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Developing Financial Policies

Step-by-Step Guide to Developing Financial Policies |

> AUTHORITY

- The Board of Directors is ultimately responsible for the financial management of all activities.
- The Treasurer is authorized to act on the Board's behalf on financial matters when action is required in advance of a meeting of the Board of Directors.
- The Executive Director is responsible for the day-to-day financial management of the organization. The Board authorizes the Executive Director to hire and supervise staff and independent consultants, pay bills, receive funds, and maintain bank accounts.
- The Executive Director is authorized to sign checks up to \$2,500. Checks for amounts greater than \$2,500 shall require the signature of the Treasurer or Board Chair (amounts may vary depending on the size of the organization).
- The Executive Director is authorized to enter into contracts for activities that have been approved by the Board as a part of budgets or plans. The Board of Directors must authorize any contracts outside of these parameters and all contracts with a financial value greater than \$15,000.
- The Executive Director is authorized to manage expenses within the parameters of the overall approved budget, reporting to the Finance Committee on variances and the reason for these variances.
- The Board of Directors must approve any use of the Board designated cash reserve fund.

> RESPONSIBILITIES

The Executive Director shall:

- Account for donor restricted and Board designated funds separately from general operating funds, and clearly define the restrictions applicable to these funds.
- Report the financial results of operations on the schedule established by the Finance Committee, but at least quarterly.
- Pay all obligations and file required reports in a timely manner.
- Make no contractual commitment for bank loans, corporate credit cards, or for real estate lease or purchase without specific approval of the Board.
- Record fixed assets with a purchase price of \$500 and above in accounting records as capital assets. Depreciation of capital assets will not exceed five years for furniture and equipment or three years for computer and other technology equipment.
- Limit vendor credit accounts to prudent and necessary levels.
- Obtain competitive bids for items or services costing in excess of \$25,000 per unit. Selection will be based on cost, service and other elements of the contract. This amount may vary from organization to organization on other items, but for a contract with New York City "Standard human service contract requires competitive bids for purchases over \$25k; purchases between \$5-25k, Contractor shall conduct sufficient market research and/or competition to support its determination that the price of such purchased goods, supplies, services or equipment is reasonable."

> RESPONSIBILITIES (continued)

The Board of Directors shall:

- Review financial reports at each board meeting.
- Provide adequate training to members to enable each member to fulfill their financial oversight role.

Financial Transactions with Insiders

- No advances of funds to employees, officers, or directors are authorized. Direct and necessary expenses including travel for meetings and other activities related to carrying out responsibilities shall be reimbursed.
- Organizations shall not borrow funds from any employee, officer, or director of the organization without specific authorization from the Board of Directors.

> **BUDGET**

In order to ensure that planned activities minimize the risk of financial jeopardy and are consistent with Board-approved priorities, long-range organization goals, and specific five-year objectives, the Executive Director shall:

- Submit operating and capital budgets to the Finance Committee in time for reasonable approval by the Board prior to each fiscal year.
- Use responsible assumptions and projection background, with a general goal of an unrestricted surplus.

> **GIFT ACCEPTANCE**

- The organization may accept stock or other negotiable instruments as a vehicle for donors to transfer assets to the organization. Transfer and recording the value of the asset shall be done in a consistent manner and in compliance with accounting standards. The Executive Director shall sell any stock given to the organization immediately upon receipt by the organization.
- The organization may accept contributions of goods or services other than cash that are related to the programs and operations. Any other contributions of non-cash items must be reviewed and approved by the Board of Directors before acceptance.

> **ASSET PROTECTION**

In order to ensure that the assets of FAN are adequately protected and maintained, the Executive Director shall:

- Ensure against theft and casualty losses to the organization and against liability losses to Board members, staff, or the organization itself to levels indicated in consultation with suitable professional resources.
- Plan and carry out suitable protection and maintenance of property, building, and equipment.
- Avoid actions that would expose the organization, its Board, or staff to claims of liability.
- Protect intellectual property, information and files from unauthorized access, tampering, loss, or significant damage.
- Receive, process, and disburse funds under controls that are sufficient to maintain basic segregation of duties to protect bank accounts, income receipts, and payments.
- Invest money in accordance with Board-approved investment policies.