

## **FRIENDS OF THE BULVERDE AREA RURAL LIBRARY DISTRICT (BARLD) (FOL) FINANCIAL MANAGEMENT POLICY**

**Purpose.** The purpose of this policy is to ensure the FOL's financial resources are used appropriately, ensure maintenance of accurate financial records, and provide a written set of internal financial controls. These controls will serve to guide the FOL Board in sound financial decision making, help them fulfill the FOL's mission in the most effective and efficient manner, and remain accountable to all stakeholders, including FOL members, contributors, and the community.

**Section 1.** The FOL Board of Directors is ultimately responsible for the financial management of the corporation. The Treasurer is responsible for the day-to-day financial management of all activities and receives funds, pays bills, maintains bank accounts, prepares financial reports, and interfaces with the organization's accountant.

The Treasurer should have working knowledge of the IRS and Texas Comptroller laws and publications concerning contributions, disclosure statements, earned revenue and federal and local sales tax policies and should help keep the organization operating in a fiscally responsible manner and in accordance with applicable guidelines. The Board may appoint or hire an assistant to help the Treasurer with bookkeeping duties and may also appoint a team of FOL members to count received funds and make deposit, and do monthly reconciliations. Membership, Book Nook committee, bus trip committee, and fundraising committees, like the Book & Author, are responsible for collecting and depositing the funds received for those committees. They will submit the deposit records and receipts to the treasurer for recording into Quick Books and filing. The treasurer will assist with deposits as needed.

**Section 2.** The organization will use Quick Books accounting software to maintain financial records on a cash basis accounting method. Files will be backed up at least monthly. A certified accountant will be used to prepare quarterly and annual financial statements, prepare the FOL's Form 990, provide financial advice, and prepare other financial documents as requested.

**Section 3.** The FOL Board will approve an annual operating budget. This should be done in November or December of each year. Committees will submit their budget requirements to the board in November for inclusion in the annual budget approval process. The budget will include an operating reserve line to provide a cushion against unexpected events, losses of income, or large unbudgeted expenses. The operating reserve will be funded with surplus unrestricted operating funds or the Board may direct a specific source of revenue be set aside. The target minimum Operating Reserve Fund should be the minimum to maintain ongoing operations and programs for a period of six months. The amount will be calculated each year after approval by the Board of the annual budget. It will be included in the regular financial reports.

**Section 4.** Board approval is necessary to spend funds or make financial commitments to programs or expenditures not already incorporated into the approved budget. Committee chairs are responsible to ensure expenses do not exceed the approved budget. If additional funds are necessary, the committee must seek board approval. For those activities that earn revenue, such as Book and Author Luncheon or bus trips, the Committees should ensure that expenses are necessary, reasonable and do not exceed projected revenue. Board approval is necessary for expenses over the projected revenue.

**Section 5.** The Treasurer will present monthly financial reports to the Board to include an executive financial summary, statement of financial position (balance sheet), monthly statement of activities. Donor designated funds should be clearly identified in those reports. The reports should also show credit card and sales tax payable liabilities. A comparison of actual financial activity to the approved unrestricted budget will be presented quarterly. Quarterly and annual statements will be prepared by the accountant and presented to the Board. An end-of-year financial report will be presented at the annual meeting.

**Section 6.** The organization will maintain a checking and/or savings account at a local bank(s). Agents of the account(s) authorized to sign checks or have online access to account information will be identified in writing to the bank. Those individuals will be the President, Vice President, and Treasurer.

**Section 7.** The bank, Paypal, and credit card statements will be reconciled at the end of each month in a timely manner by an individual not authorized to sign checks or is a credit card holder. This individual may be the bookkeeping assistant, a board member, or a team appointed by the Treasurer. This individual will also count the petty cash fund. The Visa liability will be ~~sent~~ reviewed by the board members at the monthly board meeting.

**Section 8.** All income or donations intended for the FOL will be given to the Treasurer to be properly recorded, deposited, reconciled, and controlled. Committee Chairs, such as Book Nook, Membership, Book & Author, or Bus Trip, may make deposits of their funds and sign and submit the appropriate FOL receipt form and documentation to the Treasurer. Funds should be deposited in the appropriate bank account in a timely manner (usually within 5 days) and recorded in the appropriate Quick Books account. The treasurer may sign checks or do an electronic transfer of funds for all payments within the approved budget or approved by the Board action. For checks over \$500, two authorized signers will be required. The treasurer will obtain signatures of the President or Vice President on online payment transfers over \$500. Reimbursements to an individual authorized to sign checks or make payments must be signed by another authorized individual. No checks will be made out to "Cash" or be signed in advance.

**Section 9.** All grants and donations will be acknowledged appropriately to comply with IRS guidelines. Grants will be monitored closely and accounted for according to the terms of the grant. Funds donated for a specific purpose or grants received will be shown on the Statement of Financial Position and Statement of Activities as donor designated funds. For those grants given by the FOL to the Bulverde Area Rural Library District, a report will be requested from the Library Director on the expenditure of funds.

**Section 10.** Board directors, committee chairs/committee members may purchase items as necessary for FOL programs/functions without board approval if purchases are within the committee's approved budget. The Treasurer may purchase items or services to \$250.00 without prior board approval. Purchases should be briefed at the next board meeting. Approved items purchased for FOL functions/programs will be reimbursed. The organization has a sales tax exemption for purchases that support the FOL mission. Anyone making purchases for the FOL should pick up a Texas Sales and Use Exemption Certification (01-339) or specific vendor tax-exempt form (e.g. Office Depot/Office Max, Home Depot, etc) prior to making the purchase. Receipts must be submitted to the Treasurer along with a completed FOL Request for Reimbursement or Submission of Credit Card Charge Form. Questions

by the treasurer on reimbursements will be referred to the Committee Chairs or the FOL Board for clarification or resolution.

**Section 11.** The FOL may maintain a credit card account to facilitate efficient operations. Credit cards will only be issued to specific individuals authorized by the Board of Directors with specific credit limits as appropriate. Cards will be adequately safeguarded at all times. All credit card transactions will be used for purchases authorized by the Board or within a committee's approved budget. Credit card receipts/invoices will be provided to the Treasurer with Request for Reimbursement or Submission of Credit Charge Form.

Section 12. The FOL may maintain a petty cash fund for providing change or start up cash in the FOL register. Petty cash will normally not be used for routine expenses. However, petty cash may be used when cash is needed, for example, tips for bus trips. Withdrawals are limited to \$100.00 Any deposit or withdrawal will be recorded on the Petty Cash log maintained with the funds. The President, Vice-President, and Treasurer will have access to the Petty Cash Fund.

**Section 13.** An internal audit of financial records will be conducted every two years using the attached internal audit checklist. The FOL Board will appoint a team of 3 to 4 knowledgeable of FOL members to conduct the audit. A report of the audit will be submitted to the President of the FOL Board and will be briefed at the next meeting after the report is submitted.

**Approved: March 2, 2009**

**Amended and approved: March 3, 2010**

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