

HEART OF THE CITY - FINANCIAL POLICY draft k.w./c.h. 3/22/10

Heart of the City strives to have the best possible system of internal controls and financial accounting. These financial policies are set by the Board of Directors to guide the work of volunteers, staff and/or outsourced financial management.

I. Membership

Heart of the City is a membership organization. Members pay an annual fee according to designated tiers (*see revised Membership Definitions March 2010*). Members then may vote at meetings if they attend at least 2 meetings per year. Memberships are registered into the monthly finance account as "Memberships" by the Treasurer and also tracked and recorded by the volunteer membership coordinator and/or Secretary.

II. Fundraising Sales

Heart of the City will maintain proper records at any special or reoccurring event where fundraising sales occur. This could include an inventory, sale receipts and daily ledger. Records must be reconciled with petty cash tracking. Deposits from sales should be made within a week of the event and properly reported to the Treasurer. It is recommended that quarterly membership meeting reports be made by the committee who chairs the fundraising sale. These should match the Treasurers report.

III. Finance Committee

Heart of the City Board of Directors will annually appoint a Finance Committee who works under the Board Treasurer to ensure the appropriate preparation of an annual budget, appropriate handling and distribution of funds, and the appropriate preparation and presentation of regular financial statements. The Finance Committee directs, reviews, and presents the annual audit to the Board of Directors.

IV. Approval of plans and commitments before they are implemented

The Board of Directors will set the annual budget, based on Heart of the City fiscal year (January through December), to direct how funds are spent. Board approval is necessary in order to spend funds or make financial commitments to projects that have not already been incorporated into the approved budget.

V. Accurate, timely financial reports and information returns

The Finance Committee oversees that Heart of the City provides accurate, timely financial reports and information returns. The Finance Committee will review regular financial statements, including a balance sheet, a comparison of actual financial activity to the approved budget, and projected cash flow. Volunteers and/or staff will maintain a calendar of report deadlines and will advise the Board of Directors to ensure that all financial reports and information returns have been filed as required. The Treasurer will report out or submit a report at membership meetings. A copy of this report will be kept with the minutes by the Secretary.

VI. Compliance with other government regulations

Heart of the City will comply with all government regulations pertaining to grants and contracts. When new funds are awarded from a public entity via a contracting organization, staff will review the documentation to ensure that Heart of the City is in compliance with all regulations of the contracting organization as well.

VII. Banking institutions and accounts

In order to minimize risk and maximize benefit, Heart of the City utilizes only federally insured local banking and savings institutions. The amount on deposit with any one institution may not in the usual course of business exceed the FDIC insured limit of \$100,000.

VIII. Deposits

All income intended for Heart of the City will be properly received, deposited, recorded, reconciled, and kept under adequate security. Any cash received must be promptly and fully deposited.

IX. Petty Cash

A petty cash fund may be maintained by staff to facilitate efficient operations. Such petty cash funds will be disbursed only for proper purposes, will be properly recorded, and will be adequately safeguarded at all times. The total amount should not exceed a \$150 bank.

X. Grants, gifts, and pledges

All grants and gifts will be properly received and recorded. Compliance with terms of any related restrictions will be monitored by volunteers and/or staff and reported to the Finance Committee. Pledges are recorded at the time they are made.

XI. Donated good and services

Donated goods and services to Heart of the City are recorded in an "in-kind ledger" with annotations about source, materials, and estimated values. Estimates are recorded at fair market value. Services, including but not limited to volunteer hours (direct service, event, board and administrative) and professional services (legal, insurance, consulting, etc) shall be computed at rates commensurate to the tasks performed. Heart of the City will annually report Board reviews in the In-kind ledger. In-kind contributions are factored into Heart of the City's annual budget and audit.

XII. Fixed assets

Expenditures for land, building and equipment are recorded at cost. Donated assets and capitalized donated leases are recorded at their estimated fair market values at the date of donation. Depreciation expenses are calculated using the straight-line method and the following estimated useful lives: Buildings and improvements 10-35 years. Furniture equipment 3-10 years. Vehicles 3-5 years.

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expenses as incurred. Heart of the City capitalizes on all fixed assets with a cost greater than or equal to \$1000 and a useful life greater than one year, unless otherwise stipulated by a grant. When an asset is purchased through a grant, a grant's capitalization rules apply. Fixed assets may be acquired and disposed of only upon proper authorization by the Board of Directors (including by inclusion in the approved annual budget), will be properly recorded, and will be adequately safeguarded. Heart of the City will conduct a regular inventory of fixed assets and maintain a central list of fixed assets which includes registration numbers, warranty information, original cost, and service contract information as appropriate.

XIII. Line of credit

Heart of the City shall create an appropriate line of credit to ensure regular cash flow only upon recommendation from the Board of Directors and a vote of the membership. The use may be approved by the Executive Director and shall be reported to the Finance Committee.

XIV. Procurement and purchasing

Heart of the City will always seek to maximize value and cost-effectiveness in all procurement and purchasing. Purchases exceeding \$1000 shall require at least three competitive bids.

XV. Disbursements

The Board of Directors specifies authority to approve payments for services and financial commitments for Heart of the City. Funds will be disbursed only upon proper authorization of management and only for valid business purposes. All disbursements will be initiated only from properly authorized documentation and will be properly recorded. When reviewing requests, Heart of the City Board of Directors will use the Organizational Partnership Policy (*passed March 2010*) and strategic plan as a framework for prioritization of expenditures.

No check may be made out to Cash. The Board shall designate the Board Chair, the Board Treasurer, and any other Board member or volunteer and/or staff member deemed appropriate as authorized signers of checks on behalf of Heart of the City. Any check for the amount over \$2000 must carry two signatures unless otherwise specifically authorized in advance by the Board of Directors (such as for payroll or office rent). No check signer may sign a bank check or a check payable to himself/herself.

XVI. Reconciliation of banking/security statements

All banking/security statements will be delivered unopened to a designated individual who is not otherwise involved in the preparation of checks, the depositing of funds, or is an authorized signer or checks. This designated individual shall review, reconcile, and initial each statement on a timely basis.