

# Financial Management & Administrative Policy Manual

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Signed by: , Vice President

# NASBLA Financial Management and Administrative Policy Manual

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## Introduction and Purpose

The National Association of State Boating Law Administrators, Inc. (NASBLA) is committed to responsible financial management and to that end these policies and procedures have been promulgated by the NASBLA Executive Board.

The policies and procedures discussed herein address the various administrative, accounting and financial policies, internal control policies, risk reduction policies and office administration policies relevant to the operations of the NASBLA. These written policies are designed to ensure financial accountability and transparency, eliminate misunderstandings and protect the assets and viability of the NASBLA.

To fulfill these responsibilities the Executive Board establishes the following line of authority for administrative and financial oversight:

- **Executive Board** – will have the authority to execute any policies it deems to be in the best interest of the organization within the parameters of the organization’s articles of incorporation, bylaws and federal, state and local law.
- **Treasurer and the Audit/Finance Committee** – will have the authority to choose the auditor; perform regular, in-depth reviews of the organization’s financial activity; and oversee the development of the annual budget.
- **Chief Executive Officer (CEO, Executive Director)** – will have the authority to make spending decisions within the parameters of the approved budget; employ and terminate personnel; determine salary levels; create and amend operating procedures and controls; make decisions regarding the duties and accountabilities of personnel and the delegation of decision-making authority; enter into contractual agreements within board designated parameters.
- **Chief Financial Officer (CFO)** – has whatever authority as may be designated by the CEO which may include but not limited to: design of the organization’s accounting system; make spending decisions within the parameters of the approved budget; make fixed asset purchase decisions over a certain dollar amount; make decisions regarding the allocation of expenses.

- **Department and Program Directors or Managers** – has whatever authority as may be designated by the CEO which may include but is not limited to: spending decisions within the parameters of the approved department or program budget subject to the approval of the CEO or the CFO.

The CEO of NASBLA has the responsibility for administering these financial oversight policies through development and implementation of board-approved financial, budgetary, investment and risk management procedures. Exceptions to written policies may only be made with the prior approval of the Audit/Finance Committee. The Executive Board may approve changes or amendments to these policies at any time. A complete review of the financial oversight policies shall be conducted every two years.

It is the responsibility of the CEO through the delegation of responsibilities to the CFO and ultimately to the senior accounting team to ensure sound accounting practices and internal controls. Every officer, manager, and accounting staff with financial related responsibility is expected to be familiar with and operate within the parameters of these policies, procedures and guidelines.

The CFO is responsible for the distribution of this manual to said employees who, in turn, are responsible for safeguarding the materials and inserting approved changes as directed and approved the NASBLA Executive Board. The financial policy manual must be returned to the CFO upon termination of employment.

### **FINANCE AND ACCOUNTING DEPARTMENT RESPONSIBILITIES**

The NASBLA Finance and Accounting Department is responsible for all financial activities and reporting requirements of the Association. Additionally, the department provides financial information to the Executive Board, Audit and Finance Committee, Senior Management and respective Program Managers.

***Policy Statement*** - An independent CPA firm will audit the accounting records of the NASBLA annually. Once accepted, the audit report is published on the NASBLA website and is available to both members and nonmembers.

The Finance and Accounting Department is responsible for the preparation of an annual budget, and supports other NASBLA departments by providing timely and relevant financial reporting. Key elements to achieving these objectives include:

- Sound fiscal operational policies and procedures.
- Sound internal control policies and procedures.
- Timely and accurate financial reports.
- Effective use of information technology.

### **SEGREGATION OF DUTIES**

Effective internal controls mandate, when possible, an adequate segregation of duties to reduce the probability of dishonesty.

***Policy Statement*** - It is the policy of the NASBLA to ensure an adequate segregation of responsibilities with regard to all aspects of the financial operations of the association to include but not limited to cash receipts, bank deposits, bank statement reconciliations, invoice approval, check preparation, check signing, and expense reimbursement approvals. Additionally, the NASBLA will consult with its independent CPA firm to study internal controls and recommend improvements in segregation of duties.

### **COMPREHENSIVE POLICY**

***Policy Statement*** - All accounting and financial policies contained within this manual are all-inclusive and supersede any and all previously adopted accounting and financial policies. Furthermore, any exception to a policy must be clearly documented and will not in anyway make the exception a policy.

## Chapter 1 – General Ledger and Financial Statement Presentation

### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

**Policy Statement** - It is the policy of the NASBLA to use the accrual basis of accounting that recognizes revenues when they are earned (and expected to be realized) and recognizes expenses when the related goods or services are used. Financial statements will be prepared following generally accepted accounting principles.

Membership dues are recorded ratably over the applicable membership period. Fees for training courses, conference registration fees and related direct costs are recognized as revenue and expense in the period in which the event is held.

### CHART OF ACCOUNTS

The chart of accounts is the backbone of any accounting system. Therefore, the chart of accounts is constructed to allow a trained accountant an immediate understanding of the accounting numbering system.

The chart of accounts will be divided into five major account groupings and then subdivided by Grants, Functions and Class Programs. This subdivision allows the Accounting and Finance Department to prepare departmental and program financial statements:

#### Account Classification

- Assets
- Liabilities
- Net Assets/Members Equity
- Revenues
- Expenses
- Functions, Programs or Departments

**Policy Statement** - It is the policy of the NASBLA to maintain a chart of accounts. A current chart of accounts is necessary to ensure proper account coding and all employees involved with account coding responsibilities or budgetary responsibilities will be issued a chart of accounts. The CFO and Association Accountant are the only employees with authority to add or delete accounts.

## **JOURNAL TRANSACTIONS**

***Policy Statement*** - It is the policy of the NASBLA to record and post monthly all general journal ledger entries to the general ledger. All entries that do not originate from the financial management system should be supported by adequate documentation. Nonrecurring adjusting journal entries must be prepared to properly reflect account balances. Nonrecurring adjusting journal entries include, but are not limited to, the following items:

- Recording of non-cash transactions (depreciation, prepaid expenses)
- Correction of posting errors (re-classing from one account to another)
- Accrual of income and expense items (BOATY Program fees and contractor expenses)
- The CFO will review and approve entries generated by the Association Accountant and the accounting staff.
- The CEO will review and approve entries generated by the CFO.

## **AMORTIZATION**

Amortization is a method of recognizing expenditures over a period of time rather than in one accounting period.

***Policy Statement*** - It is the policy of the NASBLA to amortize all maintenance and support agreements over the length of the contract.

## **PREPAID EXPENSES**

***Policy Statement*** - It is the policy of the NASBLA to treat payments of expenses greater than \$1,000 that have a time-sensitive future benefit as prepaid expenses on the financial records and to expense them in the proper period. Examples of prepaid expenses include, but are not limited to, insurance premiums, travel expenses for future events, room and catering deposits for future events, and payment of any expense that has a definite time-sensitive future benefit. Payment of any expense of \$999 or less will not qualify as a prepaid expense.

## **ACCRUED EXPENSES**

Expenses that have been incurred, but not yet paid should be recognized on the financial statements. If the actual amount of the expense is unknown, a



reasonable estimate should be accrued, followed by a reversal and actual expense entry when known. The CFO will determine the dollar estimate of these expenses.

***Policy Statement*** - It is the policy of the NASBLA to accrue unpaid expenses on its financial records as a best estimate when financials are due if the exact amount is unknown, followed by adjusting to actual expense amount when known.

## **DEPRECIATION/CAPITALIZATION CUTOFF POINT**

***Policy Statement*** - It is the policy of the NASBLA to depreciate fixed assets over their estimated useful lives and to capitalize assets in the period purchased if these assets cost in excess of \$5,000 or more individually. Capitalized repairs and improvements will be depreciated using the straight-line method based on an analysis of the time the repair or improvement is expected to improve the property. The CFO will be responsible for determining the life of an asset and will refer to the IRS guidelines for basis of that determination.

Fully depreciated fixed assets will remain on the NASBLA Statement of Financial Position and will be included on the tangible property tax return until disposed of or otherwise deemed worthless.

## **FINANCIAL STATEMENT PRESENTATION AND DISTRIBUTION**

***Policy Statement*** - It is the policy of the NASBLA to prepare and distribute quarterly financial statements that will include the Statement of Financial Position and the Statement of Activities, including departmentalized or functional statement of activity reports, and other financial reports relevant to NASBLA operations. These statements should be prepared and published, on a quarterly basis, by the 20th day following the quarter of close.

The statements will be distributed quarterly as determined by the CEO. In addition, the statements will appear on all agendas of the Executive Board and Finance and Audit Committee. The Finance and Audit Committee and Executive Board shall also receive an electronic version of the statements each quarter.

## **UNRESTRICTED NET ASSETS/BOARD-DESIGNATED FUNDS**

Unrestricted net assets represent the cumulative results of operations of the NASBLA. Board-designated funds are funds designated by the Executive Board for a specific purpose. Unrestricted net assets including board-designated funds are subject to creditor action.

***Policy Statement*** - It is the policy of the NASBLA to include board-designated funds with unrestricted net assets on the Statement of Financial Position. A statement of activity for board-designated funds may be included with footnotes to the financial statements as supplemental information.

## **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are funds received for a designated purpose that have not been expended.

***Policy Statement*** - It is the policy of the NASBLA to add all temporarily restricted net assets together for Statement of Financial Position presentation. A separate Statement of Activity for Temporarily Restricted Net Assets will be included with the financial statements as needed.

## **PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are funds designated by the donor to be used for a specific purpose according to the donor's wishes.

***Policy Statement*** - It is the policy of the NASBLA to add all permanently restricted net assets together for Statement of Financial Position presentation. A separate Statement of Activity for Permanently Restricted Net Assets will be included with the financial statements.

## **MANAGEMENT AND REPORTING OF CUSTODIAL FUNDS**

From time to time, the NASBLA enters into agreements with related entities, partner organizations and agencies to manage and maintain elements of their respective financial resources when it has been determined to be consistent with the mission, objectives and policies of the NASBLA and mutually beneficial to NASBLA and the respective organization.

***Policy Statement*** – It is the policy of the NASBLA, utilizing fund management software under a fund management regime, to report all organization and agency Custodial Funds managed by the NASBLA on behalf the respective organization or agency as separate line items statements on the Balance Sheet. These Funds are reported on the balance sheet as separate deposit accounts under Assets but listed together as Custodial Funds under Liabilities on the balance sheet.

## Chapter 2 – Cash and Investment Management

### CHECK SIGNING AUTHORITY

Proper segregation of duties is a must to ensure adequate internal controls for check preparation. As such, the following four rules should govern the selection of individuals to sign check:

- Individuals who prepare checks should never be check signers.
- Individuals who reconcile bank statements should never be check signers.
- Individuals who approve invoices for payment should never sign the checks for payment of invoices they approve if they are check signers.
- Accounting personnel should never be check signers.

**Policy Statement** - It is the policy of the NASBLA to give check-signing authority to the following positions:

- Chief Executive Officer (Executive Director)
- Deputy Executive Directors
- Chief Financial Officer

Checks issued for payment in excess of \$50,000 will require the signature of either the CEO (Executive Director) or the Chief Financial Officer. In addition, individuals involved with check preparation and bank reconciliations are prohibited from having check-signing authority. All banking resolutions require approval of the NASBLA Executive Board.

### BANK ACCOUNT RECONCILIATIONS

**Policy Statement** - In the interest of proper internal controls, it is the policy of the NASBLA that:

1. The bank statement will be addressed to, opened by, and reviewed by an executive-level staff member who is not involved in the accounting or bank reconciliation process. (The bank statement is reviewed by CFO online.)
2. Bank reconciliations will be conducted in a timely manner by someone who is not an authorized check signer.

3. Voided checks will be documented and accounted for properly. (See Voided Checks Policy in this manual.)

Furthermore, it is the policy of the NASBLA to address bank statements to the Chief Financial Officer for initial review of all clearings during the month. The Association Accountant gains access to bank statement on-line and reconciles bank account within one week of prior month-end. The Chief Financial Officer is responsible for review and approval of the bank reconciliation.

### **WIRE TRANSFERS/ELECTRONIC TRANSACTIONS**

The NASBLA uses wire transfers for routine payments where repetitive wire transfer instructions have already been established. The CFO has security access for repetitive wire transfers.

**Policy Statement** - It is the policy of the NASBLA to allow the Chief Financial Officer to make routine repetitive wire transfers which have been established with the banking institutions. Non-repetitive wire transfers initiated by the Chief Financial Officer are verified and approved by the CEO-Executive Director.

### **INVESTMENT POLICY STATEMENT**

The NASBLA charges its Finance and Audit Committee with oversight, review and management of the NASBLA investment reserves. *Due to minimum cash amounts available for mid- to long-term investment at the time this policy is adopted, the board will revisit a NASBLA investment policy as financial conditions warrant.*

**Policy Statement** – *To be determined*

### **LINES OF CREDIT**

**Policy Statement** - It is the policy of the NASBLA to maintain an open line of credit with lending institutions. *The NASBLA currently has a \$50,000.00 line of credit with Fifth Third Bank of Lexington, KY.* The rate is equal to prime minus 0.50% per annum. This line may be used for temporary cash flow shortages in lieu of selling investments from reserves. Borrowing against the line of credit requires approval of the CEO-Executive Director and notification to the Executive Board.

## Chapter 3 - Accounts Payable

### ACCOUNTS PAYABLE

Accounts payable checks shall be released in a reasonable and timely fashion. Early payment discounts should be taken if they result in benefit, and recorded as a net expense.

**Policy Statement** - It is the policy of the NASBLA to process and send checks disbursements within the following timeframe:

1. Vendors: within terms as stated on the vendor invoice (10 days, 15 days, 30 days, etc.) The term “upon receipt” shall mean within 10 working days of receipt of the invoice by accounting.
2. Board and Committee Members and staff reimbursement requests: within 7 working days of receipt of the invoice by accounting.

In an effort to enhance internal controls and ensure a clear segregation of duties the following policies will be followed:

- Accounting will process vouchers and print checks at least weekly;
- Checks (with backup detail) will be assembled and delivered to the appropriate check signer;
- Supporting paperwork shall be returned to accounting for filing; and

### CHECK DISBURSEMENTS

Because of the need for strong internal control and segregation of duties, these rules concerning check disbursements should always be followed:

- Unused checks are prenumbered, stored under lock and key, and requested formally.
- Persons approving invoices and other expense vouchers should never sign the resulting check even if they are the check signer.
- All checks will bear original signature. The use of facsimile signatures is prohibited.
- The signing of blank checks is prohibited.

**Policy Statement** - It is the policy of the NASBLA to keep unused check supplies safeguarded under lock and key. Chief Financial Officer will maintain the key. The

Accounts Payable Staff will be responsible for requesting the approximate number of checks needed. The CFO and the Accounts Payable Specialists will retrieve the specified number of checks together.

All check disbursements will require proper documentation, such as approved invoices, approved expense vouchers, etc. Signed checks that have not been mailed or distributed will be locked at the end of each day.

### **VOIDED CHECKS**

Checks are voided for many reasons, such as errors made in the course of preparing a check, duplicate payments made to vendors, stop payments issued on lost checks, and etc. Regardless of the situation, every voided check will be accounted for on a voided checks log generated from the accounting software system. The voided checks log will be available for the annual audit.

***Policy Statement*** - It is the policy of the NASBLA to maintain a Voided Checks Log and document every check that has been voided, regardless of reason. If voided checks are physically available, they will be stamped VOID and filed in the vendor file under the payee name and filed in the voided checks file, and the signature line will be torn off. Following the annual audit all voided checks will be shredded.

## Chapter 4 – Accounts Receivable

### CONTROL OVER CHECKS AND CASH

All mail, with the exception of confidential mail, will be opened by at least two people who are rotated on an unpredictable basis, and persons opening the mail will have no accounts receivable or income-producing responsibilities. The staff responsible for opening the mail makes copies of all checks and forwards to another staff person to log into Daily Deposit Record Book. Checks are then entered into the AMS system and detail forwarded to the Association Accountant

***Policy Statement*** - It is the policy of the NASBLA that all incoming mail be imprinted with a date and time received stamp. Mail will be opened in the presence of two people and endorsed before they are given to finance. Checks received will be noted in the Daily Deposit Record Book. Once the checks have been recorded, the checks will be personally delivered to the Membership Director for entering the payments. The Association Accountant will be responsible for comparing the Daily Checks Received Log to the deposit ticket. All checks are to be deposited on the date of receipt when possible or the next banking day.

### CHECK ENDORSEMENT/STAMP

***Policy Statement*** - It is the policy of the NASBLA to endorse all checks with a “for Deposit Only” stamp upon receipt.

### COLLECTIONS

***Policy Statement*** - It is the policy of the NASBLA to complete orders and provide services and forward an invoice within the following timeframe:

- For training courses offered live or online: After course has been closed out
- For products in NASBLA inventory: When the materials are sent
- Other: After service is performed or product delivered. Thirty (30) days after the date of the original invoice, a “past due” invoice will be mailed to all customers with unpaid balances (60 days for government customers). Sixty (60) days after the date of the original invoice, an employee will contact the customer via telephone and attempt to collect the amount due. A record will be kept of telephone contacts.



- If ninety (90) days have elapsed without payment, a letter of intent will be mailed, informing the customer that the account will be submitted to a collection agency. Two weeks after the letter of collections intent is sent, the account will be turned over to a collections agency to intermedate the customer into settling his affairs with the NASBLA.

## Chapter 5 – Taxes and Forms

### **PUBLIC EXAMINATION OF RECORDS**

Certain records of not-for-profit organizations are subject to public examination.

***Policy Statement*** - It is the policy of the NASBLA to comply with the public disclosure requirements of section 6104(d) of the Internal Revenue Code (Code) as amended by the Tax and Trade Relief Act of 1998. Disclosure requirements include the application for tax exemption and the most recent three years Annual Form 990. The NASBLA will honor all in person and written requests in compliance with the Code.

### **IRS FORM 1099**

IRS regulations require organizations to complete Form 1099 for individuals who are not employees and who receive \$600 or more from the NASBLA.

***Policy Statement*** - It is the policy of the NASBLA to complete IRS Form 1099 for all individuals and vendors providing services (other than corporations) and receiving \$600 or more from the NASBLA. A record of vendor Federal Identification Numbers and independent contractor Social Security Numbers shall be maintained for audit purposes.

### **IRS FORMS 990**

The NASBLA files an annual IRS Form 990 required of 501(c)(3) tax-exempt organizations.

***Policy Statement*** - It is the policy of the NASBLA to allow public access to IRS Form 990 in accordance with section 6104(d) of the Internal Revenue Code. The NASBLA will make available for inspection, on the day requested, its three most recent Annual 990 Forms to any member of the public who requests this information in person at the NASBLA Office. Copies will be provided free of charge.

The NASBLA will provide its three most recent Annual 990 Forms to any member of the public for requests made in writing, whether by mail, electronic mail, fax or delivery service. The NASBLA will provide copies of the requested documents, free of charge, within 30 days from the date it receives the request. A Log of Form

990 Inspections and Distributions will be maintained. The original Form 990 will remain at the NASBLA Office without exception.

### **IRS FORMS 990T/UNRELATED BUSINESS INCOME TAX (UBIT)**

***Policy Statement*** - It is the policy of the NASBLA to pay UBIT on the excess of revenues over expense on taxable activities. The NASBLA will file IRS Form 990-T and its related Kentucky Corporate Return Form to report unrelated activities. IRS Form 990-T and Kentucky Corporate Return Form are considered confidential and are, therefore, not available for public inspection.

## Chapter 6 – Budgeting and Year-End Projections

### BUDGET CALENDAR

The NASBLA budget year is impacted by key financial activities including membership dues invoicing (October) and notification of U.S. Coast Guard grant awards for subsequent periods (May or June.) The budget calendar is established as a protocol for financial data collection, current year (CY) financial analysis and preparation of cost and revenue projections for out-year budget development.

While the NASBLA fiscal year (FY) runs from January 1 to December 31, the U.S. Coast Guard “grant year” (funding period for grants based on the Federal fiscal year) extends from October 1 to September 30. *The difference in the grants fiscal year and the NASBLA fiscal year requires the NASBLA to allocate U.S. Coast Guard grants across multiple NASBLA fiscal year budgets.*

**Policy Statement** – It is the policy of the NASBLA to maintain and adhere to an annual budget development cycle based on the following timeline expectations:

**October** – Staff will prepare and the Executive Board will review actual CY budget outcomes compared to anticipated outcomes. Staff will also prepare and the Executive Board will review initial cost and revenue projections for the first three quarters of CY+1 (the coming fiscal year.)

**December** – Staff will prepare and the Executive Board will consider and adopt the final budget document (reflecting the first three quarters of the new fiscal year) for Phase 1 of the CY+1 budget. (Phase 2 occurs FOLLOWING the annual notification of U.S. Coast Guard grant awards for subsequent periods.)

**January** – CEO and senior management team begin implementation of current year budget. CFO and accounting team prepare for close-out of prior year financials. Year-end financials usually not completed until February or March.

**February** – Staff will prepare year-end budget analysis for the fiscal year just ended (December 31). The Executive Board reviews the prior year actuals compared to the new fiscal year budget (adopted in December) and makes adjustments to the CY budget as necessary.

**May** – Staff will prepare and the Executive Board will review cost and revenue projections for Phase 2 of the CY budget based on information available for the subsequent U.S. Coast Guard grant awards.

**June** – In its summer board meeting, the Executive Board will review and adopt Phase 2 of the current year budget proposal.

**September** – The CFO and accounting team, under the oversight of the NASBLA Treasurer and Finance and Audit Committee will prepare the *NASBLA Treasurer’s Report* for presentation at the NASBLA Annual Conference. The report will include but is not limited to financial information from the close of the prior fiscal year, as well as evidence of completion and results of the annual NASBLA A-133 audit.

## **CAPITALIZATION**

Capitalization is the accounting method used to account for items with useful lives greater than one year. The cost of the item is recognized as an asset and subsequently expensed on a periodic basis over its estimated useful life.

**Policy Statement** -- Acquisitions made by the organization should be capitalized if the individual or aggregated expenditure is over \$5,000 and any one of the following criteria is present:

- Additions that materially improve quantity and life of fixed asset;
- Improvements that materially improve quality or efficiency of the fixed asset (enhancement of software, etc.); and
- Extraordinary repairs (if fixed asset life is extended) Routine repairs and maintenance are expensed.

The cost of a fixed asset should include all costs necessary to put a fixed asset in place and in working order. This includes:

1. Invoice price less discounts
2. Sales tax
3. Freight-in
4. Significant consulting services
5. Installation charges (including testing and preparation for use)

## Chapter 7 – Sarbanes-Oxley Nonprofit Organization Best Practices

### **BACKGROUND and RELEVANCE of SARBANES-OXLEY to NONPROFITS**

The American Competitiveness and Corporate Accountability Act of 2002, commonly known as the Sarbanes-Oxley Act, was signed into law on July 30, 2002. The law requires that publicly traded companies adhere to significant new governance standards that increase board members' roles in overseeing financial transactions and auditing procedures.

*While nearly all of the provisions of the bill apply only to publicly traded corporations, the passage of this bill should serve as a wake-up call to the entire nonprofit community. If nonprofit leaders do not ensure effective governance of their organizations, the government will step forward and also regulate nonprofit governance. Indeed, some state attorneys general are already proposing that elements of the Sarbanes-Oxley Act be applied to nonprofit organizations.*

Nonprofit leaders should look carefully at the provisions of Sarbanes-Oxley and determine whether their organizations ought to voluntarily adopt particular governance practices. It is important to note that two provisions of Sarbanes-Oxley apply to all corporate entities, including nonprofit organizations. The Act explains processes for electing competent audit committee members and for ensuring that adequate reporting procedures are in place. In addition, it calls for regulations, and closes most of the loopholes, for all enterprises - for-profit and nonprofit - relating to document destruction and whistle-blower protection.

### **WHISTLE-BLOWER PROTECTION**

Nonprofits must develop, adopt and disclose a formal process to deal with complaints and prevent retaliation. The NASBLA Executive Board initially adopted the NASBLA Whistle-Blower Protection Policy in 2005 as a stand-alone policy. The policy is now included within the Financial Management Policy Manual.

***Policy Statement*** – It is the policy of the NASBLA to provide an independent, confidential reporting channel for any employee who desires to communicate good faith concerns about questionable accounting, auditing or other financial matters. The NASBLA's Audit and Finance Committee and the NASBLA Executive Board have approved the following procedures and protections.

## I. SUBMISSION OF CONCERNS

A. The Chair of NASBLA's Audit and Finance Committee has been designated as the independent contact for submission of concerns about questionable accounting, auditing or other financial matters. The telephone number, mail address, and email address of the Audit and Finance Committee Chair will be distributed to all employees.

B. Upon receipt of a concern, the Audit and Finance Committee Chair will (1) determine whether the complaint actually pertains to an accounting, auditing or other financial matter and (2) when possible, acknowledge receipt of the complaint to the sender.

C. Confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct an adequate review.

## II. TREATMENT OF SUBMITTED CONCERNS

A. All submitted concerns will be taken seriously. Concerns related to accounting, auditing or other financial matter will be reviewed under the direction of the Audit/Finance Committee and involve such other persons as the Audit/Finance Committee deems appropriate, including but not limited to other members of the Executive Board and/or the Executive Director.

B. Prompt and appropriate corrective action will be taken when and as warranted in the judgment of the Audit/Finance Committee.

C. Investigation details and conclusions will be documented and maintained in accordance with NASBLA's document retention policy.

## III. NO RETALIATION

NASBLA will not discharge, demote, suspend, threaten, harass or in any manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of such employee with respect to good faith reporting of concerns.

#### IV. NO ADDITIONAL CAUSE OF ACTION

NASBLA voluntarily adopts this policy. No additional cause of action (other than that already provided by law) shall result from the adoption of this policy.

#### **RECORDS RETENTION**

***Policy Statement*** - It is the policy of the NASBLA to comply with federal, state, and local laws and regulations related to corporate records retention. This policy is intended to apply to the intentional destruction of specific records; either print and/or electronic format, by any individual associated with NASBLA and will be monitored by the Audit and Finance Committee.

Because federal, state and local governments often mandate the retention of records, the following schedule is adopted to provide written, mandatory document retention and minimum periodic destruction guidelines. This schedule is to be updated as needed when required by change in federal, state, or local laws and regulations. This records retention policy is to be distributed to all NASBLA personnel upon adoption, upon hire, or after modification thereof.

<b><u>Type of Document</u></b>	<b><u>Minimum Requirements</u></b>
Accounts payable ledgers and schedules	7 years
Audit Reports	Permanently
Bank Reconciliations	2 years
Bank Statements	3 years
Checks (for important payments/purchases)	Permanently
Contracts, mortgages, notes and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (customers and vendors)	2 years
Deeds, mortgages and bills of sale	Permanently
Depreciation Schedules	Permanently
Duplicate deposit slips	2 years
Employee Applications	3 years
Expense Analysis/Expense Distribution Schedules	7 years
Year-End Financial Statements	Permanently
Insurance Policies (expired)	3 years



<b><u>Type of Document</u></b>	<b><u>Minimum Requirements</u></b>
Insurance Records/Current Accident Reports	Permanently
Internal Audit Reports	3 years
Inventories of products, materials and supplies	7 years
Invoices (to customers and vendors)	7 years
Minute books, bylaws and charter	Permanently
Patents and Related Papers	Permanently
Payroll Records and Summaries	7 years
Personnel Files (terminated employees)	7 years
Retirement and Pension Records	Permanently
Tax Returns and Worksheets	Permanently
Timesheets	7 years
Trademark Registrations and Copyrights	Permanently
Withholding Tax Statements	7 years

## **FINANCE and AUDIT COMMITTEE**

### **PURPOSE**

The purpose of the Finance and Audit Committee shall be to provide assistance to the Executive Board in fulfilling their oversight responsibility to the members and others relating to: (i) the integrity of the NASBLA's financial statements; and (ii) the independent auditor's qualifications, performance, and independence.

The committee shall retain and compensate such outside legal, accounting or other advisors, as it considers necessary in discharging its oversight role.

The committee shall meet at least two times a year and may meet additional times, as necessary. The committee may meet separately and periodically with management, and the independent auditor. The committee shall report regularly to the Executive Board with respect to its activities.

In fulfilling its purpose, it is the responsibility of the committee to assure that the independent auditors are able to obtain all information which is necessary or useful in performing the audit and to assure that the committee, independent auditors and management of the NASBLA are aware of their responsibilities.

## **DUTIES AND RESPONSIBILITIES**

Management is responsible for the preparation, presentation, and integrity of the NASBLA's financial statements, for the appropriateness of the accounting principles and reporting policies that are used by the NASBLA and for implementing and maintaining internal control over financial reporting.

The independent auditors are responsible for auditing the NASBLA's financial statements.

The committee, in carrying out its responsibilities, recognizes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The committee will take appropriate actions to set the overall "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

***Policy Statement*** – It is the policy of the NASBLA that the following shall be the principal duties and responsibilities of the Finance and Audit committee. These are set forth as a minimum guide with the understanding that the committee may supplement them as appropriate.

The committee shall be responsible for recommending the independent auditors to the Executive Board, compensation, retention, and oversight of the work of the independent auditors (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the NASBLA, and the independent auditors must report directly to the committee.

At least annually, the committee shall obtain and review a written report by the independent auditors describing: (i) any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (ii) all relationships between the independent auditors and the NASBLA (to assess the auditors' independence).

After reviewing the foregoing report and the independent auditors' work, the committee shall evaluate the auditors' qualifications, performance and independence. Such evaluation should include the review and evaluation of the lead partner of the independent auditors and take into account the opinions of NASBLA management.

The committee shall pre-approve all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform non-audit services where such arrangement would result in the auditors auditing their own work.

The committee shall discuss with the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and budget or compensation.

The committee shall regularly review with the independent auditors any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the independent auditors' activities or access to requested information, and management's response. The committee should review any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise); any communications between the audit team and the audit firm relating to problems or difficulties encountered with respect to significant auditing or accounting issues; and any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm to the Institute.

The committee shall review and discuss the annual audited financial statements with management and the independent auditors prior to the issuance of the Institute's audited financial statements. The committee's review of the financial statements shall include:

1. Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Institute's selection or application of accounting principles, and major issues as to the adequacy of the Institute's internal controls and any specific remedial actions adopted in light of material control deficiencies

2. Discussions with management and the independent auditors regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments;
3. Consideration of the effect of regulatory accounting initiatives, as well as off-balance sheet structures on the financial statements;
4. Consideration of the judgment of both management and the independent auditors about the quality, not just the acceptability of accounting principles; and
5. The clarity of the disclosures in the financial statements. Also, the committee shall discuss the results of the annual audit and any other matters required to be communicated to the committee by the independent auditors under professional standards.

Prior to the issuance of the NASBLA's audited financial statements, the committee shall receive and review a report from the independent auditors on all critical accounting policies and practices of the NASBLA; all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditor; and other material written communications between the independent auditors and management.

The committee shall discuss the NASBLA's policies with respect to risk assessment and risk management, including the risk of fraud. The committee also shall discuss the NASBLA's major financial risk exposures and the steps management has taken to monitor and control such exposures.

The committee shall establish procedures for the receipt and treatment of whistleblower complaints received by the NASBLA regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the NASBLA of concerns regarding questionable accounting or auditing matters. Complaints received shall be directed to the Finance and Audit Committee Chair.

## **AUDITED FINANCIAL STATEMENTS**

***Policy Statement*** - It is the policy of the NASBLA to distribute the audited financial statements, upon approval by the Finance and Audit committee, to the Executive Board and to organizations entitled to receive a copy and to publish on the NASBLA website for all membership. The audited financial statements should be published no later than December 30th of each year.

## **THE ENGAGEMENT LETTER**

***Policy Statement*** - It is the policy of the NASBLA to obtain and review the draft of the independent auditor's engagement letter to ensure that it covers matters important to the management. The chair of the Finance and Audit committee and the CEO-Executive Director should sign the audit engagement letter.

## Chapter 8 – Other Policies

### RESERVES POLICY

In 2011, the Executive Board developed a proposed NASBLA Reserves Policy for consideration by the membership. At the subsequent NASBLA annual conference in 2011, the membership adopted the following policy statement.

The NASBLA Reserve Funds Policy defines the nature and meaning of the term “reserve funds,” prescribes the dollar amount to be held in the funds and the level of annual contribution, and sets forth the conditions or circumstances whereby the funds might be drawn down by the association either on a temporary or permanent basis.

***Policy Statement*** - It is the policy of the NASBLA that the reserve fund represents that portion of the association’s cash assets that have been set aside for special purposes or conditions described in this policy. It is the association’s intent to utilize reserve funds only under the specific circumstances or types of circumstances described below.

***Strategic Financial Objective:*** The strategic objective of the NASBLA reserve fund is to set aside sufficient cash reserves - in the event of a catastrophic downturn in sustainable revenue - to allow the association to maintain a minimal level of operations, services and capabilities to meet members’ critical short-term needs for a period of no more than one year.

***Critical short-term needs*** means: a) maintaining a minimum level of advocacy and representation in Washington, D.C.; b) maintaining a minimum level of staff presence in the headquarters office; and c) maintaining the minimum capability to plan and produce a NASBLA annual conference and business meeting.

***Authorized Amount of Funds to Be Held in Reserve:***

\$200,000 (by December 31, 2011)

\$227,200 (by December 31, 2012)

\$254,400 (by December 31, 2013)

\$281,600 (by December 31, 2014)

\$308,800 (by December 31, 2015)

\$336,000 (by December 31, 2016)

***Annual Contribution:*** \$27,200 (through December 31, 2016)

*Conditions for the Temporary Utilization of Reserve Funds:* From time to time, the association experiences short-term cash (flow) demands precipitated by one or more factors, including but not limited to: a) delayed grant payments (advances) or contract payments from the U.S. Coast Guard; b) delayed membership dues payments or contract payments from member states; and c) delayed registration fees for NASBLA conferences and events.

In these cases, or in similar cases where NASBLA has a reasonable assurance that its accounts receivable shall be forthcoming in a timely manner, the CEO is authorized and directed to draw down such reserve funds as is proportional to the amount outstanding and is a legitimate receivable owed to the association. Reimbursement shall be made to the reserve funds immediately upon receipt of such outstanding accounts receivable.

In such cases where the CEO is authorized to take such action, the CEO is also directed to notify the duly elected NASBLA Executive Board, in writing, within 24 hours of the transfer of reserve funds to the operational funds. This notification of the drawdown of reserve funds shall contain the amount of the transfer, the specific source of anticipated reimbursement to the fund (grant payment, dues receipt, etc.) and the anticipated date of the reimbursement to the reserve fund.

The CEO shall also notify the Executive Board upon reimbursement of the fund, as well as report any impediments or obstacles that would prevent the association from reimbursing the reserve fund in a timely matter together with a specific action plan that would result in making the reserve fund whole.

*Conditions for the Permanent Utilization of Reserve Funds:* In the unfortunate and unlikely event of an unanticipated and untimely catastrophic downturn in the association's sustainable revenues, the NASBLA executive board shall convene an emergency meeting to consider liquidating the association's reserve funds for the purposes of providing immediate cash flow to ensure that members' critical short-term needs for a period of no more than one year are met. Depending on the nature of the circumstances, the board may choose to liquidate reserve assets in whole or in part, and may direct the CEO to take such actions as necessary to preserve the financial integrity of the association. Under such circumstances, the board and the CEO shall develop an emergency action plan detailing the steps necessary to preserve the remaining core assets of the association, and shall

transmit the emergency action plan to the voting members of the association no later than 30 days following the convening of an emergency board meeting. The voting members of the association shall retain the final and ultimate authority regarding the disposition of the association and its assets, ranging from the identification and acquisition of additional operating resources to the dissolution of the association and the distribution of its assets.

## **CONTRACT SIGNING AUTHORITY**

***Policy Statement*** - It is the policy of the NASBLA to grant authority to sign contracts to the CEO-Executive Director, Deputy Executive Directors and the Chief Financial Officer, as long as the financial implications of the contract are provided for in the annual budget and approved by the Executive Board. If the financial implication of signing a contract is not included in the NASBLA budget, Executive Board approval is required before authority to sign the contract is granted.

## **CORPORATE INSURANCE COVERAGE**

***Policy Statement*** - It is the policy of the NASBLA to annually review insurance policies to ensure that insurance coverage is complete and adequate and that coverage limits adequately meet the needs of the NASBLA, members, and employees. Insurance policies to be reviewed include, but are not limited to, the Directors and Officers insurance and the general office insurance (???)

## **ASSOCIATION LOGO**

***Policy Statement*** - It is the policy of the NASBLA to include the NASBLA logo on all external communications as appropriate.

## **CONFIDENTIALITY OF WAGES**

All salary information is communicated on a one-to-one basis and should not be discussed with other staff members.

***Policy Statement*** - It is the policy of the NASBLA to treat compensation as confidential information and employees are prohibited from discussing wage and salary information with other staff members. Violations of the policy may subject the employee to disciplinary action, including possible termination.