



Financial Advisor's Report to the Board of Trustees:
The Role of Financial Advisor

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Dear friends,

Eight years ago (1996), I arrived at the General Assembly in Indianapolis, a year before the upcoming election for Financial Advisor. I brought with me the names of a few old friends, a packet of informational material about my qualifications, a passion for what our movement could become, and a driving ambition to become the next Financial Advisor of the UUA. That General Assembly was the first I had attended since 1970, when our brief commitment to anti-racism sputtered to an end.

Next year, at the 2005 General Assembly in Fort Worth, a new Financial Advisor will be elected. This report is intended to describe for you the role of the Financial Advisor and the qualities I believe Unitarian Universalists should look for in a successor.

Although the position I hold was established in 1968, its creation was recommended by the Merger Commission in 1960:

“We recommend that the duties of the Treasurer be considered more of an outside check than an internal operating responsibility. This relationship is not at all unusual: in England, for example, it is common practice to have an Honorary Treasurer who is the nominal head and the link to the owners, and a full-time Treasurer, who is appointed by the chief executive and the Board, and who does the entire practical job. We believe this principle is a necessary one. Accordingly, we recommend two things, either that the Treasurer be appointed by the Board or that if elected his actual duties be those of ‘outside check and friendly consultant,’ and that he not be remunerated for this voluntary service.”

This Merger Commission recommendation was not followed at that time.

Six years later, in 1966, such a role was recommended to the board in a report from William B. Norris, a trustee and chair of the AOPC. (In his private life Mr. Norris was the general counsel for the Carling Brewing Company.) Mr. Norris advocated for what he called an “outside treasurer” to perform “the highest

fiduciary responsibility to the churches and fellowships.” Norris described the specific duties as follows:

- “1. Submitting a detailed report at each regular meeting of the General Assembly.
2. Making a report directly to the member churches and fellowships each year as soon as possible after the Auditor’s Report is available.
3. Reporting at Board meetings.
4. Serving on the Finance Committee which has the job of preparing annual budgets, making recommendations with respect to major financial policies of the Association (other than those pertaining to investments), reviewing the use made of specific funds and making long range plans.
5. Serving on the Investment Committee which has the responsibility of supervising all investments of the Association.”

These words, Norris wrote, describe the “treasurer as watch dog” which “calls for a higher degree of financial skill and experience than do the Operational duties” and “make the treasurer the principal reporter to the churches and fellowships as to the Association’s fiscal management.” In addition, Norris cited the treasurer’s “service on the Finance and Investment Committee where the treasurer is expected to make a significant contribution in terms of guidance and sound judgment.”

Norris stressed “the importance of having a volunteer layman outside the administration who was charged with watch-dog responsibilities on behalf of the churches and fellowships.”

Dana Greeley, then UUA president, initially opposed the creation of such a position unless its only function was to serve as an advisor to the administration. Wilson Piper, then the volunteer treasurer, also opposed the creation of the position because of the potential for mixed accountabilities between the “outside treasurer” and the CFO.

In November 1966 the Board voted to recommend the creation of a position entitled Vice Moderator for Finance, elected by the General Assembly and an ex-officio member of the Board, its executive and finance committees, and the investment committee. The role was described as an “unpaid volunteer person, knowledgeable in financial matters, to be elected by the General Assembly to advise the Association and to report to the General Assembly on the financial affairs of the Association.” By the time the General Assembly approved the position in 1967, the title had become “Special Financial Advisor.”

In January 1968, the board elected Schroeder Boulton to serve as the Special Financial Advisor until the 1969 General Assembly when the first GA election for the position would be held.

This brief history just about tells it all.

The Financial Advisor is intended to be an independent, non-salaried officer of the association who reports to and advises the General Assembly and the Board of Trustees on financial and business matters. He or she also, usually quietly, advises the administration. He or she also serves ex-officio on all finance and business committees. The major function can be summed up as “oversight and advice.”

The VP-Finance is a staff position chosen by and supervised by the President or Executive Vice President. The role can be summed up as “recommending, managing, and implementing.”

Although the different roles are clear, the individuals who occupy those separate positions must be committed to maintaining an effective relationship of trust and communication.

Five very different individuals have served as Financial Advisor since 1968. Each would describe differently the essential characteristics needed, but here is my take.

First, the individual needs a high degree of technical knowledge and experience in as many dimensions of finance as possible. There are sub-specialties in the financial area and each financial person has varying degrees of know-how in those sub-specialties. Be wary of anyone who has no knowledge of one or more of these areas. I am personally well grounded in financial planning, budgeting, and debt management and weaker, but still knowledgeable, in accounting and in investment management. Whoever holds the position needs to know each of the areas well enough to spot strengths and weaknesses in them.

Second, the individual should know where to find the expertise that he or she lacks or that is lacking in the association. That means a working knowledge of the financial professions, on the one hand; and a willingness to recruit Unitarian Universalists who have the particular expertise that the Association needs.

Third, an understanding of and commitment to good governance practices is very useful. Of particular importance is sympathy with congregational polity and democratic processes, something not always prevalent among financial types. Also important is sympathy with the dual principles of accountability and transparency.

Fourth, a knowledge of the particular industry practices of not-for-profit organizations is very helpful. Not-for-profit finances are different, for three reasons. First, not-for-profits are tax exempt and that privilege carries with it responsibilities to fulfill *only* our charitable purpose. Second, not-for-profits do not measure their success by producing a profit (duh) but by achieving a mission. Third, not-for-profits are often given money with a restricted purpose and those restrictions must be honored.

All of these factors I have just described are important, but someone who has all of these skills can still not be effective if they do not understand the political environment in which the Financial Advisor functions. Financial advisors must pick and choose their issues, and pick and choose how to pursue those issues. They must convey optimism and trust while pointing out flaws and risks. They must see opportunity everywhere yet imagine the worst. They must lead by example.

I've left the most difficult part of the job to the end: finding the time to do it well. If you prepare for and attend every meeting you have a right to attend, if you research and analyze every issue and report, if you find a way to convey every important issue clearly and concisely, then you have no time left for anything else. Yet, most people who are qualified for the position will have a full-time position. (Indeed, being actively involved in your profession helps you be more effective.) The Financial Advisor needs to be able to find the time to do those things that are most essential and leave out everything else. In my case, I particularly regret not being more involved in the work of the Board of Trustees, especially by participating in the working groups.

The Financial Advisor must be able to commit the necessary time but no more. The time commitment is extraordinary.

Three years ago, when I first met with the Nominating Committee about planning for my successor, I told them that we should be looking for a qualified fool: someone with the technical competence and political sophistication to perform the role and foolish enough to devote the time necessary to be successful. But foolish isn't really the best description: passionate is a better one. You must be qualified to do the job and passionate about using your gifts, at a cost, to grow our movement of faith.