

FRIENDS OF THE BULVERDE AREA RURAL LIBRARY DISTRICT FINANCIAL MANAGEMENT POLICY

Purpose. The purpose of this policy is to ensure the Friends of the Bulverde Area Rural Library District (FOL) use financial resources appropriately, maintain accurate financial records, maintain a written set of internal financial controls, and ensure compliance with federal, state, local, and the corporation's nonprofit legal and reporting requirements. 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 and contributors. Exceptions to this policy may be made with prior approval of the Board of Directors.

Roles. 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 enlist accounting and tax professionals to provide assistance as the need arises. This will assure the organization is operating in a fiscally responsible manner and in accordance with applicable guidelines. The Board may appoint or hire a bookkeeper or administrative assistant to help the Treasurer. Treasurer may also appoint a team of FOL members to count received funds, make deposits, and do monthly reconciliations. Membership, Book Nook, 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.

Accounting Guidelines. Standard accounting procedures, in accordance with Generally Accepted Accounting Principles (GAAP), will be used for all financial functions. Accounting will be done on a cash basis accounting method for the calendar year (January 1 through December 31). The corporation will use accounting software such as Quick Books to maintain financial records. Software will be backed up at least monthly. A certified accountant or bookkeeper shall be used to prepare annual financial statements, prepare the FOL's Form 990, provide financial advice, and prepare other financial documents as requested.

Budget. The FOL Board shall approve an annual operating budget in December of each year. Committees and Library Director will submit their budget requirements to the Board in October for inclusion in the annual budget approval process. The Treasurer shall form a working group of FOL Board members, committee, and Library representatives to draft a budget and present to the Board for approval in December. 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.

Operating Reserves. The corporation shall maintain an operating reserve to provide a cushion against unexpected events, loss 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 Board may designate a reserve fund for FOL administrative and program expenses and a reserve fund for support to the Bulverde Area Rural Library District. The target minimum Operating Reserve Fund should be the minimum to maintain ongoing operations and programs for a period of six months. The amount shall be determined each year after approval by the Board at the annual budget meeting. The operating reserve fund shall be included in the regular financial balance sheet reports. The operating reserve serves a dynamic role and shall be reviewed and adjusted by the Board in response to internal and external changes. The Board shall review requests to use reserve funds, confirm use is consistent with the purpose of the reserves, and confirm other sources of funds are unavailable. The Board must approve use of the funds and plan for replenishment to the target minimum.

Financial Reports. Financials reports are management tools used by the Board in making decisions, monitoring the financial health of the corporation, and providing information to interested parties external to the FOL. The basic financial statements of the corporation shall include the Statement of Financial Position (Balance Sheet) to reflect assets, liabilities, net assets to include unrestricted board designated operating reserve funds and donor designated funds. The Treasurer will present monthly financial reports to the Board to include, statement of financial position (balance sheet), and the monthly profit and loss budget comparison report, and or any other type of report. The Treasurer may provide other reports as necessary to assist the Board in making financial decisions. An annual statement will be prepared by the accountant and presented by the treasurer to the Board. An end-of-year financial report will be presented at the annual meeting.

Bank and Online Payment Accounts. The corporation shall maintain a checking and savings account at a local bank(s). Agents of the account(s) authorized to sign checks and have online access to account information will be identified in writing to the bank. Those individuals will be the President, Vice President, and Treasurer. The checking account shall maintain sufficient funds to meet anticipated expenditures. The savings account shall be used to replenish the checking account when necessary and to receive excess funds from the checking account when available. The FOL may also have accounts with payment systems like PayPal, Square, Tickets to the City, etc., so members and library patrons may make payments online or use a credit card. The Treasurer will be the primary contact for those systems. He/she may designate an assistant to help manage those systems.

Credit Cards. 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. Normally, credit card holders will include the Treasurer and Hospitality Chair, however, the Board may authorize other individuals to maintain a credit card. 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 by the last day of the month in which the charges were incurred in order that the credit card statement can be reconciled timely. Failure to provide the receipts within the guideline may result in suspension of credit card privileges.

Reconciliation of Statements. Statements for banks, PayPal, and credit cards will be reconciled at the end of each month in a timely manner by an individual or individuals who are not authorized to sign checks, have access to the account(s), or are not credit card holders. This individual may be the bookkeeping assistant, a Board or FOL member, or a team appointed by the Treasurer. This individual will also count the petty cash fund. Any unusual activity or charges over \$500 will be briefed by the Treasurer at a Board meeting.

Deposits. All income intended for the FOL will be given to the Treasurer or designated person 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 and receipts provided to the Treasurer for proper processing.

Grants and Donations. 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 Profit and Loss 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.

Disbursements. 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. Checks should not be made out to "Cash" or be signed in advance.

Purchases. 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 Board may appointment an individual to make purchases for the FOL. The Treasurer may purchase items or services up to \$250.00 without prior Board approval. Approved items purchased by an individual 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., Walmart, Home Depot, Hobby Lobby, etc.) prior to making the purchase. Purchases from Amazon or Sam's should be made through the FOL's account which has been approved as sales-tax exempt. Users shall weigh the cost of shipping against the sales tax exemption to determine the less expensive manner of ordering. Receipts must be submitted to the Treasurer along with a completed FOL Request for Reimbursement or Submission of Credit Card Charge Form within two weeks. Questions by the Treasurer on reimbursements will be referred to the Committee Chairs or the FOL Board for clarification or resolution.

Petty Cash. The FOL may maintain a petty cash fund for use when necessary to pay for goods or services by someone who cannot take a check or to provide change at events where cash is accepted. Petty cash will normally not be used for routine expenses. 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. The Petty Cash Fund may be replenished by depositing cash in the petty cash account that would otherwise be deposited into the checking account or by a check written to the organization. Two petty cash pouches with \$50 each shall be maintained for making change for Book Nook customers. One shall be located in the file cabinet by the library information desk and another (as a backup) in a cabinet in the Library Bookkeeper's office. The Book Nook managers shall check the pouches to ensure there is the correct amount of change. If change is needed, the Book Nook managers shall make it out of the Book Nook payment box.

Audits. 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 2 to 4 FOL members to conduct the audit. An audit report will be submitted to the President of the FOL Board and will be briefed at the next Board meeting after the report is submitted.

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