

Of Pickles & Cheese

A tale of the UUCB Financial Pickle of 2018

It was the summer of 2018 when the lid blew off. For months the bookkeeper had been working with the Business Administrator, strategizing which bills to pay until finally, payroll itself was in jeopardy. The call went out. The bells were rung. UUCB circled together, put out the fire, and put a plan into motion to ensure the long-term stability of our spiritual home.

Great start to my novel, right?

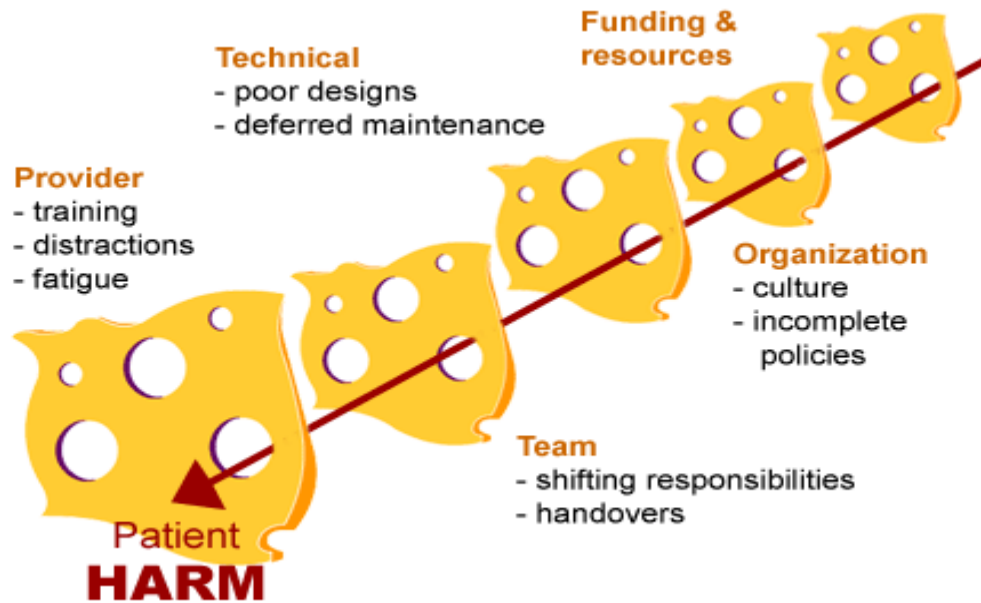
I'm writing this report as an outsider looking back at data and reports and interviewing people that were involved. It's an advantage because, as that outsider, I am impartial. My main goals are to:

1. Correct some of the stories people have in their heads. We all want to trust each other, work well together, and uphold that part of our Covenant that is assuming good intentions. I've heard theories from misuse of funds to poor staffing choices to that famous catch-all, lack of communication.
2. Acknowledge the heroic efforts of dozens of congregants to right the ship and keep it sailing
3. Assure the congregation that enough changes have been made and fail-safes implemented to make sure nothing like this ever happens again without warning.
4. Share some details about our structure and processes that *everyone* needs to know to contribute to the success and sustainability of UUCB.

I firmly believe that there is no such thing in organizations as personal failure, only system failure. If the system isn't set up with checks, balances, & redundancies, then the system is set up poorly. No organization should be set up so that one decision by one person brings the whole thing crashing down. So first of all, what I am calling "the pickle" is no one person's "fault", but an outcome of a confluence of weaknesses in our UUCB financial procedures and systems and unanticipated events. Period. Let me demonstrate with cheese. Swiss cheese.

The Swiss Cheese model was popularized in the healthcare system to show how a hospital, for example, could cause patient harm if their system of distributing medicine was poorly designed. In a well-designed system, there are multiple checks to make sure it's the right patient, getting the right meds, at the right time. The doctor prescribes the medications. The oral medications are mechanically counted and put into individual cups according to what's entered in the medical record. The prescriptions are double-checked by a trained medication nurse for prescription accuracy and potential interactions. Patients have wrist bands and are asked their name and date of birth multiple times and compared to the medical record. If any one of these parts of the system fail (e.g. electricity goes out and the machine can't count meds, medication nurse is out sick, etc.), there are other parts of the system that can catch an error and make sure the wrong meds NEVER get to the wrong patient. Every part of the system must fail for someone to be harmed, but if this system didn't have checks and balances, one brand new, tired nurse working a double shift and alone in the ward could give the wrong medicine to a patient and cause serious harm. That nurse would have been the victim of a poorly designed system that set them up to fail.

Swiss Cheese Model of Adverse Events – Healthcare Example



The Build-up

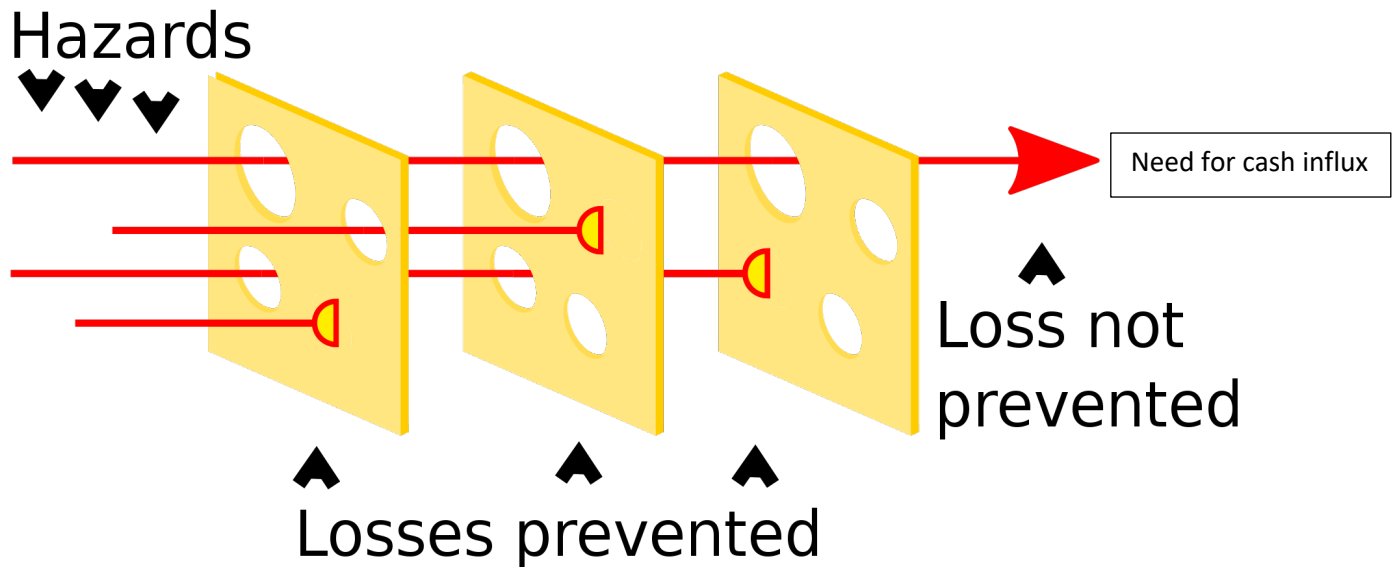
At UUCB, there were a number of things starting many years before 2018 that contributed to the cash flow problems. Some of the contributing factors include:

- The Business Administrator worked part time and was overwhelmed by too much responsibility and not enough time. They left in spring of 2018, resulting in a large loss of institutional financial memory. Their position was not filled at the time.
- Administration of the business functions of the organization was delegated to a committee, the Coordinating Team (CT), so decisions couldn't be made until they met.
- There was a lack of documented processes and timelines for duties and responsibilities for financial matters, like transferring money between accounts to cover the bills.
- A lack of clear reports that reflected the data that was actually needed to steer the ship (like cash-flow projections) and reports that translated complex financial data into layman's terms.
- Inconsistent/less than useful expense and revenue coding, resulting in expenses being attributed to the General Fund instead of correct funding sources like restricted funds. The reverse problem happened when some revenue ***should*** have been attributed to the General Fund and instead went ***into*** restricted accounts.
- Large numbers of donations with "strings attached," regardless of the amount and without acknowledgement of the staff time to administer them all.
- Having to "front" money for expenses for long periods of time before reimbursement (e.g. Architects and consultants for Endowment Projects, lawyers for Freestone lawsuit, etc.).
- No regular review of expensive overhead costs (e.g. health insurance, worker's comp, and liability insurance)
- There was significant staff turnover, a new minister search in 2015, and multiple unexpected and unbudgeted expenses.
- A history of meeting budgets by underpaying employees, which when rectified to be consistent with our social justice values, added a significant amount to our salary and benefits expenses that were not covered by a commensurate increase in revenues.
- A reliance on community rentals to make up gaps in revenue without plans in place to market them.

The Intervention

After the problems reached an urgent point in early 2018, many leaders of the UUCB community came together to address the situation. The Committee on Financial Oversight was formed. Among its many accomplishments, it coordinated the immediate influx of cash via:

- 1) Loans and pre-paid pledges directly from congregants totaling \$120,000 (Kerry Simpson, Lenore Ralston, Linda Laskowski, Dave Roberts, Jane Lundin, Beth Pollard).
- 2) Proposing to the Board/Congregation a one-time “cash flow” influx from the Board-Designated Endowment fund for \$150,000.
- 3) Analyzing the financial situation to cut expenses and raise revenue as quickly as possible, including overhead expenses like liability insurance and personnel expenses like finding a new health insurance solution.
- 4) Review of staffing for financial administration, hiring an outside accounting firm and recommending an Executive Director for financial oversight.
- 5) Recommending formation of the Location Committee to review sustainability options for the UUCB campus. (This eventually resulted in a definitive report recommending keeping our present location and improving utilization of our campus for revenue generation.)



The Current State

So what are we doing differently now to prevent financial missteps?

- 1) Staff representation on Endowment, Buildings & Grounds, Oversight Committee, Stewardship, etc.
- 2) Systems of checks & balances improved. Examples include:
 - a. Finance Administrator (FA) writes checks to pay bills but cannot approve those payments
 - b. All timesheets must be approved by a supervisor. FA inputs hours, ED reviews payroll reports.
 - c. Executive Director (ED) meets weekly with Treasurer and provides monthly reports
 - d. Contracted accounting firm reviews all financial statements (bank and investments) monthly for reconciliation
 - e. FA reviews all credit cards bills and works with each employee to obtain every receipt, but doesn't have a UUCB credit card, to ensure staff purchases are appropriate.
 - f. ED and FA meet biweekly to review coding issues
- 3) Financial Report completed for fiscal year 2019-2020
- 4) Full Financial Audit nearing completion for fiscal year 2020-2021
- 5) Finance Committee formed and meeting regularly – Tasked with deep review of financial reports on behalf of the Board and other financial oversight activities
- 6) Assistant Treasurer position formerly acknowledged and filled, creating a succession path to Treasurer and ensuring adequate transfer of institutional financial knowledge.
- 7) Process for paying bills from the checking account and reimbursement from appropriate funding sources (e.g. Donor-restricted funds or the Endowment) completed.
- 8) Unused financial accounts accessed and/or closed down to simplify accounting and release over \$50,000 in previously inaccessible General Fund money.

- 9) Annual Endowment Draw process much more streamlined, scheduled, and multiple people trained.
- 10) Process for stock transfers simplified and documented.
- 11) Weekly staff meetings that include budget discussions, team building, and project communication.

The Future

What still needs to be done?

We continue to work on the current audit and hope to have those results soon. We have already been informally told that there are no glaring issues. We also will look to having an annual financial review process, switching between internal reviews, peer reviews with other UUs, and external reviews to save costs.

We also continue to review our expenses to make sure we are getting competitive rates on whatever we do while choosing vendors that support our mission and vision.

We are making long-term relationships with agencies and organizations to partner for long-term leases and streamlined single-day events. We are taking advantage of technology to reduce the burden on staff for responding to rental inquiries and the rental contract and event planning processes (e.g. the online virtual tour of our campus).

We are doing a deep review of the current coding structure and reports to provide meaningful, easy-to-read financial snapshots for the Board and congregation. Much of this work will facilitate our planned move to a simpler financial software system in the next year.

We continue to identify people with the knowledge, experience, and willingness to participate in ensuring the financial health of UUCB. We are streamlining the job descriptions of the Treasurer, Assistant Treasurer and Deposit Team to ensure no one volunteer is inordinately burdened.

Conclusion

I want everyone to feel secure in the knowledge that our financial house is in order. I have been joined in this work by the Finance Committee (currently consisting of David Roberts, Linda Laskowski, Anne Greenwood, Jessica Ryder, Lenore Ralston, and Larry Nagle). We have analyzed many problems and implemented dozens of procedures to make sure we are financially solvent and have sufficient cash flow for the foreseeable future. As a group of committed volunteers, the Finance Committee will continue to analyze and monitor our financial situation to ensure sustainability and address any issues early and definitively.

The main reason for this confidence is the continued heroic support of all of you. I have never seen so many people so generous with their time, talent, and treasure than in this community. All of this while uniting in covenant, trusting each other to do our best, and always believing that we are all acting from a place of good intentions. It is the people within this congregation that not only make my job personally satisfying, but also make my job worth doing.

In beloved community,

Tess Snook O'Riva, Executive Director