

FISCAL POLICIES AND PROCEDURES

Introduction to Policy and Procedures for Boys & Girls Clubs of Central MN

Boys & Girls Clubs of Central Minnesota has adopted a comprehensive set of Fiscal Policies and Procedures, which establish guidelines for the Board of Directors, staff, and volunteers about standards and procedures to be applied when developing financial goals and objectives, making financial decisions and reporting the financial status of the organization in alignment with the Club's governing documents. In addition, the Fiscal Policies and Procedures provide guidelines to allow for effective management of the organization's funds.

Boys & Girls Clubs of Central Minnesota is a nonprofit organization as described in Section 501 (c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes and classified by the Internal Revenue Service as other than a private foundation.

The organization's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards Board (FASB) No. 117, "Financial Statements of Not-For-Profit Organizations." Under GAAP, revenues are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization are classified as without donor restrictions or with donor restrictions.

The Club follows accounting standards for uncertain income tax positions. The Club will recognize in its financial statements the benefit of a tax position when it believes that tax position will more likely than not be sustained on audit based on the technical merits of the position. For an exempt organization, uncertain tax positions could result from unrelated business income activities or actions – such as political activity, substantial lobbying expenditures or excessive unrelated business activities – that jeopardize its status as tax-exempt.

The fair value of all reported assets and liabilities that represent financial instruments – none of which are held for trading purposes – can vary from Level 1 to Level 3 in the levels of hierarchy.

Boys & Girls Clubs of Central Minnesota will 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 as set by FASB No. 117, Financial Statements of Not-For-Profit Organizations.

The Fiscal Management Policies are the responsibility of the Finance Committee, which reviews the policies on an annual basis and reports any additions or amendments to the Board of Directors for approval.

The purpose of this manual is to describe all accounting policies and procedures currently in use at Boys & Girls Clubs of Central Minnesota and to ensure the financial statements conform to generally accepted accounting principles; assets are safeguarded; guidelines of grantors and donors are complied with; and finances are managed with accuracy, efficiency and transparency.

All the Club's staff with a role in the handling or management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

General

1. Boys & Girls Clubs of Central Minnesota complies with all legal requirements.
2. The fiscal year is January 1 through December 31.

3. The Board of Directors formulates financial policies, delegates the administration of the financial policies to the President/CEO and CFO while they (BOD) reviews operations and activities.
4. The Board delegates responsibility for managing the functions that fulfill its role in meeting legal requirements to the President/CEO or CFO, who negotiates with vendors, and the filing of legal forms, such as annual reports, tax returns, etc.
5. The President/CEO has management responsibility, including Financial Management.
6. The President/CEO must have a basic understanding of the following:
 - a. Bookkeeping
 - b. Nonprofit financial management
 - c. Must be able to read and understand a budget
 - d. Must be able to read and understand financial statements and be able to understand internal financial management systems and controls
 - e. Must know how to project the organization's financial needs against its fundraising capacity
7. Current job descriptions will be maintained for all employees, indicating financial duties and responsibilities as appropriate.
8. Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, disbursements, payroll, reconciliation of bank accounts, etc.
9. All FT Staff shall take vacations or leaves of five consecutive workdays each calendar year. During such periods, backup personnel who have been cross-trained in their duties will perform their tasks. With all vacation requests, the employee must schedule time away with their supervisor to ensure adequate operational staffing levels.
10. 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, will be reimbursed according to the BGCMN Cash Disbursement Policy.
11. Professional financial service providers will be established annually. Currently, these include:
 - a. Accounting Software – NetSuite
 - b. Payroll Services – Creative Planning
 - c. Insurance – Agent Name –Gallagher Insurance–, Individual carriers are reviewed and updated annually.
 - d. Banking & Fund Management – The Chief Financial Officer (CFO) maintains a comprehensive registry encompassing all financial institutions with which BGCMN holds accounts.
 - e. Benefits –
 - i. Health – Agent Gallagher Insurance
 - ii. Dental – Agent Gallagher Insurance
 - iii. Life/Disability – Agent Gallagher Insurance
 - iv. 401K – Empower Retirement – Agent UBS
 - v. HSA/FSA – Agent Gallagher Insurance
 - f. Auditors – Creative Planning

12. The President/CEO and CFO will maintain a current and accurate log of the Chart of Accounts and Accounting Classifications.
13. The annual budget shall consist of realistic (conservative) projections for revenue to help ensure that the organization does not end up with an unexpected deficit.
14. The budget shall include expense line items that set the parameters within which the President/CEO can operate.
15. The budget is compared to the monthly financial statements to monitor the actual results.
16. A revised budget is prepared each month incorporating actual ADP and the major expenses items that fluctuate with ADP.
17. **Indirect costs** are costs that benefit all programs but cannot be easily identified as relating to a specific project or program – for example, salaries and benefits of administrative staff such as the President/CEO, Accountant and Purchasing Agent/Accounts Receivable, as well as payroll service costs, insurance, rent and other costs related to the administrative function of the organization.
18. **Direct costs** include program costs such as program salaries, fringe benefits and consulting fees, as well as printing, travel or other identifiable, line-item costs attributable to specific programs.
19. **Capital budgets** consist of items that the organization has purchased or plans to purchase that will have a useful life of longer than one year and a cost greater than **\$2,000 individually or as a project**. Items in the capital budget include building and equipment. They are listed as assets in the organization's financial records and are depreciated over a predetermined "useful" life.
20. These policies and procedures will be reviewed on an annual basis by the Finance Committee and approved by the Board of Directors.

Financial Policy Statements

1. Cash Accounts

All cash accounts (except petty cash) owned by Boys & Girls Clubs of Central Minnesota will be held in financial institutions that are insured by the FDIC. Bank accounts with balances over the FDIC-insured amount will be approved and monitored by the finance committee.

2. Segregation of Duties

To ensure the integrity of financial transactions and safeguard against fraud, no single individual should have control over all aspects of a financial transaction from initiation to completion.

3. Bank Account Signatories

The President/CEO and four of the authorized board members are the signatories on Boys & Girls Clubs of Central Minnesota bank accounts. Disbursements exceeding \$10,000 require a second signature. In lieu of the President/CEO, the VP of Resource Development may be the second signature.

4. Bank Reconciliation

Bank and credit card statements will be reconciled monthly comparing financial records to statements and other supporting documentation. All bank statements will be given (unopened) to the CFO for review.

5. Restricted Funds Management

All funds received by the organization for a restricted purpose will be separated in the general ledger or Excel spreadsheet to avoid any possibility of comingling with general operating funds. A fully computerized ledger accounting system will be maintained.

6. Capital Expenditures

All capital expenditures that exceed two thousand dollars (\$2,000) individually or as a project will be capitalized on the books and records of the Corporation.

7. Capital Replacement Reserve Policy

The Capital Replacement Reserve Policy is intended to provide a ready source of funds for repair or acquisition of building improvements, property improvements, furniture, fixtures, office equipment, program equipment, and vehicles necessary for the effective operation of the organization and programs.

8. Cash Reserve Policy

It is the goal of the organization to maintain a minimum of ten percent (10%) of the current annual operating expense budget between its Total Cash & Equivalents line on the Balance Sheet for the General Operating Fund – Department 100.” If balances fall below that amount, the President/CEO, Board Chair, and Treasurer shall be notified immediately.

9. Endowment Fund Administration

The Finance Committee will administer and monitor the full Endowment Fund portfolio.

10. Financial Audit

The services of a Certified Public Accountant will be engaged to prepare a formal Financial Audit of the Corporation’s fiscal year-end.

11. Expense Reimbursements

Reimbursements will be paid upon complete expense reporting and approval using the official Club form. Reimbursements to the President/CEO will be authorized by the CFO.

12. Out-of-Pocket Reimbursements

It is the policy of Boys & Girls Clubs of Central Minnesota to reimburse out-of-pocket expenses only when supporting documentation has been presented for approval.

13. Travel Cash Advances

No travel cash advances will be made, except under special conditions and pre-approved by the President/CEO and Treasurer of the Board of Directors.

14. Salary Advances

Salary advances will not be made under any circumstances.

15. Donation Acknowledgment

Any donated item with a value exceeding \$100 will be recorded, and a letter acknowledging the donation will be sent to the donor within 14 days of receipt. A donor may request a letter for lesser amounts if they wish.

16. Donated Stock and Cryptocurrency Policy

Boys & Girls Clubs of Central Minnesota (BGCMN) recognizes and appreciates the generosity of donors who contribute stocks and cryptocurrency to support the mission. To ensure efficient and transparent financial management, BGCMN immediately converts donated stocks and cryptocurrency into cash.

17. Accounting Document Integrity

Correction fluid and/or tape or temporary notes such as Post-it notes will never be allowed in preparing/correcting any paper accounting documents. Corrections; line out incorrect entry and write correction above in ink. The correction should be initialed by the personnel making the correction and the supervisor. Electronic documents require an electronic note and approval by an additional leader: CFO, President/CEO or Treasurer

18. Accounting Record Security

Accounting records will be kept in locked file cabinets in the Business office, and only parties with financial responsibility will have access to the keys.

19. Accounting System Users- Separate Login Credentials

To safeguard the integrity and security of financial data within the General Ledger system and any connected accounting systems, each user must have unique and separate login credentials.

20. Pay Rates

It is the policy of the organization to establish pay rates that equal or surpass the federal and state minimum wage.

21. Form 990

- **a. Authorization:** The Board of Directors, in conjunction with the audit, will authorize Form 990. Form 990 will be signed by an officer of the board.
- **b. Public Access:** Copies of the public portion of the Form 990 shall be made available for public inspection and/or photocopying upon written request.

22. Meeting Minutes

The Secretary of the Board or his/her designee will prepare accurate minutes of all meetings of the Board of Directors and Committees.

23. Finance-Related Minutes

The President/CEO will note all items in the minutes relating to finance and take appropriate action.

24. Insuring Against Risk

The board shall be aware of the organization's overall risk management profile and carry appropriate insurance to ensure the organization will continue to function under adverse conditions. The board shall be informed on an annual basis, at least, regarding the types of insurance for which the organization is covered. The Boys & Girls Clubs of Central Minnesota shall carry Directors' and Officers' insurance to cover legal fees.

25. Petty Cash

Employee or public personal checks will not be cashed through the petty cash fund.

Procedures: Table of Contents

Contents

- I. Division of Responsibilities 10
 - Board Chair 10
 - Board of Directors 10
 - Treasurer 10
 - President/Chief Executive Officer 10
 - The board delegates responsibility to the President/CEO to:11
 - Chief Finance Officer.....11
 - Purchasing Agent/Accounts Recievable11
 - Accountant 12
 - Accounts Receivable..... **Error! Bookmark not defined.**
- IV. Inter-Account Bank Transfers 15
- V. Cash Disbursements & Expense Allocations..... 15
 - Cash disbursements are generally made for:..... 15
 - Incoming Invoice Processing: 15
 - Requests for cash disbursements are submitted to accounting three ways: 16
 - Expense Allocations 16
 - Capital Expenditures:..... 16
 - Consultants: 17
 - Contracts: 17
- VI. Credit Card Policy and Charges 17
- VII. Accruals..... 18
- VIII. Bank Account Reconciliations 18
- IX. Other General Ledger Accounts Reconciliation 19
 - Assets:..... 19
 - Liabilities:..... 19
 - Income/Expenses:..... 19
- X. Petty Cash Fund20
- XI. Property and Equipment20
- XII. Personnel Records 22
- XIII. Payroll Processing 22
 - Vacation Pay:..... 22
 - Sick Time Pay: 22
 - Retirement Plan: 23

Health Care Act:23

Other Accruals:.....23

Third Party23

State and Federal pay.....24

W-2 Statements.....24

XIV. End-of-Month and Fiscal Year-End Close24

XV. Financial Reports and Cash Reserves:24

 Managing Cash Flow:.....24

XVI. Grant Compliance.....25

 Net Assets Without Donor Restrictions.....25

 Net Assets with Donor Restrictions26

XVII. Loans26

XVIII. Conflict of Interest.....26

 Disclosure27

XIX. The Role of the Finance Committee.....27

 Committee Membership:27

 Functions and Responsibility:28

XX. Insuring Against Risk28

XXI. Attendance Fees, Member Registration and Program Fees29

XXII. Gift-In-Kind29

XXIII. Donated Stock and Cryptocurrency Policy30

XXIV. Investment Policy30

I. Division of Responsibilities

The organization's financial duties are distributed among multiple people to help ensure protection from fraud and error. The distribution/segregation of duties aims for maximum protection of the organization's assets while also considering efficiency of operations. The following is a list of personnel who have fiscal and accounting responsibilities:

Board Chair

1. Delivers the President/CEO's annual performance review including compensation updates.

Board of Directors

The primary role of the board is oversight. As the legally accountable entity for the entire organization, the board has overall responsibility for its financial health.

1. Review and approve the annual budget
2. Review annual and periodic financial statements and information
3. Review President/CEO's performance annually and establish the salary
4. Four members of the board will be appointed by the board to be authorized signers on the bank accounts
5. Review and advise staff on internal controls and accounting policies and procedures

Treasurer

The treasurer's job is to review the organization's finances at least monthly and act on the board's behalf on financial matters when action is required in advance of a meeting of the Board of Directors.

1. Manage the asset accounts
2. Meet with CFO on a regular basis to prepare financial reports for board meetings
3. Provide and report on the quarterly financial reports to the board at each quarterly meeting, that reflect the financial position of Boys & Girls Clubs of Central Minnesota, including all current and long-term indebtedness, cash position and other such details as are feasible and required
4. Assure that all officers, directors and personnel who handle Boys & Girls Clubs of Central Minnesota monies and other assets are bonded to an extent commensurate with their exposure and as authorized by the board
5. Assure Boys & Girls Clubs of Central Minnesota financial records are externally audited on an annual basis consistent with acceptable standards of accounting.
6. Assure that required financial reports are submitted on a timely basis to the IRS, state agencies and others as appropriate
7. Maintain communications and work closely with the CFO, President/CEO other employees and officers who oversee the day-to-day fiscal affairs of the organization to assure openness and integrity in every aspect of financial management and control
8. Serve as Chair of the Finance Committee
9. Assist the CFO, President/CEO and Accounting team to prepare the annual audit

President/Chief Executive Officer

The primary responsibility of the President/CEO is to understand the organization's finances, interpret them for other stakeholders and, together with the board, see that the organization remains financially accountable to its community.

The board delegates responsibility to the President/CEO to:

1. Make spending decisions within the parameters of the approved budget
 2. Create and amend operating procedures and controls
 3. Review and approve all financial reports, including cash flow projections
 4. Develop an appropriate budget annually before the beginning of the new fiscal year
 5. Review and sign all issued checks and/or approve check-signing procedures
 6. Review and approve all grant submissions
 7. Is on-site signatory for all bank accounts
 8. Oversee adherence to all internal controls
 9. All Cabinet level personnel decisions are made by the President/CEO
 10. Asset Protection
 - a. Insure 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
 - b. Plan and carry out suitable protection and maintenance of property, building and equipment
 - c. Protect intellectual property, information and files from unauthorized access, tampering, loss or significant damage
 - d. Receive, process and disburse funds under controls that are sufficient to maintain basic segregation of duties to protect bank accounts, income receipts and payments
1. The President/CEO shall not make ANY contractual commitments for bank loans or real estate leases or purchase without specific approval from the board

Chief Finance Officer

1. Monitor program budgets in collaboration with President/CEO and Vice President of Operations
2. Manage Restricted Funds expenditures in collaboration with President/CEO
3. Insure obligations are paid and required reports filed in a timely manner
4. Oversee all non-payroll checks using NetSuite Accounting Software
5. Prepare all financial reports, including cash flow projections
6. Approve all program expenditures collaborating with VP of Operations.
7. Review all payrolls
8. Review and manages cash flow
9. Review and approve reimbursements and fund requests
10. Review & approve all GL Transactions
11. Reconcile the statement of credit card deposits and service charges
12. Assist President/CEO with development of annual and program budgets
13. Review incoming and outgoing invoice and transactions
14. Open all incoming mail from the financial auditors, banking relationships and tax authorities.
15. Monitor all expenses to ensure most effective use of assets
16. Monitor grant reporting and appropriate release of temporarily restricted funds
17. Oversee expense allocations
18. Monitor and make recommendations for asset retirement and replacement
19. Review, revise and maintain internal accounting controls and procedures
20. Open all bank statements, review for any irregularities and approve completed monthly bank reconciliations
21. Review all financial reports

Purchasing Agent/Accounts Receivable Manager

1. Review and reconcile all site deposits

2. Ensure all checks are endorsed "Pay to the Order of Boys & Girls Club of Central MN, For Deposit Only, Account # XXXXX"
3. Prepare journal entries to record all deposits
4. Mail out vendor checks
5. Track and monitor all cash receipts
6. Reconcile credit card statements to the general ledger
7. Receive and open all incoming mail, except bank statements, addressed to Boys & Girls Clubs of Central Minnesota or without specific addressee
8. Deliver unopened bank statements to the CFO
9. Fulfill all purchasing requests, assuring quality, pricing and delivery are within budget
10. Issue purchase orders
11. Maintain and monitor inventory levels
12. Perform annual asset audit and biannual inventory count
13. Monitor CACFP & SFSP Sites for Compliance - Trainings & Audits
14. Submit CACFP & SFSP reimbursement reports

Accountant/Accounts Payable Accountant

1. Overall responsibility for transaction entry into accounting system
2. Lead the accounting department in day-to-day financial operations, including accounts payable, accounts receivable, general ledger, and payroll.
3. Oversee the preparation of accurate and timely financial statements, complete month end transactions, and provide grant reports.
4. Manage cash flow, general banking entries and reconciliations, forecasting and financial planning activities.
5. Collaborate with the CFO on a variety of issues such as on the annual audit process, analyze financial data and provide strategic recommendations.
6. Work closely with the CFO to develop and maintain internal controls to ensure compliance with accounting standards and regulations.
7. Compiles and prepares data for reports and audits.
8. Assist HR in processing payroll for employees, ensuring accuracy and timeliness.
9. Prepare all accounts payable transactions, including the coding of invoices to the appropriate account, period and/or grant
10. Reconcile cash accounts, except the general operating account
11. Compile monthly financial reports for various grants
12. Monitor and track dollars for scholarship fund
13. Manage petty cash fund
14. Process all inter-account bank transfers
15. Double-check all reimbursement requests against receipts provided
16. Make payments to outside vendors

HRIS Manager/Accounting Assistant

1. Maintain BGCMN's Human Resource Information System (HRIS).
2. Act as primary support for HRIS needs and questions for all employees.
3. Manage and process employee payroll ensuring compliance and regulations at the federal, state and local levels.
4. Enter and update a variety of employee data with intense focus on accuracy and detail.
5. Perform regular audits and maintain records pertaining to employee/volunteer files including but not limited to trainings, checklists, BGCA requirements, performance reviews and background studies. Support additional audits by providing financial data and documentation.

6. Administer enrollment and termination processes for all benefits plans and serve as the primary point of contact for employee inquiries related to benefits, clarifying eligibility, coverage, and claims procedures. Responsible for tracking employee leaves of absence.
7. Provide and track required reports as necessary including but not limited to BLS, ACA, OSHA, UI, benefits, grants, audits, etc.
8. Responsible for research and drafting of employee information relating to employment verifications and submitting on a timely basis, i.e. medical assistance, loans, housing, employment references, etc.
9. Responsible for reconciling monthly reports including but not limited to benefits and job postings.
10. Assist in Grant Reporting
11. Oversee/Assist Purchasing Agent

II. Chart of Accounts and General Ledger

Boys & Girls Clubs of Central Minnesota has designated a Chart of Accounts specific to its operational requirements and the requirements of its financial statements. The Chart of Accounts is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification (program vs. fundraising vs. administration). The CFO is responsible for maintaining the Chart of Accounts and revising as necessary.

The general ledger is automated and maintained using our accounting software NetSuite. All input and balancing are the responsibility of the CFO, with monthly review and approval by the President/CEO and Board Treasurer.

The President/CEO reviews all transactions posted to the general ledger on a monthly basis.

Separate Login Credentials

To safeguard the integrity and security of financial data within the General Ledger system and any connected accounting systems, each user must have unique and separate login credentials.

Policy:

1. **Unique Usernames and Passwords:** Every individual authorized to access the General Ledger system or any connected accounting systems, regardless of their role or level of access, shall be assigned a unique username and password combination.
2. **No Sharing of Credentials:** The sharing of login credentials, including usernames and passwords, with any other individual, is strictly prohibited.
3. **Strong Password Requirements:** Passwords must adhere to the organization's established password complexity standards. This typically includes a minimum length, a combination of uppercase and lowercase letters, numbers, and special characters.
4. **Regular Password Changes:** Users will be required to change their passwords periodically, in accordance with the organization's password policy.
5. **Account Lockout:** Multiple failed login attempts will result in the temporary or permanent lockout of the user's account, requiring intervention from authorized personnel.

6. **Termination and Transfer:** Upon termination or transfer of an employee, their General Ledger and accounting system access shall be immediately revoked or modified to reflect their new role, respectively.
7. **Access Control:** User access to specific modules, functions, and data within the General Ledger system and accounting systems will be granted based on the principle of least privilege, ensuring that users have access only to the information necessary to perform their duties.
8. **Audit Trail:** The General Ledger system and accounting systems shall maintain a comprehensive audit trail that logs all user activity, including logins, data modifications, and other actions.
9. **Enforcement:** Non-compliance with this policy may result in disciplinary action, up to and including termination of employment.
10. **Policy Review:** This policy will be reviewed periodically and updated as necessary to ensure its continued effectiveness.

III. Cash Receipts

Cash receipts generally arise from:

1. Contracts and Grants
2. Direct donor contributions
3. Fundraising activities
4. Attendance and program fees

All checks and cash received are recorded in Odyssey, if program related, or on the s drive, if non-program related, listing the date received, payer, purpose and amount received.

A deposit record is prepared and attached to the NetSuite transaction record listing the source, description, date received, and the amount deposited for each line item.

The principal steps in the cash receipts processes for non-program related deposits are:

The Purchasing Agent/Accounts Receivable Manager receives incoming mail and delivers all payments and bank statements to the CFO, or drops in a locked safe. The CFO opens, reviews and forwards to the Accountant to prepare the deposit, endorse all checks and scan documentation into the S drive. The Accounts Receivable Manager takes the deposit to the bank. A copy of the deposit slip is attached to the deposit. The Purchasing Agent/Accounts Receivable Manager enters the information into accounting and it is reviewed and posted by the CFO.

1. The Accountant will endorse all checks by rubber stamp to read as follows:
 - a. PAY TO THE ORDER OF Boys & Girls Club of Central MN
 - b. Account # XXXX
 - c. FOR DEPOSIT ONLY
2. The endorsement stamp will specify into which corporate account (Checking, Savings, Restricted Funds) the deposit will be made.
3. The checks are kept in a locked box or safe until deposited at the bank or deposited by remote capture.

The principal steps in the cash receipts processes for program related deposits are:

Each Site Manager prepares the deposit for their site and submits to the Accounts Receivable weekly. This includes the bank slip and a summary sheet for accounting. The Accounts Receivable reviews for accuracy and takes cash/checks to the bank. The receipts from the bank are matched up with the summary sheets and entered into accounting by the Purchasing Agent/Accounts Receivable Manager, reviewed approved by the CFO.

Cash receipts are created by the Site Managers upon payment and the original copy is provided to the paying party and the 2nd copy is included in their deposit. The Accounts Receivable Manager files the cash receipts by number, checks for number gaps and investigates and discrepancies.

1. The Site Manager will endorse all checks by rubber stamp to read as follows:
 - a. PAY TO THE ORDER OF Boys & Girls Club of Central MN
 - b. Account # XXXX
 - c. FOR DEPOSIT ONLY
2. The endorsement stamp will specify into which corporate account (Checking, Savings, Restricted Funds) the deposit will be made.
3. The cash and checks are kept in a locked box or safe until deposited at the bank or deposited by remote capture.

IV. Inter-Account Bank Transfers

The Accountant monitors the balances in the general, money market and payroll bank accounts to determine when there is a shortage or excess. Excess or shortage of funds in the general account are transferred into/out of the money market account. Every payroll, funds are transferred into the payroll account from the money market account.

V. Cash Disbursements & Expense Allocations

Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Meeting expenses
3. Employee reimbursements
4. Marketing/promotional materials

All payments, except petty cash, are made by pre-numbered checks and are accompanied by substantiating documentation. Sequentially numbered organizational checks are to be used to maintain proper control over checks. Documentation may be an invoice (bill) or requisition form/P.O. #.

Incoming Invoice Processing:

1. When a bill or invoice is received, the Accountant attaches the document to the purchase order or voucher that has been created. Next, the Accountant verifies the voucher is expensed into the general ledger correctly and marks the voucher ready for approval. The CFO reviews and posts the entry.
2. Checks are processed biweekly. Checks may be prepared manually within one day, but this should be limited to emergency situations.
3. The Accountant is responsible for the preparation of disbursements. All disbursements are to be made by check unless the items are considered to be a petty cash transaction.
4. The voucher is attached to the original vendor invoice and/or any other supporting documentation.
5. The voucher includes the account codes to which the expense will be applied.

6. The CFO verifies the expenditure and amount.
7. The CFO approves for payment if in accordance with budget.
8. The CFO provides or verifies appropriate allocation information.
9. The Accountant issues the check(s) from NetSuite software. The checks are attached to the invoice and other supporting documentation being paid and signed.
10. While the President/CEO signs each check, any check made to pay invoices in excess of \$10,000 must have a 2nd signature by either the Treasurer, Secretary, Board Chair or 1st Vice Chair.
11. The Accounts Receivable Manager will mail the checks no later than 24 hours after the checks have been signed.
12. Supporting documentation will be scanned and attached to the transaction in NetSuite by the Purchasing Agent/Accounts Receivable Manager or Accountant.
13. Each month the Treasurer will review the check register.
14. Voided checks will have "VOID" written boldly in ink on the face and be kept on file.
15. In no event shall:
 - a. Invoices be paid unless approved by an authorized signer
 - b. Blank checks (checks without a date or payee designated) be signed in advance
 - c. Checks > \$ 200 (monthly) be made out to "cash," "bearer" or "petty cash"
16. In the event it is necessary to issue a duplicate check, a stop payment will be ordered at the bank on the original check.

Requests for cash disbursements are submitted to accounting three ways:

1. Original invoice
2. Purchase request (submitted on approved form)
3. Employee expense report or reimbursement request

Every employee reimbursement or purchase request must be documented on the approved form with travel authorization, receipts, nature of business, program allocation and funding source (if applicable) before approval for reimbursement as outlined below:

Lodging - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided and the specific business purpose.

Meals and Entertainment - a detailed receipt must be provided showing the cost of food, beverage and gratuities, including the specific business purpose.

Other Expenditures - a receipt from the vendor detailing all goods or services purchased (including the class of service for transportation) and the specific business purpose.

Expense Allocations

Most non-salary expenses that benefit more than one cost center (Administration, Kidstop, Club, Resource & Development and Facilities) are spread across those centers using a shared-cost method. Under this method, the cost is allocated based on projected ADP or a predetermined percentage.

Capital Expenditures:

For all major expenditures such as computers, furniture, audit services, etc., exceeding \$50,000 three bids are recommended unless required to be obtained before a purchasing decision is made. All bids, including quotes, must be recorded and kept on file.

Consultants:

Contracts with consultants will include rate and schedule of pay, deliverables, time frame of work to be done and other information such as work plan, etc. Justification for payment should be submitted to file. For example, if the Corporation hires a copywriter/graphic designer to create a publication, a copy of the final version should be included in the file.

Contracts:

Contracts for purchasing products or services, similar to a purchase order, should be created and maintained for the file.

VI. Credit Card Policy and Charges

- Only authorized business expenditures may be made by employees or board members using the corporate credit card. List the employees who can purchase items using BGCNMN Club credit cards
 - President/CEO (credit card in his/her name)
 - VP Resource Development (credit card in his/her name)
 - Sr. Director Marketing/Communication (credit card in his/her name)
 - CFO (credit card in his/her name)
 - VP of Operations (credit card in his/her name)
 - Sr. Director of Human Resources (credit card in his/her name)
 - Director of Club Operations (credit card in his/her name)
 - Director of KIDSTOP Operations (credit card in his/her name)
 - Sr. Site Manager – Little Falls Club (credit card in his/her name)
 - Purchasing Agent (credit card in his/her name-does the purchasing for all the Club and KIDSTOP sites)
 - Accountant (credit card in his/her name-used for auto pays/does not carry the card)
 - Human Resources Staff (allowed to use Accountant's Sr. Director of HR card online for specific vendors)
 - IT Specialist (allowed to use Accountant and/or President/CEO online with specific vendors)
 - Accounts Receivable Manager (will pay for fieldtrip's that sites take with credit card assigned to that vendor)

- The Boys & Girls Club Corporate Card limit is set when the vendor issues the card. The Accountant applies for all the credit cards for the Boys & Girls Club.

- All staff members who are authorized to carry a corporate credit card will be held personally responsible in the event any charge is deemed personal or unauthorized. Unauthorized use of the credit card includes personal expenditures of any kind; expenditures that have not been properly authorized; meals, entertainment, gifts or other expenditures that are prohibited by budgets, laws and regulations and the entities from which Boys & Girls Clubs of Central Minnesota receives funds.

- The receipts for all credit card charges will be given to the Accountant within five business days of the purchase, along with proper documentation. Purchasing Agent/Accounts Receivable Manager reconciles the invoices to the credit card statement charges and makes the payment to the credit card vendor (for expenses substantiated with receipts).

Any missing charges are tracked back to the cardholder and receipt/documentations requested.

- The President/CEO's credit card usage will be reviewed by the CFO.
- All expense reimbursement forms are completed by staff (with receipts attached) and then submitted to their supervisors to be approved/authorized. The supervisors then turn the forms into the accounting department to be paid.

VII. Accruals

To ensure a timely close of the General Ledger, Boys & Girls Clubs of Central Minnesota may book accrual entries. Some accruals will be made as recurring entries if deemed material by Management.

Accruals to consider:

1. Attendance fees, grants receivable, monthly interest earned on money market accounts, certificates of deposits, etc.
2. Recurring expenses, including employee vacation accrual, national dues, shared space, prepaid insurance, depreciation, etc.

VIII. Bank Account Reconciliations

1. All monthly bank statements received are given, unopened, to the CFO, who will review the statements for unusual balances and/or transactions, inconsistent check numbers, signatures, cash balances and payees. After review by the CFO, he/she will initial and date the top right-hand corner of the first page of each bank statement reviewed.
2. The CFO or designated Finance Volunteer completes the reconciliation of the general account and gives the other statements to the Accountant for timely reconciliation as follows: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement; a comparison of inter-account transfers; an investigation of any rejected items; and a comparison of cleared checks with the accounting record including amount, payee and sequential check numbers.
3. The Accountant should reconcile each account promptly upon receipt of the bank statements. All accounts will be reconciled no later than the 20th of the following month.
4. When reconciling the bank accounts, the following items shall be included in the procedures:
 - a. A comparison of dates and amounts of daily deposits as shown on the bank statements with the cash receipts journal
 - b. A comparison of inter-organization bank transfers to be certain both sides of the transactions have been recorded in the accounting software
 - c. An investigation of items rejected by the bank, e.g., returned checks or deposits
 - d. A comparison of cancelled checks with the disbursement journal as to check number, payee and amount
 - e. An accounting for the sequence of checks both from month to month and within a month
 - f. An examination of canceled checks for authorized signatures, irregular endorsements and alterations
5. The CFO will verify that voided checks, if returned, are appropriately defaced and filed.
6. The CFO will investigate any checks that are outstanding over six months.

7. The Accountant will initial and save on the s drive, each completed bank reconciliation and bank statement.
8. The Accountant's reconciliation reports will be reviewed, approved, dated and initialed by the CFO.

IX. Other General Ledger Accounts Reconciliation

Each month, the CFO, President/CEO, and Treasurer shall review the ending balance shown on balance sheet accounts.

Assets:

These accounts will include cash, petty cash, receivables, long-term investments, and property and equipment.

- a. Cash – The balances in cash accounts should agree with the balances shown on the bank reconciliation for each month.
- b. Petty Cash – The balance in this account should always equal the maximum amount of all petty cash funds. The current amount equals \$200.00.
- c. Receivables – The balances in the various receivables should equal the total of each detailed report.
- d. Long-term investments – The amounts should tie to the quarterly statements received from the Community Foundation.
- e. Property and Equipment – The amounts in this account should equal the totals generated from the audited depreciation schedules. When additional purchases are made during the year, the balances in the accounts should be updated accordingly.

Liabilities:

These accounts are described as accounts payable, payroll related liabilities, loans and amounts due others.

- f. Accounts Payable – The balance in this account should equal amounts owed to vendors at the end of the accounting period and the aging report.
- g. Payroll Related Liabilities – The amounts in these accounts should equal amounts due to employees for wages and vacation earned, but not yet paid. Also included are amounts withheld from employee paychecks, and the corresponding employer's portion of the expense for the period that has not been remitted to government agencies.
- h. Loans and Amounts Due to Others – If there are any loans or amounts owed to others at the end of the period, they should be recorded and the correct balance updated in the general ledger accounts.

Income/Expenses:

These accounts are described as income from activities, public support, fundraising, investments and building partner's contributions. Expense line items include compensation, program related items and administrative overhead.

- i. Income – Revenue should be reconciled with member activity reports, grant agreements, drawdown schedules, etc.
- j. Gross Salary Accounts – The balances in the gross salary accounts should be added together and reconciled with the amounts reported on the quarterly payroll returns.
- k. Other Expenses – When applicable, the amounts charged shall be reconciled to the contracts.

X. Petty Cash Fund

Petty cash funds are maintained by the organization. The funds are to be used for miscellaneous or unexpected purchases and the same approval procedures apply as mentioned previously in the cash disbursement section.

1. The petty cash fund will not exceed \$200 and is kept in a locked safe at all times.
2. The Accountant and CFO oversee the petty cash fund.
3. A single disbursement from petty cash shall never exceed \$50.00.
4. All disbursements made from petty cash are acknowledged in writing by the receiving party.
5. All money returned to the petty cash fund is counted and verified by the Accountant. Receipts for items purchased with petty cash must be included with the return and should include appropriate account allocations as well as supervisor approval.
6. When it is time to replenish the petty cash fund, the Accountant shall total out the expenses made and identify those expenses by general ledger account number. When the check request is submitted for payment, it should indicate the total amount needed to bring the fund back up to \$200. Also, the check request should break down the various expense accounts being charged and the amount charged to each.
7. When a request for petty cash reimbursement is made to the Accountant, the items will be listed on the Petty Cash Receipt. A description of the item purchased should be recorded together with the amount. A vendor receipt must be received by the Accountant for the amount of the request for the request to be approved.
8. The recipient of the petty cash funds must sign the slip to indicate receipt of reimbursement. The paid receipt should be attached to the slip. All paid information should remain in the locked petty cash safe until it is time to replenish the fund. At that time, the Petty Cash Fund Reconciliation Sheet and associated receipts are attached to the check request voucher.
9. The petty cash safe is to be locked at all times when the Accountant is not disbursing or replenishing the fund.
10. At least once annually, the CFO, President/CEO or Treasurer should conduct a “surprise” review of the fund. When this is done, he/she shall count, while the Accountant is in attendance, the total monies on hand and the total amount of receipts in the petty cash box. The two amounts should equal exactly \$200.00. Any discrepancies should be discussed and resolved immediately.
11. Petty cash can be disbursed only with the approval of the Accountant.
12. It is a policy of the organization not to cash checks of any kind through the petty cash fund.

XI. Property and Equipment

1. Property and equipment include items such as:
 - a. Office furniture and equipment
 - b. Computer hardware
 - c. Computer software
 - d. Interconnectivity devices (telephone equipment, security cameras, Wi-Fi routers, etc.)
 - e. Land, buildings, and leasehold improvements
2. All significant acquisitions and renovations that increase the value of assets are capitalized.
3. It is the organization’s policy to capitalize all items that have a unit or project cost greater than two thousand dollars (\$2,000.00) and a useful life of longer than one year.

4. Buildings, vehicles and equipment are depreciated using the straight-line method over the estimated useful lives ranging from 3 to 80 years.
5. Items or projects purchased with a value or cost less than two thousand dollars (\$2,000.00) will be expensed in the period purchased.
6. All expenditures for repairs and maintenance are expensed in the period in which the cost is incurred.
7. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or use. Absent donor stipulations regarding how long the donated asset must be maintained, the Club reports expirations of donor restrictions when the donated assets are placed into service.

The depreciation periods for capitalized assets are as follows:

Computer Hardware	60 months
Office Equipment	60 months
Office Furniture	60 months
Computer Software	36 months

8. A Fixed Asset Schedule is maintained by the Accountant. The Fixed Asset Schedule shall include:
 - a. Date of purchase
 - b. Asset description
 - c. Purchase/donation information
 - d. Cost/fair market value
 - e. Donor/funding source, if applicable
 - f. Funding source restrictions on use or disposition
 - g. Identification number
 - h. Depreciation period
9. The Schedule will be reviewed and approved by the CFO, President/CEO, Treasurer or Board Chair.
10. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
11. The President/CEO shall be informed in writing of any significant change in status or condition of any property or equipment.
12. To ensure the assets of the Corporation are adequately protected and maintained, the President/CEO shall:
 - a. Insure 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
 - b. Plan and carry out suitable protection and maintenance of property, building and equipment
 - c. Avoid actions that would expose the organization, its board or its staff to claims of liability
 - d. Protect intellectual property, information and files from unauthorized access, tampering, loss or significant damage

- e. Receive, process and disburse funds under controls that are sufficient to maintain basic segregation of duties to protect bank accounts, income receipts and payments

XII. Personnel Records

1. The Sr. Director of HR is charged with the responsibility of maintaining personnel files.
2. All personnel files shall contain the following documents:
 - a. Application and/or resume
 - b. Date of employment
 - c. Position and pay rate
 - d. Authorization of payroll deductions
 - e. W-4 withholding authorization
 - f. Termination data, where applicable
 - g. Signed confidentiality agreement
 - h. Signed acknowledgement of receipt of Employee Handbook
 - i. Emergency contact form
 - j. Background check data
 - k. Other forms as deemed appropriate by the President/CEO
3. All employees will fill out an I-9 form and submit the allowable forms of identification to the Sr. Director of HR or HR Assistant.
4. The completed I-9 forms will be kept in a secure location separate from the personnel files.
5. All personnel files are to be kept in a secure, locked file cabinet, or in a secured online format
 1. Access to these files other than by the Sr. Director of HR, HR Business Partner, Recruitment Coordinator, HRIS Manager, President/CEO, Board Chair, Vice Chair, Board Secretary, BGCA External Assessment Auditor, or the auditor should be requested in writing to the Sr. Director of HR, President/CEO or Board Chair.

XIII. Payroll Processing

Boys and Girls Clubs of Central Minnesota uses Creative Planning's payroll department for processing biweekly payroll. Creative Planning does not have access to any of the client's accounts, does not make any transfers, deposits or have custody of any of the client's accounts or funds. Creative Planning also does not make any management decisions relating to the client. Payroll processing by Creative Planning's payroll department is merely a function of processing the information given to them by the client. There are no independence issues in regards to the annual audit.

Vacation Pay:

- Accountant and Creative Planning track vacation time in payroll system
- HRIS Manager reviews vacation time while processing payroll
- All full-time employees are eligible for paid vacation time.
- On the anniversary date of benefit eligibility, an employees' vacation balance may not exceed 1 1/2 times the allowed vacation assigned for number of years of service. The employee will forfeit any vacation over the allowed amount.
- Unused vacation pay is paid out to terminated employees per employee handbook policy.

Sick Time Pay:

- All employees performing at least 80 hours of work during the benefit year are eligible to

accrue and use Employee Safe and Sick Time (ESST) under this policy. BGCMN's benefit year is the 12-month period starting on January 1st and running through December 31st.

- **Leave Accrual and Year End**

- All employees (full-time and part-time) will earn one hour of paid sick time for every 30 hours worked up to 48 hours accrued in BGCMN's benefit year. Employees may accrue and carry up to 80 hours of ESST. At year-end, employees may carry up to 80 hours of unused ESST time into the next benefit year.
- For accrual purposes, full-time exempt employees whose time is not tracked will be deemed to have worked 40 hours per week.
- 80 hours is the maximum balance that employees may carry, which means that when an employee's balance reaches 80 hours, further accruals will stop until further ESST time is used and the employee's balance drops below 80 hours.
- Employees do not accrue ESST time during non-working time (paid time off).
- An employee who returns to work within 180 days of separation will have their accrued ESST hours (at the time of separation) re-established.

See Employee Handbook for full policy, procedures, and details.

Retirement Plan:

- Creative Planning and the Accountant processes retirement deferrals.
- CFO reviews all deferrals.
- UBS is the Boys & Girls Clubs of Central Minnesota's 401K plan advisor (401K plan, Form 5500 prep – no audit required as number of eligible participants is under 100 as of the beginning of the plan year)
- Company contributions are determined per board decision and in compliance with BGCA membership requirements. The contribution match rate will be 100% of the first 3 % of employee contributions and 50% of the next 2% of employee contributions.

Health Care Act:

- Gallagher is Boys & Girls Clubs of Central Minnesota's Health Insurance Broker and provides guidance for Health Care Act

Other Accruals:

As needed to fairly represent the liabilities of the Corporation.

Third Party

If the employee requests their check be turned over to a third party, the request must be made in writing prior to distribution.

State and Federal pay

All quarterly federal and state payroll reports will be prepared and filed by Creative Planning and reviewed by the CFO.

W-2 Statements

All W-2 statements are issued to employees prior to January 31st for the prior calendar year.

XIV. End-of-Month and Fiscal Year-End Close

1. The President/CEO will review and approve all month-end and year-end journal entries. The approval is printed and saved for audit purposes.
2. At the end of each month and fiscal year-end, the CFO will review all balance sheet accounts, including verification of the following: cash accounts match the bank reconciliations; fixed assets accounts reflect all purchases, write-downs and/or retirement of debt; and accounts receivable and payable accounts match outstanding amounts due and owed.
3. The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match payroll reports, including federal and state payroll tax filings.
4. Once the final monthly and fiscal year-end financial statements are run, reviewed and approved by the CFO no more entries or adjustments will be made into that month's or year's ledgers.
5. At the end of the fiscal year, the CFO and Creative Planning will prepare the annual Return for Organization Exempt from Income Tax (IRS Form 990). The return will be presented to the President/CEO, the Finance Committee and the Board of Directors for their review and approval. The CFO will then file the return with the Internal Revenue Service and BGCA by the annual deadline.
6. All other appropriate government filings, including those required by the state tax board and attorney general's office, will be completed and filed with the appropriate agency.

XV. Financial Reports and Cash Reserves:

1. The CFO will prepare the monthly, quarterly and annual financial reports as appropriate for distribution to the President/CEO, Board Treasurer, Finance Committee and Board of Directors. The reports may include:
 - a. Statement of Financial Position (Balance Sheet)
 - b. Statement of Revenues and Expenditures (Profit & Loss)
 - c. Budget Versus Actual Report for each department and location that has an established budget
 - d. Budget Versus Actual Report for the organization
2. Monthly financial reports will be submitted to the Finance Committee and quarterly financial reports to the Board of Directors, for review and approval.
3. These reports shall be finalized by the conclusion of the following month.
4. At year-end-an audit shall be completed.

Managing Cash Flow:

- a. Cash flow is forecasted annually as part of the budget process.
 - i. The cash flow plan is overseen by the Finance Committee.
 - ii. The Finance Committee reports to the full Board when there is significant variances from the projection.

- b. Projections contain income, cost and capital expenditures. Reserve Policy provides adequate reserves to shield the organization from internal problems, unexpected repair or maintenance expenses or disruptions in the economy as a whole.

Cash Reserves:

- c. The Board establishes a reserve policy to shield the organization from internal problems, unexpected repair or maintenance expenses or disruptions in the economy as a whole.

XVI. Grant Compliance

1. When a new grant is received (or renewed) a copy of the fully executed grant must be forwarded to the CFO and VP of Resource Development.
2. The VP of Resource Development shall set up a permanent file for the grant and maintain the contract, as well as any other financial correspondence regarding the grant.
3. The President/CEO, CFO, and VP of Resource Development will carefully review each award and contract to ensure compliance with all financial and programmatic provisions.
4. The CFO shall account for donor-restricted and board-designated funds separately from general operating funds and clearly define the restrictions applicable to these funds.
5. It is the policy of the organization to adhere to any restrictions imposed by its funders, both governmental and private. Therefore, the organization's employees are expected to bring to the attention of management any instances of noncompliance.
6. The VP of Resource Development is responsible for submitting all financial/grant reports on time.
7. Any changes in the purpose for which grant funds are spent must be approved in writing by the VP of Resource Development. Before implementation, the VP of Resource Development will obtain written approval from the grantor foundation.
8. Boys & Girls Clubs of Central Minnesota retains the right – if sponsored project's breaches the fiscal sponsorship agreement or a sponsored project jeopardizes the organization's legal or tax status to withhold, withdraw or demand immediate return of grant funds.
9. When the organization is expending federal funds, prior written approval from the funder agency is required for the purchase of:
 - a. Capital expenditures for land or buildings
 - b. Insurance and indemnification expenses
 - c. Pre-award costs
 - d. Public information service costs
 - e. Rearrangement and alteration costs
10. The organization will never request federal funds to pay for the following costs:
 - a. Bad debt expense
 - b. Contingencies
 - c. Contributions or donations to others
 - d. Entertainment expenses
 - e. Fines and penalties
 - f. Interest, fundraising and other financial costs
11. Federal funds received in advance will be deposited into a separate federally insured bank account. Any interest earned from those monies will be submitted to the funder agency.
12. It is the organization's policy to receive federal funds only on a reimbursement basis.

Net Assets Without Donor Restrictions

Amounts are not subject to donor-imposed restrictions. The principal sources of these dollars are: attendance fees, grants, contributions and investment income.

Net Assets with Donor Restrictions

These represent resources that are subject to donor or grantor-imposed restrictions. Some are temporary in nature and others are perpetual in nature. When a donor restriction is fulfilled or the time period expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

XVII. Loans

1. The Board of Directors will approve all loans.
1. A Promissory Note will be prepared and signed by the Board Chair, Treasurer, Secretary and President/CEO before funds are made available.

XVIII. Conflict of Interest

1. All employees, members of the Board of Directors, and committee volunteers are expected to use good judgment, adhere to high ethical standards and act in such a manner as to avoid any actual or potential conflict of interest. Examples include employers, business and other nonprofit affiliations and those of family members or a significant other. This written disclosure will be kept on file and will be updated annually and as needed.
2. Employees, board members, and committee volunteers must disclose any interest in a proposed transaction or decision that may potentially create a conflict of interest. After disclosure, the employee or board member will not be permitted to participate in the transaction or decision.
3. Should there be any dispute as to whether a conflict of interest exists:
 - a. The President/CEO shall determine whether a conflict of interest exists for an employee and shall determine the appropriate response.
 - b. The Board of Directors shall determine whether a conflict of interest exists for the President/CEO or a member of the board and shall determine the appropriate response.

A conflict of interest occurs when the personal, professional or business interests of an employee or board member conflict with the interests of the organization. Both the fact and the appearance of a conflict of interest should be avoided.

The organization shall avoid financial transactions with “disqualified persons” – those who exert substantial influence over the creation, control or funding of the organization. A transaction with a board member, director, high-level employee, major donor or family member of any of those parties would create a duality of interests. Areas of primary concern include:

- Sale, exchange or leasing of property
- Lending of money or credit
- Furnishing goods, services or facilities
- Transfer or use of income or assets
- Higher than market rate transactions
- Excessive compensation to board members or senior staff
- Private use, such as excessive travel or entertainment expenses

Payments to any government officials and excessive lobbying are also forbidden.

Steer clear of transactions that give – or appear to give – excessive benefit, where the value of the benefit received exceeds the value of the product or service provided. For example, executive salaries should be reasonable compared to those of similar organizations.

Four conditions must be met before engaging in any related-party transaction:

1. Compensation must be at or below competitive market rates.
2. The party must not use its influence for personal gain. As such, they must abstain from discussing and voting on the transaction.
3. All decision-makers must be fully aware of the relationship.
1. The relationship should be disclosed in writing in the footnotes of the audited financial statements.

Disclosure

Disqualified persons must disclose any activity or relationship that is or might appear to be a conflict of interest. Once per year, each board member shall be required to submit a signed disclosure statement that describes activities such as employment, other board memberships (corporate or nonprofit), relevant affiliations, related personal or professional dealings and any other relationships or business interest that might result in conflict. The related activities of close family members should also be reported.

XIX. The Role of the Finance Committee

The Finance Committee is a standing committee of the Board of Directors. Its principal responsibilities are to see that appropriate accounting policies and internal controls are established and followed and that the organization issues financial statements and reports on time and in accordance with its regulatory obligations.

The Finance Committee is chaired by the Treasurer and ensures the Boys & Girls Clubs of Central Minnesota satisfies its fiduciary responsibilities in full.

Committee Membership:

The Chair of the Finance Committee will approve Finance Committee members. It will be composed of at least three board members, independent of Club management as well as lay committee members.

1. The Finance Committee assists the Board of Directors in ensuring appropriate accounting policies and internal controls are established and followed; financial statements and reports are issued on time and in accordance with regulatory obligations; and insurance and investment matters are adequately addressed.
2. The Finance Committee oversees the search for and retention of an audit firm and evaluates its performance.
 - a. Review and approve the scope of the annual external audit
 - b. Request that external auditors study a particular area of interest or concern
 - c. Review and approve the audit report issued in conjunction with the special audit work, including management responses and plans to address those areas identified during the audit
 - d. Review and approve the annual financial statements and auditors' report
 - e. Review management letters, including management responses and plans to address the resulting recommendations
3. Review accounting and fiscal policies, including those related to investments, insurance, risk management, contracts, transfers and inter-fund borrowing, regulatory obligations, endowment and fundraising, and conflict of interest.
4. The Finance Committee ensures that management performs the following tasks:
 - a. Carry out the annual budget process

- b. Substantiate that staff compensation is not excessive
 - c. Oversee monthly financial statement reporting
 - d. Manage any endowment or reserve funds
 - e. Assess the adequacy of internal controls
 - f. Promulgate and enforce all accounting and fiscal policies, including those related to investments, insurance, risk management, contracts, transfers and inter-fund borrowing, regulatory obligations and fundraising
5. The Finance Committee seeks to secure the understanding and approval of the board on financial matters and serves as a liaison between the board and staff in monitoring financial performance.
 6. The Finance Committee ensures that all fiscal policies are clearly stated in writing and implemented consistently.

Functions and Responsibility:

- B. Areas the committee will review and study prior to recommending action to the board:
 1. Review accounting and fiscal policies, including those related to investments, insurance, risk management, contracts, transfers and inter-fund borrowing, regulatory obligations, endowment and fundraising, and conflict of interest.

XX. Insuring Against Risk

The board shall be aware of the organization’s overall risk management profile and carry appropriate insurance to ensure the organization will continue to function under adverse conditions. The assets shall be insured, as outlined below. The board shall be informed on an annual basis, at least, regarding what types of insurance for which the organization is covered. The Boys & Girls Clubs of Central Minnesota shall carry Directors’ and Officers’ insurance to cover legal fees.

Boys & Girls Clubs of Central Minnesota shall provide the following insurance policies:

TYPE OF INSURANCE	WHAT IT COVERS
Commercial Property Contents	Damages to property and on-site injuries
General & Professional Liability Insurance	Basic exposure of the organization, such as premises and operations
Child Sexual Abuse & Child Molestation Liability Insurance	Sexual abuse of children in the program
Directors & Officers Liability Insurance	Legal action taken against board members or executives in the course of service
Employee’s Dishonesty Bond Insurance	Losses due to mismanagement
Workers Compensation	On-the-job injury

XXI. Attendance Fees, Member Registration and Program Fees

Boys & Girls Clubs of Central Minnesota is committed to providing affordable programs in our community. Our practice is to not turn a child away from after-school or summer programs due to inability to pay. We ask parents to understand that the fees requested help support the long-term sustainability of our programs. Various programs are a privilege and, as such, scholarships are awarded as the organization's finances can support.

1. The purpose of attendance fees is to assist in covering the costs of the facility, equipment, supplies and qualified staff required to offer quality programs and services that meet the needs of the community.
2. Member Registration, Program and Attendance fees, shall be established by the organization on an annual basis.
3. Program fees are reflective of the needs of the community and the organization.
4. Membership Registration fees are charged for the school year and summer, for KIDSTOP programming.
5. Membership Registration fees shall not be prorated based on time of purchase.
6. Attendance fees can be reduced by the organization if family financial circumstances warrant.
 - a. Parents/guardians complete Scholarship Application, which includes verification of all income and expenses
 - b. The Director of KIDSTOP uses a predetermined worksheet to calculate the percentage of subsidization
 - c. Separate scholarships forms are required for after-school and summer programs
 - d. Approved scholarships will be reviewed by the VP of Operations annually
 - e. All financial aid expires annually
 - f. VP of Operations, Directors, Site Managers and the President/CEO shall make no "deals" to families outside of board-approved policies
7. Late Pick-up Fees
 - a. Boys & Girls Clubs of Central Minnesota is committed to ensuring that parents/guardians pick up their children promptly, for the benefit of the children and to control program costs for the public
 - b. A late fee of \$20.00 will be added to KIDSTOP fees for every 15 minutes or a fraction thereof after 6:00 p.m.
8. Unscheduled Attendance & No-show Fees
 - a. An additional fee of \$5.00 will be added to KIDSTOP fees for days when a parent schedules a KIDSTOP day and the child does not show up.
 - b. When a child shows up unscheduled at KIDSTOP, an additional fee of \$5.00 is added for the day.
9. If a check is returned for insufficient funds, a fee of \$30 will be assessed.

XXII. Gift-In-Kind

Gift-In-Kind shall be defined as a non-cash gift. This includes items such as gift cards, arts, books and property.

1. In-kind gifts can be donated to Boys & Girls Clubs of Central Minnesota and are used to help improve programming, fulfill community needs and enhance the lives of the children and youth served by Boys & Girls Clubs of Central Minnesota.
2. Contributions of skills, services or time do not qualify as gifts-in-kind but rather as volunteering.
3. By law, nonprofit organizations cannot provide a donor with the dollar value of an in-kind gift. Such valuations, when applicable and relative to the "fair market value" of in-kind gifts, need to be professionally assessed and certified elsewhere — if they can be — and that is the responsibility of the donor. This certification subsequently needs to be resolved with the professionals and others who prepare the donor's tax forms, whose work in turn will need to be reconciled with IRS regulations. In instances where time and service are

donated, no tax break whatsoever is allowed, as IRS Publication 526 clearly states, “You cannot deduct the value of your time or services...”

4. Sample Acknowledgment for an In-Kind Gift

“Thank you for your generous gift of _____ (Full Description) _____, which we received on _____ (Date) _____. Your generous contribution will help to further the important work of our organization.”

NOTE: The benefit to the organization of the in-kind contribution may be expressed in exact terms of its direct application to the organization’s operation. In some cases, it may be more appropriate that an indirect reference be made when the application is not as sharply defined.

While, according to IRS regulations, you will not be allowed to declare the value of your donation from our acknowledgment, we can say that, but for your generosity, we likely would have had to expend approximately \$ _____ for what you gave as an in-kind contribution. These are dollars saved that we are able to apply directly to support the programs and services we provide for the well-being of those in our community.”

XXIII. Donated Stock and Cryptocurrency Policy

Boys & Girls Clubs of Central Minnesota (BGCMN) recognizes and appreciates the generosity of our donors who contribute stocks and cryptocurrency to support our mission. To ensure efficient and transparent financial management, the following policy outlines the procedure for the conversion of donated stocks and cryptocurrency into cash.

1. Acceptance of Stocks and Cryptocurrency:
 - a. GCMN accepts donations in the form of stocks and cryptocurrency.
 - b. The acceptance of such donations is subject to compliance with applicable laws and regulations.
2. Conversion Process:
 - a. Upon receiving a donation in the form of stocks or cryptocurrency BGCMN will initiate the process of converting these assets into cash.
 - b. The conversion will be conducted promptly and in accordance with the prevailing market conditions.
3. Authorized Financial Institutions:
 - a. BGCMN will work with authorized financial institutions or reputable cryptocurrency exchanges to facilitate the conversion process.
 - b. The selection of financial institutions and exchanges will be based on factors such as reliability, security, and compliance with regulatory requirements.

XXIV. Investment Policy

Investments are to be reviewed at least annually by the finance committee and revised as necessary by a majority vote of the Board of Directors. The Endowment Fund portfolio may be managed by an investment manager chosen by the finance committee or the finance committee if an investment manager is not utilized. If an investment manager is utilized, the finance committee will monitor the investment manager’s performance on an ongoing basis and conduct a compliance review annually.

INVESTMENT OBJECTIVE

The organization will invest its funds to achieve the following objectives:

1. **Short-Term:** Preserve capital and maintain liquidity to meet anticipated operating expenses and obligations.

2. Long-Term (Endowment): Generate a total return (income and appreciation) sufficient to support the organization's mission in perpetuity, while preserving the purchasing power of the endowment's principal.
3. Investments principal is protected by either:
 - a. Federal Depository Insurance (up to the maximum limit).
 - b. Assets pledged by the institution or letter of agreement to cover the uninsured portion, Repurchase agreements provide the necessary guaranty with the condition that the Bank maintains a Bauer rating of 4 or more stars. The CFO will be responsible for checking the Bauer ratings using the Bauer Financial Star Ratings and report the ratings each quarter to the Finance Committee
 - c. Transferred funds to a third party investment manager (e.g. Central Minnesota Community Foundation) with responsibilities for making investment decisions. Third party investment managers must be approved by the Club's Board of Directors.

SHORT TERM INVESTMENT GUIDELINES

1. Seek Competitive rates on all options.
2. Ladder maturity dates so funds are available when needed.

SHORT TERM INVESTMENT OPTIONS

1. Money Market Fund
2. Certificates of Deposits
3. U.S. Government Treasury Bills
4. Discount Notes
5. Federal Farm Credit Notes
6. Treasury Notes
7. Federal Agency Notes or Bonds
8. Commercial paper rated P1 or better
9. Investment managers approved by the Club's Board of Directors.

(Limit bond investments to securities guaranteed by the U.S. Government or one of its agencies, commercial paper rated P1 or better, and corporate bonds rated A or better.)

LONG TERM (ENDOWMENT) INVESTMENT OBJECTIVES

The assets of the Endowment Fund are to be invested with the care, skill and diligence that a prudent investor acting in the capacity of investing in endowment funds would undertake. The primary objective will be total asset return, including income, appreciation, and protection of principal. Investment Manager, in the remainder of this policy, denotes the investment manager utilized by the finance committee or, if no investment manager is utilized, it denotes the finance committee.

POLICIES

1. The investment manager will use the above objectives in making investment decisions to accomplish the goals set forth above. The "prudent investor rule" shall be the governing policy in making investments. This policy is not intended to restrict or impede the efforts of the investment manager to attain the Endowment Fund objective, nor is it intended to exclude them from taking advantage of appropriate opportunities as they arise. The investment manager shall have discretion and flexibility to implement objectives and policies herein set forth.
2. The investment manager shall establish and maintain an asset allocation to reflect and be consistent with the objectives and policies herein set forth. Non compliance with the asset allocation parameters must be resolved within a 12 month period.
3. The investment manager is prohibited from investing in private placements, letter stock, futures transactions, arbitrage and other uncovered options and is prohibited from engaging in short sales, margin transactions of other similar specialized investment activities.

ASSET ALLOCATION

1. The investment manager shall determine the asset allocation strategy to be utilized in investing the assets of the Endowment Fund. The overall allocation of assets shall be reviewed quarterly and changes in the percentage of allocation among the classifications of investments will be determined by the investment manager. The allocation of assets may be divided into percentages to be allocated to equities, fixed income securities and cash equivalents.
2. Because security market conditions may vary greatly throughout a market cycle, the investment manager or finance committee may change the asset mix of the Endowment Fund within the approved ranges as long as the same meets the overall objectives and is within the policy guidelines herein set forth. If the investment manager believes that certain opportunities justify allocations beyond the limits described above, it must obtain approval of the Board of Directors before making the investment change.
3. It is acknowledged that there may be funds in liquid assets, including a money market account held for investment, not included in the above percentage allocations.

INVESTMENT DEFINITIONS

1. Equities: All equity investments will be made within the guidelines of quality marketability and diversification mandated by the objective and policies set forth herein and shall be administered pursuant to investment policies. The investment manager will set quality standards for equity investments from time to time. Equity investments may be made from the New York, American and Regional Stock Exchanges and from the National Over the Counter Markets. Investments in securities of foreign companies trading in ADR's are permitted. The investment manager shall be responsible for the security, selection and diversification of its investments, but shall be limited to a maximum commitment of the Endowment Fund market value for an individual security of 10% and for a particular industry of 25%. The investment manager will have full discretion over the turnover and allocation of equity holdings among selected securities and industry groups within the limits described above.
2. Fixed Income: Investments in fixed income securities will be made to pursue opportunities presented by changes in interest rates, credit ratings and maturity premiums. The investment manager may select from appropriately liquid preferred stocks, corporate debt securities, obligations of the U.S. Government and its agencies and issues convertible to equities. These investments will be subject to the following limitations:
 - a. Investments in securities of a single issue (with the exception of U.S. Government and its agencies) shall not exceed 10% of the market value of the Endowment Fund.
 - b. Only corporate debt issues that meet or exceed an investment grade standard of A or higher from Standard & Poor's and/or from Moody's may be purchased.
 - c. Investment securities will be rated "B", "A", "AA" or better by Moody's and/or Standard & Poor's at the time of purchase.
3. Cash and Equivalents: The investment manager may invest in commercial paper repurchase agreements, treasury bills, certificates of deposit and money market funds to provide income, liquidity for payments and preservation of the Fund's principal value. All such assets must represent maturities of one year or less at the time of purchase. Commercial paper assets must be rated A-1 or P-1 by Standard & Poor's and/or Moody's respectively. Certificates of deposit will be limited to federally insured certificates, with the maximum amount insured by the FDIC for any one issue. The investment manager shall not purchase short-term financial instruments considered to contain speculative characteristics. The

investment manager shall not invest more than 10% of the Fund's market value in the obligations of a single issuer with the exception of the U.S. Government and its agencies. Non-invested cash reserves should be kept to a minimum level.

4. Alternative Investments: Alternative investments consist generally of investments outside of publicly traded debt, equity, and real estate. It includes investments such as hedge funds, managed futures, venture capital, private equity, natural resource partnerships, and private commercial real estate. Investments of this kind require prior approval by the finance committee. It is anticipated that most investments considered would be 1940 Act mutual funds, or fund of funds, to reduce manager risk, and concentration risk to the BGCCM.
5. Other Assets: The investment manager shall not purchase assets other than those recited above without approval from a majority of the Board of Directors.
6. Communications: The Finance Committee shall give the Board of Directors an annual report on the Endowment Funds' investment strategy, compliance and performance. The Finance Committee may contract for an independent investment performance analysis from a third party, authorizing payment and compensation for such an analysis.

XXVI. Capital Replacement Fund Policy

Purpose:

BGCMN shall maintain a Capital Replacement Fund (the "Fund") to ensure adequate funding for the timely repair, replacement, or acquisition of capital assets necessary for the effective operation of the organization and its programs. Capital assets include, but are not limited to:

- Building improvements
- Property improvements
- Furniture, fixtures, and office equipment
- Program equipment
- Vehicles

1. Funding:

2. Annual Contributions:

- a. The Fund will be funded through ongoing contributions from BGCMN's operating budget.
- b. The minimum annual contribution will be equal to the total annual depreciation expense for all capital assets covered by this policy.
- c. The Facilities Committee, in consultation with the Finance Committee and President/CEO, may recommend additional contributions based on:
 - i. Anticipated future capital needs
 - ii. Changes in asset values or inflation
 - iii. Unexpected maintenance or repair requirements

3. Investment of Funds:

- a. Funds within the Reserve will be invested in a conservative manner to generate additional income while preserving capital.
- b. The Finance Committee will oversee the investment strategy and ensure compliance with applicable investment policies.
- c. Unless otherwise designated investment earnings from these funds will remain in the Replacement Fund and used for capital replacement projects.

4. Expenditures:

5. Expenditures from the Fund up to \$75,000 will be approved by the President/CEO.
6. The President/CEO will consult the Treasurer and Facilities Chair for expenditures in excess of \$75,000
7. Expenditures will be limited to the repair, replacement, or acquisition of capital assets as defined in this policy.
8. Routine maintenance and repair costs will be covered by the operating budget and will not be charged to the Fund.
- 9. Administration:**
10. This policy will be reviewed annually and updated as needed to reflect changes in BGCNM's needs and financial situation.