with conditions;
- The Treasurer has been changed since the last audit.

13.2.1 Full Audit

A full audit is to examine the full scope of the finance and bookkeeping policy and procedures. A typical full audit shall include the following:

- Interviewing the Treasurer, the backup Treasurer and the Bookkeeper. The Treasurer, backup Treasurer and the Bookkeeper need to know this document well, or know where to locate this document for guidance. In addition the backup Treasurer needs to know how to access all the files mentioned in these documents.
- Checking the latest P&L and Balance sheet.
- Performing random examination of monthly checking account statements from the bank. The online QuickBook records should be consistent with the bank statements.
- Verifying, using randomly selected expense records, that each expense under examination has proper documentation to show appropriate approval of the expense. All the receipts associated with the expense, if relevant, are accounted.
- Checking that all employees have filed W-4.
- Verifying that W2, 1099 MISC and 1099 INT forms are processed according to Section 6 of this document.
- Making sure that loan payments are processed in accordance with Section 9 of this document.

13.2.2 Incremental Audit

The auditors have the option to execute an incremental audit if there has been a full audit within three years, and the Treasurer has not been changed since the last audit. Incremental audit shall include the following:

- Ensuring all the mandatory corrections, if any, from the previous audit have been implemented fully and correctly.

- Auditing one or two items from the full audit list.

13.2.3 Criteria and Results

Based on the findings from the audit, auditors grade the finance/bookkeeping practice with pass; pass with conditions; or fail. The criteria for each grade are specified below:

- **Pass:** This is given if no booking errors or procedure violations are found. The auditors can make recommendations on improving the policy and procedures in this document. The Treasurer and the finance committee shall discuss the recommendations, and accept or reject each recommendation. Reasons need to be given to the auditors in writing if any of the recommendations is rejected. The written response from the finance committee shall be included in the final audit report. Any new policy or procedures implemented based on the auditors' recommendations need to be reflected properly in this document.
- **Pass with conditions:** This is given if non-critical bookkeeping mistakes or procedure violations are found. Non-critical bookkeeping mistakes or procedure violations are defined as mistakes and violations that can be corrected, or no systematic errors or frauds are suspected. Accounts and books shall be corrected based on the findings. Auditors may recommend mandatory policy and procedures to prevent reoccurring mistakes and violations. This document shall be updated to include the new implementations.
- **Fail:** This is given if critical bookkeeping mistakes or procedure violations are found. Critical bookkeeping mistakes or procedure violations are defined as mistakes and violations that lead to unrecoverable monetary loss, and are due to systematic errors or potential frauds. For examples: a repeated pattern of unapproved and unaccountable spending, or improper bank account management, or inaccurate tax records. Auditors shall submit a report with recommendations to the board for possible disciplinary or legal actions in the case of personnel frauds, or needing an overhaul of the finance and Bookkeeping policy and procedures. This document shall be revised to include the new implementations.

13.2.4 Archive

Audit results and reports shall be archived online for all UUFLG members to review.

14 Revision and Re-Approval

The Finance Committee is responsible for keeping this document synchronized with actual implementations.. All revisions need to be approved by the Finance committee and noted on the cover page of this document, with the exception that changes may be made to the Appendices at the Treasurers discretion provided they do not conflict with the body of the Policy-Procedure.

15 APPENDICES

15.1 References

Bylaws of the Unitarian Universalist Fellowship of Los Gatos. May 23, 2010. Online at <http://uuflg.org/bylaws/>

15.2 Current Members Authorized to Sign Checks

Those authorized to sign checks are: Ann Campbell, Merritt Benson Alan Martin, Bert Olson and Jim Beebe.

15.3 Cash Accounts Notes

Money not needed in the checking account for monthly expenses is transferred to a Fidelity Cash Reserves Account which used to give dividends of 3-5%. Since it now gives less than 1%, a larger than needed cash balance is kept in the Checking Account so that the Treasurer does not have to be concerned about running short.

15.4 Member Loan Payments notes

The terms of the loans have been changed several times with the written approval of the lenders except for the latest agreement to accept interest only payments for FY10 and FY11 which was by verbal agreement.