

**GOVERNING POLICIES
OF THE**



**FIRST UNITARIAN CHURCH
ROCHESTER, NEW YORK**

History of Revisions

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Table of Contents

Preamble	4
Policy Governance	5
SECTION 1. Ends	5
SECTION 2. Board of Trustees and Parish Minister Relationship	6
2.1 Unity of Charge	6
2.2 Role of Parish Minister.....	7
2.3 Accountability and Evaluation of Parish Minister.....	7
2.4 Communication Between the Board and the Parish Minister.....	8
SECTION 3. Parish Minister Limitations	9
3.0 Global Expectations.....	9
3.1 Treatment of Staff.....	9
3.2 Compensation and Benefits	10
3.3 Treatment of Volunteers	10
3.4 Treatment of Congregants	11
3.5 Use of the Name “First Unitarian Church of Rochester”	11
3.6 Financial Conditions and Activities.....	11
3.7 Asset Protection	12
3.8 Loss of Services	13
3.9 Negative Language	13
SECTION 4. Board Governance Process	14
4.1 Board Governing Style	14
4.2 Board Responsibilities	14
4.3 Stewardship.....	15
4.4 Committee Principles.....	15
SECTION 5. Officers’ Roles	16
5.1 President	16
5.2 Vice President.....	16
5.2 Treasurer	17
5.2 Clerk	17
APPENDIX A. Monitoring Schedule	18
APPENDIX B. Covenant of Right Relations	20
APPENDIX C. Policy and Process for Conflict Resolution	21
APPENDIX D. Gift Policy	24
APPENDIX E. Investment Policy	26

First Unitarian Church of Rochester

Board and Church Governance

Preamble

The members of First Unitarian Church are the stewards of the church,

- actively engaged in establishing the vision and Ends (Global Ends and Subends) of the church and then deliberately working toward achieving that vision,
- building on the legacy inherited from our forebears and assuring that the church honors its history, helps current members live up to their highest and deepest selves, builds a sense of community, and works to make the world a better place, and
- passing the institution on to future generations so that they may also receive the benefits of membership in this church and guide it in making further contributions to the larger world.

When a minority of the congregation disagrees with the direction or policies established by the board of trustees or their implementation, the board and ministry leaders pledge to work to resolve these disagreements provided that members of the minority

- share their ideas with the board or appropriate ministry leaders, taking advantage of existing feedback mechanisms and processes, such as the Covenant of Right Relations, for expressing concerns,
- work constructively with relevant ministry or board leaders to identify solutions or compromises that are in the best interests of the total congregation, including their own minority, and
- work constructively with relevant board or ministry leaders to support solutions ultimately adopted by the board or congregation, and continue to fulfill their responsibilities as stewards of this church as it works to advance its vision and Ends.

To meet these goals, the congregation elects a president, clerk and nine other trustees to lead ethically, legally and prudently on their behalf, charging them to work with the parish minister (which position may be shared by co-ministers) to

- establish the strategic direction for the church:
 - articulate First Unitarian's reason for existence—the Ends—and
 - articulate First Unitarian's guiding values,
- establish operating policies that
 - define and facilitate effective pursuit of the Ends,
 - define the relationship between board and parish minister,
 - define limits which parish minister, staff, and congregants must operate within while pursuing the Ends, and
 - clarify the board governance process and assure its transparency and accessibility to congregants,

- monitor the operations of the church to assure
 - compliance with governance policies,
 - effective stewardship and expenditure of funds, and
 - progress toward the Ends,
- raise and distribute the funds necessary to advance the Ends through appropriate stewardship campaigns and preparation of a budget for congregational approval, and
- establish a dispute resolution process.

The parish minister in conjunction with the staff advances the Ends of the church by

- establishing a strategic plan,
- organizing the structure for the staff and volunteer ministries, committees, and teams,
- hiring, recruiting, supervising, evaluating, and, where necessary, dismissing paid staff and volunteers, and
- operating within the constraints of the policies established by the board of trustees.

Policy Governance

Policy governance theory outlines commonsense principles that fit together into a complete system. The model is based on function rather than structure. As the governing body, the church board of trustees focuses on long-term organizational outputs, powerfully delegating responsibility to the minister, controlling without meddling, and discharging its fiduciary responsibility in a visionary, strategic manner. Policy governance is a highly effective and efficient system of organizational leadership.

SECTION 1. Ends

The board of trustees and ministers over the course of several years asked questions and listened to the desires and ambitions of the congregation through surveys, group discussions, and many small focus groups. After gathering and reviewing the information related to the congregation's strategic goals and vision, the board of trustees approved the following Ends.

Ends

*Global Ends are the goals towards which the First Unitarian Church strives.
Subends clarify these goals and facilitate an assessment of performance.*

I. Global Ends

- A. We, the people of the First Unitarian Church, connect in a community of support and trust that celebrates and enhances the fullness of life and experiences the sacred. We know our deepest selves and can articulate our individual core beliefs. We are open to life's gifts, to the diverse beliefs, ideas, gifts and talents of others and to the wisdom of the ages. We serve needs greater than our own.

II. Subends

- A. Members, Youth and Friends, as individuals
 - 1. Listen to new ideas
 - 2. Learn from UU heritage and the wisdom of the ages
 - 3. Articulate his or her core values and personal UU identity
 - 4. Know our personal gifts
 - 5. Feel gratitude for life's grace and gifts
 - 6. Recognize our own inherent worth
 - 7. Celebrate the fullness of life, both its joy and pain
 - 8. Live mindfully
 - 9. Give generously of time, talent and money
 - 10. Grow from moral and spiritual perspectives different from our own
 - 11. Believe a better world is possible
 - 12. Share our vulnerability and ask for and receive help
- B. In our common life together as a congregation, Members, Youth and Friends
 - 1. Create an inspiring environment for spiritual, intellectual and moral growth
 - 2. Explore, develop and respect our connections with our congregation, our community and our world
 - 3. Create church community by connecting with others, offering deep listening, respect and compassion
 - 4. Connect in a community of support, trust and humility
 - 5. Participate responsibly in the First Unitarian Church of Rochester
- C. Experiencing the needs of the world as our own, Members, Youth and Friends
 - 1. Live with meaning and integrity
 - 2. Model respect, compassion, and caring
 - 3. Harness the collective power of our congregation for social service and change
 - 4. Support the larger UU community
 - 5. Align resources to achieve a more just, humane and sustainable world

SECTION 2. Board of Trustees and Parish Minister Relationship

The congregation empowers the board to lead ethically, legally, and prudently on their behalf and to work in partnership with the parish minister.

2.1 Unity of Charge

Only decisions of the board acting as a whole or the congregation acting as a body are binding on the parish minister. Decisions or instructions of individual board members, officers, teams, committees, or church members are not binding on the parish minister or their staff except in rare instances when the board specifically grants such authority.

2.2 Role of Parish Minister

The board delegates the daily operation of the church to the parish minister. The parish minister is accountable for the overall organizational performance. The parish minister guides the work of called associate ministers, paid staff, and volunteers and ensures that staff and volunteers follow board governance policies.

1. The board instructs the parish minister through written policies that prescribe the church Ends to be achieved and describe the church situations and actions to be avoided, allowing the parish minister to use any reasonable interpretation of the policies.
2. The board defines in writing its expectations, which are called policies. The written policies instruct the parish minister to achieve intended results, for intended recipients, at a specified cost. These policies are developed systematically from the broadest, most general level to more defined levels. They are called Ends policies.
3. The board develops policies that limit the latitude the parish minister may exercise in choosing organizational means. These policies are developed systematically from broadest, most general level to more defined levels, and they are called Parish Minister Limitations policies (see Section 3). The board does not prescribe how the desired results are to be achieved except under extraordinary circumstances.
4. As long as the parish minister uses a reasonable interpretation of the board's Ends and Parish Minister Limitations policies, the parish minister is authorized to establish all further procedures and practices, make all decisions, and take all actions.
5. The board may change the Ends and Parish Minister Limitations policies, thereby shifting the boundary between the board and the parish minister's responsibilities and accountability.

2.3 Accountability and Evaluation of Parish Minister

Systematic and rigorous monitoring of the parish minister's performance are solely against the expected output defined as organizational accomplishment of the Ends policies and within the constraints of the Parish Minister Limitations.

1. Monitoring is to determine the degree to which board policies are being met. Information that does not do this is considered informational.
2. The board acquires monitoring information by one or more of three methods:
 - a. Internal report, in which the parish minister discloses interpretations and compliance information to the board
 - b. External report, in which an external, disinterested third party selected by the board assesses compliance with board policies
 - c. Direct inspection, in which a designated member or members of the board assess compliance with the appropriate policies.
3. In every case the board judges the
 - a. reasonableness of the ministers' interpretation and
 - b. whether data demonstrate accomplishment of the interpretation.

4. In every case, the standard for compliance is any reasonable parish minister interpretation of the board policy being monitored. The board is the final arbiter of reasonableness but always judges with a “reasonable person” test rather than with interpretations favored by board members or by the board as a whole.
5. If the parish minister makes decisions based on a reasonable interpretation of board policies that the board did not envision or finds objectionable, the board’s remedy is to amend the board policies.
6. All policies that instruct the parish minister are monitored at a frequency and by a method chosen by the board. The board can monitor any policy at any time by any method but ordinarily depends on a routine schedule.
7. Each Ends policy and Parish Minister Limitations policy of the board is classified by the board according to frequency and method of regular monitoring. As often as possible, the following reports should be emailed to the board well in advance of regularly scheduled board meetings so that trustees can review them before meeting:
 - a. Monthly internal reports: Ends, financial condition, staff change information (additions and departures, plans for replacement)
 - b. Quarterly internal reports: Ends, staff and volunteer treatment, financial planning, membership (net losses, net gains, and totals)
 - c. Semiannual internal reports: Asset protection, staff and volunteer complaints filed under grievance procedure (number and nature)
 - d. Annual internal reports: Ends, Limitations and communication
 - e. Annual external reports: Asset protection and financial condition (board-arranged financial audit and review).

See Appendix A: Monitoring Schedule

2.4 Communication Between the Board and the Parish Minister

As a partnership, neither the board nor the parish minister should cause or allow the other to be uninformed or unsupported in its work.

The parish minister must

1. submit monitoring data requested by the board in a timely, accurate, complete, and understandable fashion,
2. inform the board in a timely manner of material external or internal changes, staffing decisions, and anticipated adverse media coverage,
3. advise the board if, in the parish minister’s opinion, the board is not in compliance with its own policies, particularly in the case of board behavior that is detrimental to the relationship between the board and the parish minister,
4. present other types of information to the board in a manner that is timely and accurate and facilitates decision making,

5. provide communication channels that support the board's ongoing need to communicate with the congregation,
6. inform the board in a timely manner of an actual or anticipated noncompliance with any policy of the board, and
7. recommend changes in policies when the need becomes known.

The board must

1. follow its own policies,
2. behave in a manner that is supportive of the partnership between the board and the parish minister,
3. request monitoring information in a timely manner, and
4. request information that is not overly burdensome or detrimental to the efficient functioning of the church.

SECTION 3. Parish Minister Limitations

3.0 Global Expectations

The parish minister must not cause or allow any organizational practice, activity, decision, or circumstance that is in violation of

1. Unitarian Universalist principles,
2. First Unitarian's Ends or values,
3. First Unitarian's bylaws or governance policies of the board, or
4. commonly accepted legal, business, and professional ethics.

3.1 Treatment of Staff

With respect to the treatment of paid or volunteer staff, the parish minister must not cause or allow conditions that are unfair, unsafe, disrespectful, unprofessional, or discriminatory.

Further, without limiting the scope of the foregoing by this enumeration, the parish minister must not

1. operate without written personnel policies that include at least
 - a. confidentiality requirements,
 - b. provision for effective handling of grievances,
 - c. protection against unethical conditions, real or perceived, such as preferential treatment for personal reasons, and
 - d. guidelines for Internet, email, and computer use,

2. allow staff to be uninformed of their obligations and rights, including internal grievance procedures,
3. operate without a written policy on discrimination and harassment,
4. unlawfully discriminate against existing staff or job applicants,
5. allow staff to work under unsafe or unhealthy conditions,
6. allow paid staff's performance to go unevaluated or undocumented, or
7. require paid staff to be or become members of the church.

3.2 Compensation and Benefits

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

Further, without limiting the scope of the foregoing by this enumeration, the parish minister must not

1. change parish 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 fail to consider the guidelines of the UUA and the prevailing wages for similar skills in the local nonprofit market,
4. establish compensation and benefits that exceed the church's ability to pay within current budget constraints,
5. establish deferred or long-term compensation and benefits or obligations beyond the current budget year without prior approval of the board of trustees, or
6. allow the board of trustees to be uninformed when members of the congregation are paid to provide professional services to the church.

3.3 Treatment of Volunteers

With respect to the treatment of church volunteers, the parish minister must not cause or allow conditions or decisions that are illegal, unfair, unsafe, disrespectful, or unprofessional.

Further, without limiting the scope of the foregoing by this enumeration, the parish minister must not

1. operate without volunteer policies that include
 - a. confidentiality requirements,
 - b. provision for effective handling of grievances,
 - c. protection against unethical conditions, real or perceived, such as preferential treatment for personal reasons, and
 - d. guidelines for internet, email, and computer use,

2. allow volunteers to be uninformed of their obligations and rights, including internal grievance procedures, or
3. allow volunteers to work under unsafe or unhealthy conditions.

3.4 Treatment of Congregants

With respect to interactions with congregants of the church, the parish minister must not cause or allow conditions, procedures, or decisions that

1. are unsafe, disruptive, dangerous, undignified, or unnecessarily intrusive,
2. fail to provide appropriate confidentiality or privacy, or
3. violate the church's Ends or Unitarian Universalist principles.

Further, without limiting the scope of the foregoing by this enumeration, the parish minister must not

1. violate the confidentiality of congregant information,
2. permit conditions that jeopardize congregants' reasonable level of safety, access, and functionality in church facilities,
3. operate without safe congregational policies and practices intended to protect the personal safety of congregants and their families, staff, and visitors, which at least include
 - a. provisions to prevent the sexual abuse of children and youth,
 - b. provisions for responding to incidents of interpersonal harassment, and
 - c. appropriate response to physical safety threats,
4. allow confidential or private information to be compromised, or
5. operate without written policies for the safe collection, storage, transfer, sharing, and disposal of confidential and private information, both paper and electronic.

3.5 Use of the Name "First Unitarian Church of Rochester"

With respect to use of the name "First Unitarian Church of Rochester" to publicly endorse or support a position, person or event, the parish minister must not

1. use the name for issues that do not reflect a core value of the church,
2. use the name for issues that do not have broad (though not necessarily unanimous) congregational support, or
3. deny First Unitarian committees and task forces the right to support a position, person, or event using the name of the committee or task force.

3.6 Financial Conditions and Activities

The parish minister must not cause or allow situations that jeopardize the church's fiscal health or its alignment with the Ends.

Further, without limiting the scope of the foregoing by this enumeration, the parish minister must not cause or allow

1. fiscal projections that
 - a. contain too little detail to enable reasonably accurate projections of revenue and expenses, fail to separate capital and operational items, or do not include fiscal planning assumptions,
 - b. plan the expenditure in any fiscal year of more funds than are conservatively projected to be received in that period without legitimate articulated reasons,
 - c. do not separately present a plan for capital expenditures and the means to pay for them, or
 - d. deviate materially from board-stated priorities and requirements (see Ends policies) in their allocation among competing fiscal needs, or
2. financial planning for any fiscal year or the remaining part of any fiscal year to deviate materially from the board's Ends priorities, risk financial jeopardy, or fail to be derived from a strategic multiyear plan.

In item 1.c, "capital expenditures" are expenditures for property and equipment that include all long-lived tangible assets including land, land improvements, buildings and building improvements, equipment, furniture and office equipment, library books, motor vehicles, and similar depreciable assets.

3.7 Asset Protection

The parish minister must not allow the church's tangible, intangible, or intellectual assets to be unprotected from undue risk or to be inadequately maintained.

Further, without limiting the scope of the foregoing by this enumeration, the parish minister must not

1. unnecessarily expose the church's tangible or intangible assets to loss or damage by theft, casualty, lack of maintenance, or other cause,
2. allow access to church funds or cash by unauthorized individuals,
3. operate without appropriate separation of financial duties among staff,
4. cause or allow the development of financial jeopardy or material deviation of actual expenditure from the budget that was passed by the congregation,
5. allow revenues and expenses to go unmonitored against the approved budget,
6. allow expenditures and operating budgets to go unadjusted should projected revenues be less than budgeted,
7. permit the board to be uninformed of any projected budget deficits,
8. make any purchase
 - a. without prudent protection against conflict of interest,
 - b. costing over 1% of the annual budget without having obtained comparative prices and quality,or

- c. costing over 3% of the annual budget without a stringent method of assuring the balance of long-term quality and cost,
9. make a single purchase or commitment of greater than \$5,000 without board approval, or split an order to avoid exceeding \$5,000,
10. permit titles of ownership for church assets (including but not limited to property and financial accounts) to be held in the name of any individual or entity other than the church,
11. sell, purchase, encumber, or dispose of real property,
12. operate without publicized policies governing the safe and effective use of church facilities,
13. endanger the organization's public image or credibility, particularly in ways that would hinder accomplishment of its mission,
14. fail to seek legal advice, when necessary, to interpret and assess contractual terms or to review any matter having legal implications,
15. subject facilities, premises, or equipment to improper wear and tear or insufficient maintenance,
16. allow incurred debts to go unsettled by the church controller,
17. use any long-term reserves,
18. allow the church to be unprepared to respond to disasters or other crises,
19. operate without a disaster recovery plan,
20. unnecessarily expose the organization, its board, volunteers, or staff to claims of liability,
21. risk the church's nonprofit status,
22. operate without a document retention policy for electronic and written records,
23. operate without protecting intellectual property, information, or files from loss or significant damage, or
24. operate without protecting against improper access to materials when collecting, reviewing, transmitting, storing, or disposing of information or files.

3.8 Loss of Services

In order to protect the church from a sudden loss of minister services, each minister must not permit fewer than two other ministers to be able to act, either one, as an interim successor with reasonable proficiency, each having sufficient familiarity with the work and structure of the board and that minister's ministry and work.

3.9 Negative Language

Why is this policy section written in negative language?

The reason for the "must not" wording is that under policy governance the board intentionally extends as much freedom and accountability as possible to the parish minister in accomplishing the agreed upon Ends (see Section 1), short of any behavior that might be imprudent, unethical, or illegal. Hence,

instead of taking on the interminable task of telling the parish minister how to do his or her job; the board imposes limits and then stays out of the way. The limits described in this section describe the board's values about prudence, ethics, and legality and have the form of "stop here and go no further" rather than "do things a certain way." The result is an unfamiliar but extremely succinct policy wording that places more value on precision governance than on rhetorically pleasing language.

SECTION 4. Board Governance Process

4.1 Board Governing Style

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

1. focuses chiefly on intended long-term Ends (desired results),
2. directs, controls, and inspires the organization through the careful establishment of the broadest organizational vision, values, and governing policies,
3. governs with excellence:
 - a. focuses on policy-making principles, respect for defined roles, and faithful attendance, and
 - b. speaks with one voice, whether in the majority or minority, supporting the action taken after subjects have been discussed and voted on,
4. is accountable to the congregation for competent, conscientious, and effective accomplishment of its obligations as a body, allowing no individual or committee of the board to usurp this role or hinder this discipline,
5. monitors and regularly discusses its own process and performance,
6. ensures the continuity of board improvements through periodic training and orientation of new members in addition to the keeping of its own institutional records,
7. is an initiator of policy, not merely a reactor to staff initiatives, responsible for its own performance, subject to the will of the congregation, and
8. makes itself responsible for informing the congregation in a timely manner of major policy decisions.

4.2 Board Responsibilities

1. The board's specific contributions are unique to its role and necessary for proper governance and management. The job of the board is to represent the congregation, to assure that the Ends (desired results) are achieved and Limitations maintained through regular monitoring of Ends and Limitations. Therefore, the board must
 - a. write and monitor policies that at a minimum address the following four areas of governance:
 - i. Ends: Desired results, impact, benefits, and outcomes (what good, for whom, at what cost)

- ii. Parish Minister Limitations: Constraints on ministerial authority that establish prudent and ethical boundaries
 - iii. Board governance: How the board conceives and carries out its responsibilities
 - iv. Board-parish minister relationship: The delegation of authority and evaluation of its proper use,
- b. assure parish minister performance (as an individual minister and as a team) through monitoring and evaluation of Ends, Parish Minister Limitations and board-parish minister relationship
2. Written policies adopted by majority vote of the board in the four areas of governance (see above) exercise authority over the organization. Individual board members may not exercise authority over the organization. The board speaks with one voice through its adopted policies.
 3. Board members' interaction with the parish minister or staff must recognize the lack of authority in any individual board member or subgroup of board members (committee, task force, ministry team).
 4. Board members' interaction with the public, press, and other entities must recognize the same limitation and the similar prohibition of any board member except the president to speak for the board.
 5. Board members must make no judgments of the parish minister's performance except as assessed against explicit board policies by a formal evaluation process.
 6. Board members are encouraged to continually self-monitor their individual performance as board members against the policies, the qualifications, the current board job description, and any other relevant board evaluation tools.

4.3 Stewardship

The board of trustees is responsible for the financial well-being of the church and as such takes a leadership role in the planning, collection, and expenditure of church funds, including execution of stewardship campaigns, collection of other assets, and preparation of an annual budget for congregational approval.

4.4 Committee Principles

The board may establish committees to help carry out its responsibilities. Committees are to be used sparingly to preserve the board's functioning as a whole when other methods have been deemed inadequate. Committees are used so as to minimally interfere with the wholeness of the board's job and so as never to interfere with delegation from board to parish minister.

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 must be carefully stated in order not to conflict with authority delegated to the parish minister.

2. Board committees exist to help the board do its job, not to help the staff do its job. Committees assist the board chiefly by preparing policy alternatives and implications for board deliberation. Board committees are not created to advise staff.
3. Board committees cannot exercise authority over staff. In keeping with the board's focus on the future, board committees do not ordinarily have direct dealings with current staff operations. The parish minister works for the board, which represents the congregation, never for a board committee or officer.
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 parish minister.

SECTION 5. Officers' Roles

5.1 President

1. The job of the president is to assure the integrity of the board's process.
 - a. Meeting discussion must confine itself to those issues that, according to board policy, clearly belong to the board to decide, not to the parish minister.
 - b. Deliberation must be timely, fair, orderly, and thorough, but also efficient, time limited, and focused.
 - c. Robert's Rules must be observed except when the board suspends them.
2. The president or the president's designee is the only person authorized to speak for the board. The job of the president is to assure that the board behaves in accordance with its own rules and those legitimately imposed upon it from outside the organization.
3. The authority of the president must be consistent with board policies on governance process and the board-parish minister relationship.
4. The president is empowered to convene board meetings with all the commonly accepted powers of the chair (e.g., ruling, recognizing).
5. The president's authority does not extend to making decisions within Ends and Parish Minister Limitations policy areas.
6. The president's authority does not extend to supervising, interpreting board policies to, or otherwise directing the parish minister.

5.2 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 powers of the president.

5.2 Treasurer

The treasurer performs such duties as are usually performed by a treasurer and such other duties as from time to time may be assigned by the board.

5.2 Clerk

The clerk assures the integrity of the board's record. The clerk is responsible for

1. recording and distributing accurate minutes of board and congregational meetings,
2. maintenance of the master copy of the current policies by recording amendments, distributing current policies to board members and the parish minister, and making the current policies accessible to board and parish minister, and
3. public announcement of all congregational meetings and other duties as assigned by the corporate bylaws.

APPENDIX A. Monitoring Schedule

MONTH	POLICY	METHOD	FREQUENCY
July	Financial condition Staff-volunteer changes Ends outcomes Financial plan Strategic plan	Internal Internal Internal Internal Internal	Monthly Monthly Quarterly Quarterly Semiannual
August	Financial condition Staff-volunteer changes Membership	Internal Internal Internal	Monthly Monthly Semiannual
September	Financial condition Staff-volunteer changes Staff volunteer treatment Staff grievance	Internal Internal Direct inspection Direct inspection	Monthly Monthly Annual Annual
October	Financial condition Staff-volunteer changes Ends outcomes Financial plan Protection of Assets	Internal Internal Internal Internal Internal	Monthly Monthly Quarterly Quarterly Semiannual
November	Financial condition Staff-volunteer changes Staff-volunteer grievances	Internal Internal Internal	Monthly Monthly Semiannual
December	Financial condition Staff-volunteer changes	Internal Internal	Monthly Monthly
January	Financial condition Staff-volunteer changes Ends outcomes Financial plan Strategic plan	Internal Internal Internal Internal Internal	Monthly Monthly Quarterly Quarterly Semiannual
February	Financial condition Staff-volunteer changes Membership Staff compensation / benefits	Internal Internal Internal Internal	Monthly Monthly Semiannual Annual

MONTH	POLICY	METHOD	FREQUENCY
March	Financial condition Staff-volunteer changes 3-year financial plan/budget	Internal Internal Direct inspection	Monthly Monthly Annual
April	Financial condition Staff-volunteer changes Ends outcomes Financial plan Protection of assets Financial review (audit/review)	Internal Internal Internal Internal External External	Monthly Monthly Quarterly Quarterly Semiannual Annual
May	Financial condition Staff-volunteer changes Staff-volunteer grievances Membership Ends outcomes review	Internal Internal Internal Internal Internal	Monthly Monthly Semiannual Semiannual Annual
June	Financial condition Staff-volunteer changes	Internal Internal	Monthly Monthly
	Other policies monitored	As appropriate	Semiannual
	Approved date		

Notes:

Financial condition = treasurer’s report balance sheet

Staff-volunteer changes = additions, eliminations or changes

Ends outcomes = progress toward Ends

Financial plan = budget status

Strategic plan = integrated work plan for church year

Membership = increase or decrease in membership

Staff treatment = personnel and volunteer manuals; written grievance procedures

Grievances = number of filed grievances by staff or volunteers

Protection of assets = review of all insurances, dates, amounts etc.

Staff compensation and benefits = review of actual and goals

Three-year budget = three-year plan for income and expenditures

Audit/ review = prepared by outside professional auditors

Other policies = policy document in total reviewed; board evaluation etc.

APPENDIX B. Covenant of Right Relations

As a religious community, we support each other in our search for truth and right action. We remind ourselves of basic beliefs concerning ways to treat one another. We check our own responses to be sure we are showing respect to the person who may have a different perspective. We tap into our reservoirs of kindness and empathy as we speak and listen. We seek to make our generosity of spirit explicit.

In this time of transition in our religious community, I intend to:

1. Listen attentively, acknowledge others' views and try to imagine holding their opinions.
2. Refrain from judging other people's motives and opinions.
3. Seek accurate information, be willing to test my assumptions, and examine my own motives.
4. Communicate openly, directly, and honestly. I will go directly to a person with whom I disagree and share differences respectfully. If needed, I will use a third party to mediate.
5. Balance being open to new ideas and respecting our traditions.
6. Stay engaged. Be patient with myself, others, and the process of change.
7. Allow space for feelings and emotions - mine and others'.
8. Lighten up, let go of the trivial, and be willing to give and take.
9. Remind myself that we are all working for the shared goal of supporting our religious community.

APPENDIX C. Policy and Process for Conflict Resolution

In all congregations conflicts arise. Opinions and perspectives differ, and we bring strong feelings to many issues. When we disagree, listening, direct communication, mutual trust, and flexibility by all parties are essential. If one or more participants in a disagreement feel that they have not been openly listened to, or feel trust has been broken and flexibility lost, the conflict may need further resolution. When a disagreement becomes a conflict bringing pain and distrust, mediation and healing may be needed.

In all matters, the Covenant of Right Relations is reviewed and adhered to as members seek conflict resolution (see Appendix B). In all communications, strict confidentiality is practiced so as not to exacerbate or amplify the conflict.

Reconciliation Team

The board of trustees appoints a **Board Conflict Resolution Committee** consisting of two members of the board and the president to assess whether or not this process needs to be invoked for a particular issue.

If the issue raised does not fall under the purview of this policy, the person bringing the complaint is advised that the issue is not appropriate for the CR Process. If the issue seems to be appropriate for this Conflict Resolution process to be initiated, the matter is immediately given to the Conflict Resolution Team.

The **Conflict Resolution Team** consists of a standing committee of three to five members. The board of trustees appoints members of this team in July to serve for two to three years each. All members of this team should have previous experience and knowledge in working with conflict situations, and at least one member must be from the board of trustees. The church provides at least two training sessions, with trainers hired from the UUA or other agency outside the congregation, to ensure that the team has the needed skills, can operate as a team, and is prepared to help to bring resolution of conflict issues at any time.

Conflicts fall naturally into three main categories:

1. Conflicts between two congregants or groups of congregants, without direct involvement of church leadership.
2. Conflicts between congregants and members or entities of the church leadership, such as congregants and a minister, or congregants and a person in a leadership position.
3. Conflicts between two parts or members of the church leadership structure.

Complaint and Inquiry Process

1. Conflict Between Two Congregants or Groups of Congregants, Without Direct Involvement of the Church Leadership

When a serious conflict cannot be resolved between people or groups directly, a member or the leader of a group may bring it to a board member, who makes sure that the complainant has talked with the other party directly, attempting to solve the problem. If that has been done and serious dissatisfaction remains, the board member immediately takes the matter to the Board CR Committee. That committee then responds back to the person bringing the complaint and refers the matter to the CR Team when appropriate.

1. In all situations, it is the responsibility of the CR Team members to avoid any situation in which the team members assigned to work on a situation have a possible conflict of interest or any other concern that might interfere with their ability to maintain objectivity with the people concerned in the issue.
2. If the matter does not seem to involve possible policy violations or actions counter to the Covenant of Right Relations, the matter may be dismissed. As a courtesy, the board and the ministers are immediately informed what action has been taken. If any party to the issue feels that the decision to dismiss is inappropriate, two or more members of the CR Team meet with that person to work to effect a reconciliation. Having done this, the CR Team members may propose to the Board CR Committee that the conflict resolution policy be followed as a means to best resolve the situation.
3. At least three members of the CR Team meet with opposing parties individually, listening carefully to all sides of the issue and inquiring what each point of view would like to have happen next. They must request that each party agree to this process. When the team feels that they understand the conflict and that the parties can be brought together to talk, they mediate a meeting between the members and summarize their understandings. They then suggest possible next steps in the process or possible resolutions.
4. The persons involved in the conflict must agree to the process of inquiry and to meeting with the CR Team and the other party to work out a resolution. They make every attempt possible to follow suggested ways of reaching a compromise that is acceptable to all members.
5. If no resolution can be achieved, the parties agree to disagree and to respect the thinking and feelings of the other party. The decision of the Conflict Resolution Team is considered the best possible final resolution of the conflict.

The CR Team reports back to the board and to the ministers the outcome of this process and also suggests that the board consider any related policy consideration arising out of the conflict.

2. Conflict Between Congregants and Members or Entities in the Church Leadership, Including the Ministerial Staff and the Board of Trustees

A board member who receives a complaint from a congregant about one or more of the church's leadership must assist that congregant in pursuing her or his issue in a timely manner through the Board's Conflict Resolution Process:

1. The congregant should first bring the complaint to the persons concerned. If the grievant feels a need for support in doing this, the initial board member (or another member of the congregation) can act as a mediator to facilitate a meeting between the parties to air the grievance.
2. If this does not resolve the issue, the initial person helping the grievant ensures that the supervisor of the person concerned is notified, preferably through direct communication between the grievant and the supervisor. As above, the person acting as a helper can facilitate a meeting between the grievant and the supervisor.
3. If the concerns continue unresolved, the grievant may submit the concern in writing to the president, who will notify the board at the next regular board meeting. The board must follow the Complaint and Inquiry Process described above. The decision of the **Conflict Resolution Team** is considered the final resolution of the conflict.

3. Conflict Resolution Process Involving Board Members or Members of the Ministerial Leadership Team

Conflicts between and among two or more board members, or between board members and members of the Ministerial Leadership Team, or between members of the Ministerial Leadership Team are resolved in a timely manner as follows.

1. The parties to the conflict attempt to resolve the conflict personally and informally.
2. If the conflict is still unresolved, the board members or members of the Ministerial Leadership Team ask the highest ranking church officer not involved in the conflict for help in resolving it. If that person is willing and able, he or she mediates a resolution of the conflict between the parties.
3. If the conflict remains unresolved the matter is referred to the Conflict Resolution Team and is mediated in accordance with the policies above.

APPENDIX D. 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. This Gift Policy applies to all gifts offered to the congregation (other than payments on pledges to the annual operating budget).

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, purposes and priorities. The Board of Trustees will make all decisions on the acceptance of gifts, both unrestricted and restricted, in consultation with the Treasurer, the Heritage Committee and others as deemed appropriate. All unrestricted gifts, once accepted, immediately become the property of the congregation and are given with the understanding that the gifts have been donated with no restrictions, including restrictions on use, sale or disposal. 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.)

In accordance with the bylaws of the church, all unrestricted gifts will be placed in the Primary or Income Endowment funds, except that the congregation makes the final decision for any gift or bequest exceeding 15% of the annual budget in the year received.

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?
- 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, 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.

The President of the congregation and/or the minister(s) will promptly acknowledge all gifts in writing on behalf of the congregation. The Treasurer will be responsible for providing donors with receipts sufficient to satisfy IRS requirements. 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 gifts and representatives of the congregation should refrain from advising donors on these issues.

Exceptions to this Gift Acceptance Policy should be rare and require the approval of the Board of Trustees, acting in consultation with the Treasurer, the Heritage Committee and others as deemed appropriate.

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

APPENDIX E. Investment Policy

INCOME ENDOWMENT

The Board or Trustees has delegated responsibility for the Church endowment funds to the Investment Committee, which shall recommend and implement investment policy with regard to asset allocation, manager selection and portfolio supervision.

ENDOWMENT FUND INVESTMENT OBJECTIVES AND POLICIES

INTRODUCTION

This statement of investment objectives and policies is set forth in order to:

- A. Establish a clear understanding of the Investment Committee's investment policies and objectives for First Unitarian Church or Rochester endowment and each of its funds.
- B. Develop specific guidelines and limitations for the Investment Manager (the Manager) to ensure the endowment's assets are being managed in accordance with policies and objectives.
- C. Provide a basis for the evaluation of the endowment's investment performance.
- D. Define the responsibilities of the Investment Committee as they relate to the endowment.

It is the intent of this statement to provide investment objectives which are sufficiently specific to be meaningful, but sufficiently flexible to be practiced. These objectives are designed to establish an attitude and philosophy which will guide the Manager toward the desired performance.

GENERAL INVESTMENT PRINCIPLES

- A. The endowment's assets shall be invested with care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent person acting in a like capacity and familiar with such matters would use in the investment of funds of like character and like aims.
- B. Investments shall be diversified in an effort to minimize the risk of large losses. Short-term fluctuations in value shall be considered secondary to long-term results.

INVESTMENT MANAGEMENT

The Investment Committee is authorized and permitted to engage the services of an investment manager or managers who possess specialized research facilities and skilled employment force to meet the objectives and guidelines.

The Investment Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. The Investment Manager will be held responsible and accountable to achieve the objectives herein stated. While it is not felt that the limitations will hamper the Manager, the Manager should request modifications it deems ap-

propriate.

INVESTMENT OBJECTIVES

The Investment Committee has determined the following to be the most important objectives of the investment portfolio:

- I. To create a stream of investment returns which treat equitably, in inflation adjusted terms, the present and future needs of the church
2. To maintain, in real terms, the purchasing power of its endowment. For the income endowment, this implies a total return objective consisting of the sum of the budgetary reliance on the endowment and the rate of inflation. For purposes of establishing the total return objective, the spending rate shall be assumed to be 5.0%, of the trailing twelve-quarter, average market value of the endowment funds.
3. Reduce the portfolio's volatility through broad diversification among the major asset classes.
4. Mitigate investment related expenses.

Pursuit of these objectives should be in accordance with the General Investment Principles listed on the front page of this document and the constraints of the Investment Committee. While the Investment Committee recognizes that risk is inherent in the investment process, risk should be held to the minimum level required in order to realize the return objective.

COMMITTEE RESPONSIBILITIES

In pursuit of these objectives, the Investment Committee shall:

- I. Direct the investment of the endowment assets with emphasis on total return, consistent with prudent levels of risk, as specified in this document.
2. Monitor and, to the extent not delegated to the managers, direct the allocation of investable funds among major asset classes including equities, convertible securities, fixed income investments, cash equivalents, and any other asset classes deemed appropriate by the Committee and consistent with the Church's by-laws.
3. Select investment managers with investment philosophies in-line with those of the Investment Committee.
4. Set guidelines by which the performance of the aggregate portfolio is to be measured.
5. Monitor the diversification of the portfolio across asset classes and managers so as to reduce fluctuations in returns and to provide a reasonable assurance that no single security investment or class of investments will have a disproportionate impact on the total return.
6. Emphasize the long-term in both expectation concerning the investment management of assets and in the evaluation of results.
7. Review the investment guidelines periodically and, if necessary recommend revisions to the Board of Trustees as capital market conditions or Church needs should warrant.

RISK TOLERANCE

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 a higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the portfolio is the determination of an appropriate risk tolerance. There are two primary factors that affect risk tolerance:

- Financial ability to accept risk within the investment program, and;
- Willingness to accept return volatility.

While it would be inappropriate to hold an overly risky portfolio, given the objective of long-term growth for the portfolio, an investment program that favors equities and includes adequate diversification would be most suitable in order to achieve the stated investment priorities.

INVESTMENT ASSET ALLOCATION

It is the philosophy of the Investment Committee that, subject to the following sentence, the following asset class targets are appropriate for the Portfolio. The Committee understands and agrees that the investment manager may from time to time vary the actual percentages where in its discretion it deems the variation desirable to achieve the goals in this Investment Policy Statement, however, the variation of total equities (target 65%), total fixed income (target 30 %), and real estate (5%) should be maintained within plus/minus 5 percentage points.

Asset Class	Target
Equities	65.00%
Large-Cap	32.50%
Mid-Cap	9.75%
Small-Cap	13.00%
International	9.75%
Real Estate	5.00%
Fixed Income	30.00%

In order to provide the Manager with the freedom to invest in various types of assets, they are further guided by the following definitions and delineations of activities:

A. Types of Assets:

The investment list includes but is not limited to common stocks, preferred stocks, corporate bonds, US Government and Agency securities, commercial paper, convertible securities and money market funds. As indicated above, investments will be allocated to the following categories:

1. Equities - Domestic or foreign issues traded on the principal stock exchanges. It is expected that the equities will on balance achieve returns commensurate with the risk assumed.
2. Fixed Income Securities - The objective of the fixed income investment is to produce relative steady returns and cushion the fund against excessive stock market volatility. Fixed income securities will have an average credit quality of "A" or better at all times.
3. Real Estate Securities-Diversified exposure to the real estate sector of the capital markets will be achieved via the ownership of real estate investment trusts (REITs). Direct ownership of real estate properties is not a suitable strategy for this portfolio, other than properties owned to carry out the church's mission.
4. Cash and Cash Equivalents - All cash wherever and whenever possible should be invested in interest bearing securities. However,, the Investment Manager may utilize cash equivalents. Cash reserves and short term investments are to be maintained to meet the liquidity needs of the Church, to guard against any liquidity problem in the market, and to enable the fund to take advantage of worthwhile investment opportunities.

B. Prohibited Transactions:

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

The Investment Committee recognizes the importance of meeting the Church's income needs, as defined by the Church's spending policy. Accordingly, the portfolio's investment focus is on equities, which have outperformed fixed income investments, albeit with greater short-term volatility, over time (see chart below). An endowment is a long-term tangible asset. Emphasizing equities in the portfolio helps match the assets with the long-term growth and income objectives of the fund. The investment impact is greater volatility in the short term if compared to a more conservative asset allocation. The Investment Committee believes this trade-off is in the best interests of the Church.

EXPECTED MARKET RETURNS AND VOLATILITY

Based upon actual market performance history (1929-2002), the following table shows annual market index returns and volatility for the various asset classes indicated:

	<u>Return</u>	<u>Risk</u>	
	Historical Average Annual Return	Standard Deviation	Serial Correlation
U.S. Large-Cap Stocks	10.2%	20.5%	5.0%
U.S. Mid-Cap Stocks	11.0%	25.1%	-1.0%
U.S. Small-Cap Stocks Foreign Stocks'	12.1%	33.2%	7.0%
U.S. Fixed Income	5.4%	5.8%	15.0%
T-Bills (Cash)	3.8%	3.2%	91.0%
Inflation	3.0%	4.4%	65.0%

*Foreign stock data reflects the period January 1970-December 2002.

Source: Ibbotson Associates, Bloomberg, Alesco Advisors

While past performance is not necessarily indicative of future results, one should expect volatility to increase as capitalization is reduced. Adequate diversification, however, will likely reduce the volatility of the overall portfolio. Nevertheless, short-term fluctuations in portfolio value should be expected.

MEASUREMENT OF PERFORMANCE

Performance will be measured based on the total rate of return of the portfolio. On a relative basis, performance will be compared to a weighted composite consisting of 30% Lehman Brothers Intermediate Government/Corporate Bond Index and 70% Wilshire 5000 Index. In general, performance will be related to the overall objectives with consideration given to risk/reward relationships.

REVIEW AND COMMUNICATIONS

The Investment Committee will meet as needed, but no less than annually, with the Investment Manager to provide the following:

- A. Joint review of results obtained in relation to stated objectives and comparisons.
- B. Methods used to obtain those results.
- C. Proposed future strategy considering the present, past and prospective economic conditions and financial markets.
- D. Adherence to investment policy and risk guidelines.

This statement does not limit in any manner the Investment Committee's right to terminate the Investment Manager's services at any time.

Date

Plan Trustee

Date