

Creating a Treasurer's Guide

Introduction

The elected treasurer has an important role in protecting and guiding the organization. He or she must work within the parameters of the budget while complying with applicable legal requirements, bylaws and policies, and risk management and investment objectives.

The special Treasurer's Guide delivers important information to the treasurer at the start of the term of office. The information builds confidence and serves as a back up should something happen at the organization's main headquarters.

Here's what might be included in a Treasurer's Guide.

Basic Financial Information

- Bank Account Numbers, Name, Location, Key Contacts
- Brokerage Account Numbers, Name, Location, Key Contacts
- CPA Firm Name, Address, Key Contacts
- Insurance Coverages, Accounts, Insurers, Key Contacts
- Law Firm's Name and Key Contacts

Policies on Finances

- Check Signing
- Check-Writing Schedules
- Investments and Reserves
- Bookkeeping Codes
- Invoice Preparation
- Dues Billing Schedules
- Credit Card Handling
- Board Reimbursement Policies
- Staff Reimbursement Policies
- Access to Accounts
- Financial Statements Schedule
- Definitions and Terms
- Record Retention Policy
- Budget Process
- Financial Reserve Policy and Goal
- Passwords - Confidential
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The following is a sample of a Treasurer's Guide. Every organization will have a unique Treasurer's Guide --- this serves as a template. Be sure to contact legal, insurance and accounting professionals in developing your organization's guide.

Treasurer's Guide

- Associations, Chambers, Nonprofit Organizations -

The organization stands ready to help the elected Treasurer you in this vitally important role. This information provides the fundamentals regarding the finances, insurance and investments. Please do not hesitate to ask any questions of staff or our financial consultants. Treat the information with confidentiality and use it for the purpose of more effective governance and financial management.

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Bank Information and Contacts

Nations Bank Checking Account Number #####
Key Contact (Vice President)
Bank America
315 South Calhoun Street
Tallahassee FL, 32314
Phone - (850) 555-1924
Fax - (850) 555-1965

Money Market Account Account Number #####
Key Contact
Nations Bank
315 South Calhoun Street
Tallahassee FL, 32314
Phone - (850) 555-1924
Fax - (850) 555-1965

Brokerage Accounts and Contacts

Investment Accounts Account Number #####
Key Contact
Morgan Stanley Dean Witter
325 John Knox Road, Suite 102
Tallahassee, FL 32303
Phone – (850) 555-8700

Name and Address of CPA Firm

The organization is required to prepare a Form 990 Information Tax Return and a 990T Unrelated Business Income Tax return. The association may select any firm; currently we use. Be sure that the selection of a financial auditor is in compliance with the bylaws and the minutes reflect that the board and not the staff made the selection.

Name of Accounting Firm
3303 Thomasville Road
Tallahassee FL, 32312-2912
Work - (850) 555-6184
Fax - (850) 555-2074

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Financial Audits

Annually, the board of directors will contract with a Certified Public Accounting firm to conduct audit in accordance with Generally Accepted Auditing Standards. The executive director and the treasurer will recommend an auditor to the board of directors for approval. A copy of the audit shall be provided to the office file, treasurer and the board of directors. At the option of the board president, an audit committee may be appointed to oversee the process.

Fiscal Year

The fiscal year is January 1 through December 31.

Accounting

An accrued basis of accounting will be used.

Check Signing and Bill Processing

Checking Account

Authorized individuals who will have check writing privileges include the authorized staff, treasurer and president. The treasurer or president signs all checks over \$2,500. Checks in the amount of \$1,000 to \$2,499.99 are signed by a combination of the staff and a board office. Authorized staff in accordance with policy can sign checks less than \$1,000. Signature cards will be reviewed and updated annually by the treasurer. It is critical that checks be circulated quickly so as not to harm the organization's credit and relationships with suppliers.

Investments

The treasurer and president, in accordance with the Investment Policy and Objectives, will be responsible for determining where and when money will be invested based on current investment advice, degree of financial stability of the association, liquidity demands and available funds. The executive director may make account changes upon authorization and specific direction of the treasurer and/or president.

Coding Procedure

Invoices are stamped upon receipt. This stamp ensures collection of all-important information and also cancels the invoice for duplicate payment. The account executive is responsible for reviewing the invoice, verifying the receipt of the product or services and invoiced cost of those services. Those invoices are forwarded to the accounting department and based upon the account executive explanation assigned a budget account number.

Invoice Preparation

Once invoices are approved for payment and coded they are filed for payment. Each invoice is entered into the computerized accounts payable system. From that system all checks are produced. Photocopies of each invoice are produced to accompany the check

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to the treasurer for signature. The treasurer may retain the invoice copies for their records and return just the checks to the association office.

Check-Writing Schedule

Checks for all pending invoices will be written on or about the 20th of each month. Checks are cut throughout the rest of the month on an as needed basis, only.

Tracking System for Checks Sent to Treasurer

Copies of all invoices sent to the treasurer for signature are filed in the pending signature file. When the checks are returned from the treasurer the invoice copy is removed, the date is noted on the invoice and the invoice is filed in the paid invoice file.

Merchant Card Services (Visa/MC)

For the convenience of the members and to boost conference attendance the association has chosen to accept credit card payments. All credit card payments are processed through the organization's merchant service account.

Use of Credit Cards

Authorized staff members have credit cards to allow them to conveniently pay for association related events and needs. Most of the credit card charges relate to travel expenses, however, the cards do allow staff to pay for some expenses to save board members from having to pay and wait for reimbursement. No officers of the board have organization credit cards in accordance with the established policy.

Access of Accounting Information by Staff

Only a limited number of employees have access to the association financial records. Unused checks and accounting files are kept in a locked closet.

Access to Records/Information by Treasurer

The treasurer has access to the books and records of the association. The books and records belong to the treasurer so there is no question about the treasurer access. This can be provided upon request either as a specific summarized report or by reviewing the records themselves. The firm is responsible by contract for maintaining these records, so we ask if the treasurer wishes to review these records, to do so on our premises and make copies of documents as needed.

Financial Statement Schedule

Bank account reconciliation is completed as the bank statements are received around the first of the month. Once the reconciliation is complete, we begin to prepare the financial statements. The financial statements along with the bank reconciliation must be approved by the staff's Director of Business Affairs and then are sent to the president and treasurer of the association about the 15th of each month.

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Reading Financial Statements

The financial statements are made of two parts: the Statement of Financial Position and the Statement of Activities.

Statement of Financial Position

This statement gives the balances of the asset accounts and liabilities on a specific date. Treasurers should review the cash balances monthly looking for significant changes. The association receives a majority of the dues income in January, and then spends this money throughout the year.

Statement of Activities

This is a report of the money received and spent for the current month and for the fiscal period as compared to the budget. The first page shows the revenues. The treasurer should review the variances and determine if revenues are coming in as expected and alert the board to any corrective action that may be necessary. The next page details the expenses for the association, on this, page variances should be analyzed to make sure money is not being overspent in a particular budget line item.

Office Security

The association maintains a monitored alarm system for after-hours security. In addition, a lock box is maintained for weekly tape back-ups of the computers. Key staff members have passwords that may be recorded here to be sure they are available in an emergency from the treasurer:

Staff Person's Name _____ Password _____

Staff Person's Name _____ Password _____

Staff Person's Name _____ Password _____

Document Retention

The office maintains space at the building as well as a long-term storage facility. This facility has a heavy duty locking roll-up door and is well lit at night. The current document retention record was recommended by a CPA and adopted by the board as a policy. It is attached.

Insurance Coverages

The insurance is purchased from a locally reputable firm knowledgeable in nonprofit coverages.

Agent: _____

Firm: _____

Phone: _____

Address: _____

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Liability Insurance

The Executive Director will negotiate and recommend Liability Insurance to the Executive Committee for approval. This insurance should be sufficient to protect the Association's assets from general exposures.

Directors and Officers Insurance (D & O)

The Executive Director will negotiate and recommend Directors and Officers Insurance to the executive committee for approval. This coverage should protect the Board of Directors and the Executive Director from liability and legal defense costs associated with the decisions of the Board of Directors.

Convention Cancellation Insurance

The Executive Director will negotiate and recommend Convention Cancellation Insurance to the Executive Committee for approval. This coverage should protect the Association in case of cancellation of the Annual Meeting.

Policy on Non-Dues Income

The activities in which the Association and its committees engage to generate non-dues income shall further the association's objectives and functions, and shall not be in conflict with the association's bylaws, policies, mission or vision statements. Non-dues income shall not add risk to the organization. The objective of the organization is to have an approximate ratio of 50 percent dues income and 50 percent non-dues income. Examples of non-dues revenue include interest, advertising, sponsorship, education, registration, affinity/endorsed programs and trade show income.

Budgeting

The treasurer develops and prepares an annual operating budget to be presented to the board of directors, in conjunction with the executive director. The board of directors then accepts and/or amends the budget. The process is started about 90 days prior to the start of the new fiscal year. The board of directors may amend the budget during the fiscal year.

Unbudgeted Expenditures

Unbudgeted expenditures less than \$2,500 may be made without the approval of the board of directors. Any unbudgeted expense higher than \$2,500 must be approved by the board of directors. The president and treasurer must be notified as soon as possible about any significant unbudgeted expenditure.

Membership Report – Annual Meeting

It is the responsibility of the treasurer to annually publish a financial report, which shall include a breakdown of revenues and expenses. The treasurer should ask staff to publish an article in the newsletter reporting those figures. The last year-end financial statement is available to members upon request.

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Public Records

If anyone requests a copy of the organization's Form 990 Federal Information Return, the president and treasurer shall be notified. All such requests should be in writing and accompanied by a \$20 reproduction and handling charge. The IRS requires that the last three years of federal tax returns, the IRS letter of determination, and the IRS application for tax-exempt status be made available to any person making the request. Members of the board receiving an inquiry must advise staff of the request on the same day the inquiry is received.

Reserves

It is a policy of the organization to maintain a minimum reserve equal to 50 percent of the annual operating budget (i.e. 50% of the current budgeted income.) The long-term goal is to have an amount equal to 100 percent of the operating budget set aside in reserve. Reserves shall be invested in accordance with the policy on "Investments and Objectives." Under the current (50%) policy, the funds may not be withdrawn without approval of the executive committee.

Reimbursement of Board Expenses

A form is provided to board members at each meeting for reimbursements of travel related expenses. Receipts, with the exception of reasonable gratuities, must document all costs. It is requested that the form be submitted to the office within 30 days of the meeting, and not later than 90 days. With few exceptions, no reimbursement can be made from one fiscal year to another. Spouse travel costs are not reimbursed.

Investments

The treasurer and president, in accordance with the Investment Policy and Objectives, will be responsible for determining where and when money will be invested based on current investment advice, degree of financial stability of the Association, liquidity demands and available funds. The executive director may make account changes upon authorization and specific direction of the treasurer and/or president.

Investment Policy and Objectives

The objective of the investment program is to obtain the maximum possible return on organization funds while assuring adequate protection of invested assets. Because organization is a non-profit organization, investments should not be designed for speculation. It must be recognized, however, that all investments carry with them some degree of risk, not only as to the safety of the principal itself, but also with regard to the inflationary erosion which occurs from failure to achieve an adequate return on invested assets.

The Investment Policy segregates funds into two categories; Operating fund, Reserve fund and Cash and Investment Categories.

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The Operating Fund

Purpose - To provide sufficient cash flow to meet the financial obligations.

Objectives – Liquidity, preservation of capital.

Dollar Range - 10-15% of annual revenue not including the annual meeting revenue.

Maturity - Limited to one year or less.

Allowable Investments - Checking accounts in federally insured banks and Savings & Loans; Money Market Funds which invest in government back securities; Federally-Insured Certificates of Deposit.

The Reserve Fund

Purpose - To improve the return on funds held for expenditure over the next one to five years, while managing investment risk.

Objectives - Preservation of capital; Liquidity; Optimize investment return within a one to five year time frame.

Dollar Range - Amount necessary to overcome any expected cash flow deficiencies for the next three years as well as an amount to cover an unexpected association need.

Maturity - From one to three years.

Allowable Investments - FDIC insured Money Market Accounts; Money Market Funds which invest in government back securities; Federally-Insured Certificates of Deposit.; Direct Obligations of the U.S. Government.

Prohibited Investments - Corporate notes with a minimum rating of investment grade by one rating service.; Corporate Securities; Private Placements; Letter Stock; Derivatives; Securities from issuers which have filed for bankruptcy; Commodities or commodity contracts; Short sales; Margin transactions; Option trading; any speculative investment activities.

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Insurance Coverages - Descriptions

General Liability Coverage

This is typically the "core" coverage for a nonprofit. The most common occurrence covered by the policy is "slip and fall." Depending on the extent of the general liability coverage purchased, commercial general liability insurance may provide coverage for a wide range of negligent acts, which result in bodily injury, personal injury, advertising injury or property damage to a third party. It does not cover damage to property under your control.

Directors and Officers Liability Coverage

The key distinction with directors and officers liability is that it is intended to cover wrongful acts that are "intentional" as opposed to "negligent." This is because directors and officers insurance is designed to cover actions and decisions of the board of directors. These actions may be in error and wrong, but they are, nonetheless, "intentional" acts. Most other types of insurance do not cover "intentional" acts. Among the items a good directors and officers policy should include is broad coverage for all types of employment related actions, including wrongful termination, harassment, discrimination, failure to hire, etc. It should also pay defense costs as they are incurred, not on a reimbursement basis.

Employee Dishonesty – Fidelity Bond

This covers loss resulting directly from one or more fraudulent or dishonest acts committed by an employee whether acting alone or in collusion with others. Losses due to employee dishonesty are different from other losses making it difficult to determine the amount of insurance to carry. Loss of unrecorded assets could result from the following activities: theft from a cash register; pocketing money for which a receipt has not been given; padding of expense accounts; overcharging of fees for services; and walking off with assets.

Liquor Liability Coverage

Depending on the extent of the liquor liability coverage form, this insurance may apply to claims resulting from selling, serving, or furnishing alcoholic beverages. "Host liquor liability" coverage is provided in most commercial general liability coverage forms, and some nonprofits buy stand alone liquor liability coverage when the argument can be made that they are in the business of selling, serving, or furnishing alcoholic beverages. The need for liquor liability coverage is frequently misunderstood, and an insurance broker can be of assistance to determine if the coverage is needed or not.

Meeting Cancellation Coverage

Covers the loss of revenue or expenses due to a cancellation, curtailment, postponement or abandonment of an event due to civil disturbance, strike, weather or fire, for example. It may cover moving to an alternative premises, postponing or abandoning an event.

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Policy may cover the extra expense of the normal costs to conduct the event in order to continue the normal operations of the show or meeting.

InsuranceCoverages.doc

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Record Retention Policy (sample)

Description	Retention Period
Accident Reports and Claims (settled cases) (1)	7 years
Accounts payable ledgers and schedules (2)	7 years
Accounts receivable ledgers and schedules (3)	7 years
Audit reports of accountants (4)	Permanently
Bank reconciliations (5)	2 years
Capital stock and bond records; ledgers transfer registers, stubs showing issues, record of interest coupons, options, etc. (6)	Permanently
Cash books (7)	Permanently
Charts of accounts (8)	Permanently
Checks (canceled but see exception below) (9)	7 years
Checks (canceled but for important payments, i.e., taxes, purchases of property, special contracts, etc. (checks should be filed with the papers pertaining to the underlying transaction) (10)	Permanently
Contracts and leases (expired) (11)	7 years
Contracts and leases still in effect (12)	Permanently
Correspondence (routine) with members, customers, or vendors (13)	1 year
Correspondence (general) (14)	3 years
Correspondence (legal and important matters only) (15)	Permanently
Deeds, mortgages and bill of sale (16)	Permanently
Depreciation schedules (17)	Permanently
Duplicate deposit slips (18)	2 years
Employee personnel records (after termination) (19)	3 years
Employment applications (20)	3 years
Expense analyses and expense distribution schedules (21)	7 years
Financial statements (end-of-year, other months optional) (22)	Permanently
General and private ledgers (and end-of-year trial balances) (23)	Permanently
Insurance policies (expired) (24)	3 years
Insurance records, current accident reports, claims, policies, etc. (25)	Permanently
Internal audit reports (in some situations, longer retention periods may be desirable) (26)	3 years
Internal reports (miscellaneous) (27)	3 years
Inventories of products, materials and supplies (28)	7 years
Invoices to members and customers (29)	7 years
Invoices from vendors (30)	7 years
Journals (31)	Permanently
Membership applications (32)	3 years
Minutes of directors and committees, including by-laws and charter (33)	

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Permanently	
Notes receivable ledgers and schedules (34)	7 years
Option records (expired) (35)	
7 years	
Payroll records and summaries including payments to pensioners (36)	7 years
Petty cash vouchers (37)	3 years
Physical inventory tags (38)	3 years
Plant cost ledgers (39)	7 years
Property appraisals by outside appraisers (40)	Permanently
Property records-including costs, depreciation reserves, end of year trial balances, depreciation schedules, blueprints and plans (41)	
Permanently	
Purchase orders (except purchasing department copy) (42)	2 years
Receiving sheets (43)	2 years
Requisitions (44)	2 years
Sales records (45)	7 years
Savings bond registration records of employees (46)	3 years
Scrap and salvage records (inventories, sales, etc.) (47)	7 years
Stock and bond certificates (canceled) (48)	7 years
Stockroom withdrawal forms (49)	2 years
Subsidiary ledgers (50)	7 years
Tax returns and worksheets, revenue agents' reports and other documents relating to determination of income tax liability (51)	
Permanently	
Time books (52)	7 years
Trade mark registrations (53)	Permanently
Voucher register and schedules (54)	7 years
Vouchers for payments to vendors, employees, etc. (includes allowances for reimbursement of employees, officers, etc. for travel and entertainment expenses) (55)	
7 years	

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