

## UNITED MIDCOAST CHARITIES

### FINANCIAL POLICIES

Approved by the Board 02/18/2019

Updates approved 07/28/2020

#### 1) Purpose

- a) The purpose of these Financial Policies is to demonstrate and ensure that UNITED MIDCOAST CHARITIES (“the Corporation”) is committed to responsible financial management. The entire Corporation, including the Board of Directors and staff, shall work together to make certain that all financial matters of the Corporation are addressed with care, integrity, and in the best interest of the Corporation.

#### 2) Check-Signing Authority and Withdrawal of Funds

- a) Accounts. Accounts (Banking and Investment) will be opened or closed only upon approval of the Board of Directors. The Corporation shall maintain its banking accounts in federally insured financial institutions as designated by the Board of Directors. All funds received by the Corporation shall be deposited in accordance with the Receipt of Donations procedure, and in no event more than weekly after being received. All nonproductive funds shall be invested in accordance with the investment policy established by the Board of Directors.

##### b) Receipt of Donations

Two UMC representatives - a combination of UMC staff members and UMC Executive Committee members (2 staff; 1staff, 1 EC; or 2 EC) - will retrieve and log the mail together in order to maintain dual control over receipts. Donations will then be entered into the donor management database and a deposit report will be exported.

Funds will be deposited to the appropriate bank account upon completion of the mail log and the database entry.

Acknowledgment letters generated from within the database and are mailed to the donor per our Donor Acknowledgement Policy.

Pre-numbered receipts will be used whenever possible when a single UMC representative receives any monies directly from an individual. Every attempt to

receive cash and checks in the presence of more than one UMC representative should be made to maintain dual control.

c) **Authority to Disburse Funds**

Disbursement of funds includes bill payments and annual grant awards. All disbursements are paid from the UMC Operating Account. The Operating Account is funded by quarterly transfers from the investment accounts, performed by the portfolio manager at the request of UMC and with approval of the UMC Treasurer and one additional Officer. Approval may be received for transfers from another Officer if the Treasurer is unavailable.

The following members of the Executive Committee shall be signatories on the bank accounts: President, Vice President, Secretary and Treasurer. The Executive Director may approve disbursements of funds up to \$2500. A minimum of two Officers must approve non-budget payments and payments above \$2500. No checks may be made out to Cash. No check signer may sign a blank check. No check signer may sign a check payable to him/herself, unless authorized in advance and in writing by the President and the Treasurer.

The Bookkeeper maintains the accounts payable system.

The Bookkeeper does not have check signing authority.

- d) **Credit Card.** The Corporation may maintain a credit card or debit card account to facilitate efficient operations. Credit cards or debit cards may only be issued in the name of specific employees or directors with specific credit limits, as appropriate, and shall be adequately safeguarded at all times. A list of active credit or debit cards for the organization and their location shall be maintained in the UMC office at all times. All credit card and debit card transactions shall be only for proper purposes and shall be properly recorded.

**3) Reimbursements**

- a) **Adequate accounting for reimbursed expenses.** Any director, officer, employee, or contractor of the Corporation shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the organization, if, in the reasonable discretion of the President or Treasurer, the following conditions are satisfied: (1) the expenses are reasonable in amount; (2) the person documents the amount, date, place, business purpose (and in the case of entertainment expenses, the business relationship of the person or persons entertained) of each such expense with the same kind of documentary

- evidence as would be required to support a deduction of the expense on the person's federal tax return; and (3) the person substantiates such expenses by providing the Corporation's President or Treasurer or Executive Director with an accounting of such expenses no less frequently than monthly (in no event will an expense be reimbursed if substantiated more than sixty (60) days after the expense is paid or incurred by a person).
- b) Tax reporting. The Corporation shall not include in an employee's W-2 form the amount of any business or professional expense properly substantiated and reimbursed according to this policy, and the employee should not report the amount of any such reimbursement as income on Form 1040.
  - c) Excess reimbursements. Any Corporation reimbursements that exceed the amount of business or professional expenses properly accounted for by a person pursuant to this policy must be returned to the Corporation within one hundred twenty (120) days after the associated expenses are paid or incurred by the person, and shall not be retained by the person.
  - d) Expenses not fully reimbursed. If, for any reason, the Corporation's reimbursements are less than the amount of business and professional expenses properly substantiated by an employee, the Corporation will report no part of the reimbursements on the employee's W-2, and the employee may deduct the un-reimbursed expenses as allowed by law.
  - e) Inadequate substantiation. Under no circumstances will the Corporation reimburse a person for business or professional expenses incurred on behalf of the Corporation that are not properly substantiated according to this policy. Corporation and staff understand that this requirement is necessary to prevent the Corporation's reimbursement plan from being classified as a nonaccountable plan.
  - f) Unreasonable, Unnecessary or Unrelated Expenses. Any expenses that are unreasonable, unnecessary, or unrelated to the charitable purposes of the Corporation shall not be reimbursable by the Corporation to any Director, Officer, employee, or agent thereof. The following shall be deemed examples of unreasonable, unnecessary or unrelated expenses, although there may be many other kinds of such expenses:
    - i) First class or other premium travel categories
    - ii) Travel for companions
    - iii) Payments for business use of personal residences or personal property
    - iv) Health or social club dues or initiation fees
    - v) Personal services (e.g., maid, chauffeur, chef)
    - vi) Parking tickets and late fees

- g) Retention of records. All receipts and other documentary evidence used by a person to substantiate business and professional expenses reimbursed under this policy shall be retained by the Corporation for a period consistent with statutory requirements.
- h) Petty Cash. A petty cash fund may be maintained by staff to facilitate efficient operations. Such petty cash funds shall be disbursed only for proper purposes, shall be properly recorded, and shall be adequately safeguarded at all times.
- i) The Corporation intends for these reimbursement measures to constitute an accountable reimbursement policy pursuant to United States Treasury regulations section 1.62-2(c).

#### **4) Budgeting**

- a) At least three months prior to the beginning of the next fiscal year, the Finance Committee, or in the absence of a Finance Committee the Executive Committee or Executive Director shall begin the budgeting process. The Finance Committee will consult with staff and board members as necessary in order to develop a budget that truly reflects organizational priorities and acts as a guide for spending and decision making. The Board shall approve the annual budget prior to the beginning of the fiscal year.
- b) Board approval is necessary in order to spend funds or to make financial commitments to projects in excess of \$2,500 that have not already been incorporated into the approved budget.

#### **5) Oversight**

- a) Monthly, bank statements are forwarded to the Bookkeeper unopened or via e-mail.
- b) The Treasurer will review the bank statements and activity on a monthly basis for unusual items or charges.
- c) The bank statements are reconciled by the Bookkeeper monthly.
- d) The general ledger and reconciled bank statements will be adjusted to agree monthly. This information should be compared with donation records in the database on a regular basis.

- e) A properly developed and approved monthly budget will provide additional transparency and help spot variances early on should expenses no longer line up with budget / expected amounts.
- f) The Treasurer shall prepare, or cause to be prepared, at least quarterly financial reports, which shall include a financial statement and a balance sheet. The financial reports shall be shared with the Finance Committee, or in absence of a Finance Committee, the Executive Committee. After review by the Finance Committee, the financial reports shall be distributed to and reviewed by the entire Board of Directors at regular Board meetings. Reference explanations for any and all budget variances of 10% or more are contained for the above referenced reports. Directors shall be encouraged to ask questions and to follow up on any inconsistencies or errors.
- g) The Finance Committee shall commission and present to the Board of Directors an annual financial audit or review certified by an independent certified public accountant.

## **6) Compliance**

In order to continue receiving restricted donations, United Midcoast Charities, Inc. must have systems in place to ensure compliance with the restrictions imposed by those donations.

The nature of all donor restrictions will be recorded when the gift is entered into the donor database. This information will be shared with the Bookkeeper weekly. This information will be used to ensure that the General Ledger restricted donations account will reflect the restricted donations and the spending of those restricted amounts, as appropriate.

## **7) Taxes and Reporting**

- a) The Treasurer shall file, or cause to be filed, all required federal, state, and local taxes and tax returns.

These Financial Policies were approved by a majority of Directors present at a regularly scheduled meeting of the Board of Directors of the Corporation, at which a quorum existed, pursuant to the applicable provisions of the Maine Revised Statutes and the Bylaws of the Corporation.

Date: February 18, 2019