

## **POLICIES**

### **FINANCIAL MANAGEMENT POLICIES**

#### **PURPOSE**

To provide policy for budgeting, forecasting, financial oversight and reporting, and asset management.

#### **POLICY**

It is the policy of the NCMA to ensure that the leadership of the Association effectively considers its long term viability through a strategic planning process integrated with an efficient annual budget process to capture all the financial assumptions and requirements of the Association, and meet the objectives as stated in its operating and long-range plans.

#### **NCMA ASSET MANAGEMENT POLICY**

The association's assets include cash and cash equivalents, investment instruments, property and equipment, accounts receivable and inventory. This policy addresses financial assets, including funds in restricted and unrestricted investment accounts. Intellectual property is addressed in Policy 5-6.

#### **Responsibility**

The Board of Directors is responsible for understanding the association's investment framework, ensuring the association has adequate financial assets to accomplish its purpose and strategic objectives, ensuring the safeguarding of association financial assets, establishing the investment risk tolerance for the association's assets, and approving investment policy statements.

The Asset Management Committee (AMC) is responsible for helping the Board of Directors understand the Association's investment framework, including what constitutes risk, how to assess the organization's risk tolerance, how the various investment vehicles relate to the Board's risk tolerance, and how the overall economic climate accommodates the Association's fiscal needs, monitoring the performance of the Association's investment portfolio, directing changes in investment strategies as appropriate within the Board's risk tolerance, conducting periodic analysis of the Board's risk tolerance, drafting investment policy statements, selecting the independent investment manager and the investment instruments, and reporting portfolio performance to the Board.

The Executive Director is responsible for preparing investment reports for the AMC and the Board, and for directing the investment manager in accordance with AMC and Board policy and instructions.

## Policy

The assets of NCMA shall be optimized for the betterment of the Association and all its members.

Consistent with NCMA's not-for-profit status, all assets of the Association shall be managed to support the needs and objectives of the organization.

Among the goals of asset management shall be the accumulation of sufficient capital reserves to assist the perpetuation of the organization. Sufficient reserves shall be defined through benchmarking against not-for-profit industry standards.

Earnings from the investment of cash assets shall be reinvested in the asset portfolio. Exceptions to this general policy may be made by the Board of Directors from time to time, but shall be restricted to the short-term use of earnings for non-recurring expenses and be generally restricted to a single program year.

Where appropriate, restricted capital assets shall be converted to endowments, and segregated from the general assets of NCMA. Such funds shall not be used for Association operational needs, but be exclusively used for the objective of the particular endowment.

The AMC will conduct a risk tolerance analysis at least every three years using the input of the members of the Board. Assets in reserve should be allocated appropriately and invested only in financial endeavors that reflect the composite risk tolerance of the national volunteer leadership and provide for the return on investment needs of the Association. Based on the risk tolerance analysis and other relevant factors, the AMC will make recommendations for an investment strategy. The Board shall have approval authority over this strategy and may alter or adopt it as recommended. The strategy shall be reviewed annually.

The Board shall retain specific investment and divestiture authority over Association assets in excess of \$250,000.

## BUDGETING AND FORECASTING

Budgeting and forecasting is the process of developing a plan of revenues and expenses for a fiscal period, and then periodically estimating expenses and revenues for the remaining term of the fiscal period, taking into account actual revenues and expenses incurred in the periods to date and changed management plans. NCMA prepares an annual operating budget that estimates revenues and expenses for each program, which is approved by the Board of Directors. The budget details the revenues and expenses for each month of the fiscal period, termed 'time-phased'.

## Responsibilities

The Board of Directors is responsible for setting the goals and priorities for the Association, planning, and budgeting for the resources required for achieving those goals, and providing oversight of the progress toward those goals.

The Finance and Budget Committee (chaired by the Treasurer) is responsible for overseeing association financial planning, including annual operating budget development, and budget revisions. The committee stipulates Budget Guidelines for the Executive Director to use when developing the annual operating budget, and presents budgets and revisions as required to the Board of Directors for approval. Reference Policy 3-3, Finance and Budget Committee.

The Executive Director is responsible for developing the annual operating budget, budget revisions, and quarterly forecasts of revenues and expenses, and providing budgets and forecasts and supporting information to the Finance and Budget Committee.

### Policy

The Annual Operating Budget will be presented to the Board of Directors for approval at the Spring Board meeting. The approved budget remains unchanged for the balance of the fiscal year, and serves as the baseline for comparison for quarterly forecasts (estimates at completion).

Budget revisions will be prepared and submitted for Board of Directors approval when new programs are implemented or existing programs are terminated within the fiscal period that were not contemplated in the baseline budget, and the expenses or revenues are estimated to exceed \$50,000 annually. Revenue or expense forecast revisions for existing programs do not require budget revision, but will be addressed in quarterly estimates at completion.

An Estimate at Completion, which forecasts the revenues and expenses for the balance of the fiscal year, will be prepared and presented to the Finance and Budget Committee within 30 days of the end of each fiscal quarter. The schedule is by October 31, January 31, and April 30. The Committee will include these forecasts in briefings to the Board.

### FINANCIAL OVERSIGHT AND REPORTING

The Treasurer will submit financial reports 30 days before Board meetings to the Board of Directors, to include a summary of income and expenses compared to budget. The report will also include the current Estimate at Completion. These reports include Statements of Financial Activities, Statements of Financial Position, and Statements of Investments.

The Finance and Budget Committee is responsible for identifying to the Board of Directors and Executive Director areas of financial risk, and developing risk mitigation strategies. The committee will ensure Association financial records are current, accurate, and complete, and properly archived.

The Executive Director is responsible for preparing accurate, timely financial reports, conducting analyses of revenue and expense variances and trends, and for developing forecasts of revenues and expenses.

#### Policy

Financial reports, except for the year-end report, will be provided to the Budget and Finance Committee each month, by the 15<sup>th</sup> day of the month. Reports shall include Statement of Financial Position, Statement of Financial Activity, and Statement of Investments. An analysis of revenue and expense variances shall be provided with the reports. The reports will be posted on a website accessible for viewing by the Board of Directors, and the chapter officers.

Financial reports for the year-end, based on unaudited numbers, will be provided by the 30<sup>th</sup> day of the first month of the fiscal year.

The audited year-end financial report will be provided no later than 90 days following the end of the fiscal year.