

## Rotary Club of Livermore

Revision Number:   2  

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## 25. Financial Policies & Procedures

### 1. Purpose

- A. The policy and procedural guidelines contained in this policy are designed to:
  - 1. Protect the assets of the Rotary Club of Livermore
  - 2. Ensure the maintenance of accurate records of the Rotary Club of Livermore's financial activities
  - 3. Provide a framework of operating standards and behavioral expectations and,
  - 4. Ensure compliance with federal, state, and local legal and reporting requirements
- B. Exceptions to written policies may only be made with the prior approval of the Board of Directors. Changes or amendments to these policies may be approved by the Board of Directors at any time. A complete review of the policies shall be conducted every three years beginning in 2015 by the Finance Committee or other Board designee.
- C. All personnel with financial responsibilities are expected to be familiar with and operate within the parameters of these policies and guidelines.

### 2. Roles

- A. Club President: The Club President has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board of Directors. The President has whatever authority as may be designated by the Board of Directors, including:
  - 1. Making spending decisions within the parameters of the approved budget
  - 2. Entering into contractual agreements within agreements approved by the Board
  - 3. Procedures which are not specifically addressed by this document but required for the effective implementation of this policy may be established by the Club President when the financial impact is not over \$1,000 for any fiscal year. The Board of Directors must approve any unaddressed policy or procedure with an impact of over \$1,000.
- B. Treasurer: The Club Treasurer has the primary responsibility for selecting and maintaining the accounting system. Bookkeeping and accounting services may be purchased as necessary. The Treasurer chairs the Finance Committee.
- C. Finance Committee: The Finance Committee has whatever authority as may be designated by the Board of Directors, including:
  - 1. Choosing the auditor.
  - 2. Performing in-depth reviews of the club's financial activity upon request by the Treasurer or the Board of Directors

The Finance Committee will be composed of: Treasurer, the most recent Past-President of the Rotary Club of Livermore, and two to five club members with experience in fund raising and/or finance. The latter are selected by the Treasurer subject to approval by the Board of Directors and serve for a term of one year, with the possibility of re-appointment annually.

### **3. General Accounting Policies**

- A. The accounting system follows generally accepted accounting principles (GAAP).
- B. Financial statements are prepared using the accrual basis of accounting.
- C. The fiscal year is 1 July through 30 June.

### **4. Administration**

- A. Financial duties and responsibilities are separated so that no one member has sole control over cash receipts, disbursements, reconciliation of bank accounts, or any critical accounting function.
- B. The club's Treasurer has primary responsibility for designing and maintaining the accounting system. Bookkeeping support may be purchased as necessary.
- C. The accounting records are updated regularly and subject to the oversight of the Club President or Board of Directors or its designate.
- D. A filing system accessible to the Club President and Treasurer is maintained for all financial records. This filing system may be electronic, paper, or both.
- E. Professional financial service providers may be reviewed annually (accounting software, bookkeeping services, banking, and accountants)

### **5. Budgets**

- A. The annual budget for the fiscal year is prepared by the Club President working closely with the Treasurer.
- B. The Board of Directors approves the budget annually, prior to the beginning of the fiscal year if possible.
- C. The budget is compared to the monthly financial statements in order to monitor the actual results.
- D. The budget is reviewed mid-year and adjusted as necessary to reflect changing conditions. The Board of Directors approves proposed changes in the budget which exceed \$1,000.

### **6. Financial Statements:**

- A. A financial overview and Profit & Loss Statement through the end of the previous month shall be made available to the Board of Directors at each Board meeting. This should include:
  - 1. Balance Statement
  - 2. Profit and Loss Statement
  - 3. Accounts Receivable Detail Report
  - 4. Bank Reconciliation Report
- B. **Audit/Financial Review:** An audit/financial review may be conducted on an as-needed basis as determined by the Board of Directors. The Treasurer, the Club President and the Accountant are involved in the audit/review. Presentation to the Board of the financial review is done by the auditing firm with assistance from the Treasurer.

**7. Banking:** Separate bank accounts are maintained for operating expenses and savings. No more than \$100,000 shall be on deposit at any one financial institution in order to not exceed FDIC insurance limits.

A. General

1. The Treasurer chooses a financial institution that provides the most appropriate services for the lowest cost. The location of the financial institution is taken into account.
2. The operating account shall maintain sufficient funds to meet all anticipated expenditures. A minimum balance is established by the Board and is currently (2015) \$25,000.
3. A savings account may be used to replenish the operating account when necessary and to receive excess funds from the operating account when available.

B. Deposits

1. Whenever possible, persons receiving funds are other than the person tabulating and preparing the deposits. Also, the person tabulating and preparing the deposits should be other than the person recording the deposits.
2. In general, deposits are made weekly. Cash amounts greater than \$5,000 are deposited by the next business day. Amounts less than \$400 may remain un-deposited in a cash box.
3. All funds are deposited in an assigned financial institution, with the exception of petty cash (see 10.0 Petty Cash). The deposit receipt is attached to the Deposit Record.

C. Check Signing

1. The Board appoints the check signers. Usually these are the Club Treasurer, President, President-Elect and Secretary.
2. Blank checks are never signed in advance.

**9. Credit/Debit Cards (bank deposit / withdrawal cards):** Credit/Debit Cards may be issued to Board of Director-approved club members to make petty cash-like incidental procurements of office supplies or consumable items. Debit Card transactions will be limited to the same amount as designated in Section 10 (Petty Cash). There are currently no Debit Card holders (2017).

**10. Petty Cash:** A petty cash account is kept at the discretion of the Treasurer. Petty cash is used only when it is necessary to pay for goods or services by someone who cannot take a check, and to provide an adequate amount of change at weekly meetings and fund-raising events where cash is accepted.

A. To utilize/track Petty Cash:

1. A requisition form is completed for each transaction and a receipt acquired upon payment.
2. Petty cash disbursements are limited to \$200.00.
3. Total petty cash funds do not exceed \$400.00, except where more funds are needed for change at fundraising events. When funds drop below \$300.00, the fund may be replenished by depositing some cash into the petty cash account. Full documentation for this deposit should be retained.
4. Petty cash can be disbursed only with the approval of the Treasurer or Club President. Petty cash requisitions are reviewed and coded by the accountant. Actual funds are

managed and kept in a locked, fire-resistant box by the Sergeant at Arms or the Treasurer.

5. The petty cash account is reconciled by the Treasurer prior to replenishment and at least monthly.

## **11. Disbursements**

- A. Whenever possible, separate persons are responsible for coding, preparing, and authorizing disbursements.
- B. Invoices are paid in a timely manner, generally weekly, and before late penalty charges apply.
- C. Attempts are made to issue checks for clients as soon as practical, although advance notice of at least two business days is recommended.
- D. Two check signers are required for checks greater than \$5,000.
- E. No checks may be written to "cash" or "bearer."

**12. Reimbursements:** A reimbursement/payment request form is prepared and approved when requesting personal reimbursement for Rotary Club of Livermore expenses. Relevant invoices and receipts are attached.

**13. Account Reconciliations:** Bank reconciliations are done monthly. Bank statements are reconciled by someone other than the check signer or writer. Other balance sheet accounts are reconciled at least quarterly.

## **14. Large Purchases:**

- A. Generally, the Rotary Club of Livermore seeks three quotations for purchases greater than \$1,000 where at least three suppliers are available for that service or product.
- B. Purchases for budgeted items costing less than \$5,000 must be approved by the Treasurer or the Club President.
- C. Purchases for items costing more than \$5,000 must be approved by the Board of Directors.

**15. Conflict of Interest:** Purchases of goods or services may not be made from any employee or director of the organization. Members of the Board of Directors must declare any conflict of interest with regard to financial terms.

## **16. Capital Expenditures:**

- A. Tangible assets exceeding \$1,000 and expected to last longer than a year are classified as capital assets and included in an inventory record. The capital assets inventory record contains descriptions, serial numbers, dates of purchase or receipt, valuations, dates of valuation and item locations.
- B. A depreciation schedule is prepared annually by the accountant or the Treasurer.

## **17. Donations**

- A. Donated capital assets are recorded at fair market value if it can be reasonably estimated. The nature and amount of the donated capital assets is disclosed.
- B. The value of donated materials and services is recorded at a reasonable estimate. The value does not exceed the value at which the organization could have purchased those materials and services.

## **18. Investments**

- A. The investment objectives of the Rotary Club of Livermore, in order of importance, are the safety of principal, liquidity, and a competitive rate of return. Investment restrictions may, at the discretion of the Board of Directors, include such issues as quality, diversification requirements, or social issues.
- B. The Finance Committee has primary responsibility for advising the Board on investment policy and for establishing any specific guidelines as to the mix and quality of the investment account(s).

## **APPENDIX A—Procedures**

### **Deposits**

- All checks and cash received are recorded on a log, listing the date received, payer, purpose, and amount received. All club checks are stamped “for Deposit only” immediately upon receipt.
- All funds received are sent daily with the log to the bookkeeper for processing. Total funds are compared to daily log totals to ensure an accurate total of cash received. A receipt is provided by the accounting department for all funds received, with receipt copies attached to the daily log. All funds are placed in a locked box until preparing the deposit.
- A Deposit Record is prepared listing the source account, source description, date received, amount received, and amount deposited for each line item, and a total of all funds received and deposited. *None of these funds is used to pay for expenses of any kind.* Notes are added for any discrepancies. Daily logs are attached to the Deposit Record. The Deposit Record is initialed by the preparer. A bank deposit slip is prepared and a copy attached to the Deposit Record.
- After the deposit is made, the Deposit Record, with attached daily logs, deposit slip, and deposit receipt, is turned in to the bookkeeper. All deposit papers are reviewed, confirmed, and recorded. Recorded deposits are marked “POSTED.”
- Copies of all checks or vouchers for grants and contracts are placed in their source files.
- Donation checks intended for transmittal to a 501(C)(3) charity are handled separately from club funds. The donations are recorded in a log and conveyed to a club member who is specifically designated as the courier for each particular charity. The club member makes a personal record of the receipt of the donation and then hand deliver the donations or uses the USPS to convey the donations to the appropriate charity.

### **Accounts Receivable (Billing)**

- Invoices for accounts receivable are sent out, either by email or mail, as soon as practical.
- All invoices for accounts receivable are marked with the date received and are directed to the Treasurer.
- When payment is deposited, a copy of the check stub is attached to the invoice, which is then notated with the date paid and marked “PAID.”

### **Accounts Payable (Disbursements)**

- All payments, except petty cash, are made by pre-numbered checks and are accompanied by substantiating documentation. Documentation may be an invoice (bill) or requisition form.
- All invoices are marked with the date received and are directed to the Treasurer.
- Invoices are reviewed to ensure that the goods were received or services rendered.
- Each invoice is attached to a requisition form or marked with the Rotary Club of Livermore Payment Approval stamp. The proper account(s), funding source, and program are identified and coded for each invoice. The requisition form or marked invoice is approved by the Treasurer. If the Treasurer is not available, the Club President or their designate may approve an invoice for payment.
- After approval, invoices are passed to the bookkeeper for entering a bill into Accounts Payable. Printed checks are attached to the requisition forms and passed to the Treasurer, Club President for signing.

### **Check signing**

- A relevant invoice or back-up document accompanies each check for the check signers to review.
- The check voucher is used to ensure a record of the check is maintained.
- Sequentially numbered organizational checks are used to maintain a proper control over the checks. Voided checks are kept and clearly marked VOID. The signatures of voided checks are cut out and discarded to prevent misuse.

### **Account Reconciliations**

- Bank accounts are reconciled monthly against the account statement.
- Other balance sheet accounts are reconciled quarterly using the Rotary Club of Livermore Reconciliation Statement.
- Supporting documentation is either attached (as for Petty Cash) or the location is referenced (as for Grants Receivables files).
- Individual documentation, such as the number of a check or journal entry, may be referenced in the Details Column of the Reconciliation Statement.

**APPENDIX B—Business Record Retention Schedule**

Accident Reports and Claims (settled cases) .....	7 years
Accounts Payable Records.....	7 years
Accounts Receivable Records.....	7 years
Audit Report.....	Permanently
Articles of Incorporation .....	Permanently
Bank Statements and Reconciliations .....	3 years
Budgets.....	10 years
Bylaws.....	Permanently
Cash Receipt Records .....	7 years
Checks (cancelled) .....	7 years
Checks for important payments such as taxes, special contracts, etc. should be filed with the papers pertaining to the transaction and kept .....	Permanently
Contracts & Leases (expired).....	7 years
Contracts & Leases (active) .....	Permanently
Corporation Reports .....	Permanently
Correspondence with vendors .....	1 year
Correspondence (general) .....	3 years
Correspondence (legal) .....	Permanently
Disbursement Requests .....	7 years
Deposit Slip Duplicates.....	2 years
Email correspondence .....	3 years
Financial Statements .....	Permanently
Fixed Assets Records .....	Permanently
Grant Award Letters.....	10 years
Insurance Records, Accident Reports, Claims, Policies, Certificates.....	Permanently
Invoices .....	7 years
Leases (after expiration).....	6 years
Journals .....	Permanently
Minutes.....	Permanently
Property Records.....	Permanently
Purchase Orders .....	7 years
Tax-exempt status documents and all documents and correspondence dealing with the IRS .....	Permanently

**APPENDIX C—Document History**

A complete rewrite of this document that includes both new policies and detailed procedures. Adopted by the Rotary Club of Livermore Board of Directors by unanimous vote at a regular meeting on 21 April 2015.

A major revision of this document was prepared in September of 2017 and approved by the Board of Directors on 17 October 2017.