

Indiana SAR

Financial Policies

Indiana Sons of the American Revolution

Policy: Internal Finance Controls

Number: 5.002

Approved: 22 June 2021 (IN ExCom)

Effective: 22 June 2021

Accounting Procedures

The accounting procedures used by the Indiana Sons of the American Revolution (IN SAR) conform to Generally Accepted Accounting Principles (GAAP). This Fiscal Management Policy includes a system of controls, which minimizes the likelihood of misappropriation of assets or misstatement of the accounts and maximizes the likelihood of detection should this occur. This in turn provides the Executive Committee and the membership the assurance that the financial reports for the IN SAR are presented fairly to the corporation, the general public and regulatory agencies. It is the responsibility of the Executive Committee to formulate financial policies and to review operations and activities.

1. The Purpose of these Financial Policies and Procedures.

The purpose of these Financial Policies and Procedures is to provide formal documentation relative to the financial operations of the IN SAR to ensure that financial transactions are properly authorized, appropriated, executed, and recorded. This manual will support the policies of the Executive Committee by establishing a format for fiscal controls under the direction of the Treasurer.

2. Lines of Authority and General Responsibilities

IN SAR's financial duties are distributed around multiple people to help ensure protection from fraud and error. These lines of authority and segregation of duties aims for maximum protection of the organization's assets, while also considering efficiency of operations. No person other than the IN SAR President may legally financially obligate IN SAR in any way.

- a. **Executive Committee:** The Executive Committee is primarily responsible for the maintenance of the accounting records with the Treasurer and Assistant Treasurer. Responsibilities include:
 - a. Approving Financial Policies and reviewing them annually.
 - b. Reviewing financial activities and operations.
 - c. Approving financial reports, and audits.
- b. **Financial Committee:** The Finance Committee shall propose policy concerning all permanent funds of this Society to be known as the "Endowment Trust Fund of the Indiana Society."

- a. The Committee shall consist of three members appointed by the President, plus the current Treasurer. When first established the members will be appointed, respectively, for one-year, two-year, and three-year terms. The President shall designate a Chairman. Thereafter, one member shall be appointed each year for a three-year term. The Treasurer shall be a voting member of this committee. A finance background would be desirable for all members of the Committee.
 - b. The Committee shall oversee the investment of all the funds to maximize earnings and at the same time provide security for the funds. Annual audits of the funds shall be made and reported by the Audit Committee at the first October meeting of the House of Delegates following the Annual Meeting. Minutes of this Committee shall be recorded and distributed to the Officers of the Society as defined in Article IV, Section 1, of the Constitution, within thirty days after each meeting.
 - c. The Committee shall make available the earnings from the Cyril L. Johnson Scholarship Fund each year to award one or more scholarships to the Indiana Society, Children of the American Revolution which will name a recipient from among its members and present the award on behalf of the Indiana Society.
 - d. The income from the Endowment Trust Fund shall be distributed by the Committee each year as follows:
 - i. Not exceeding one-half to the Operating Fund of the Society, if needed.
 - ii. The remainder, after distribution of (1) above, will remain in the Fund.
 - e. Principal of any Named or Endowment Trust Fund can be expended on a Society Project only upon a two-thirds favorable vote of authorized voters at a meeting of the House of Delegates. Notice of at least thirty days shall be sent to all Chapters and Indiana Society Officers before a vote is taken. However, the fund must maintain a minimum balance of \$25,000.00 at all times.
 - f. The Finance Committee will prepare guidelines, including investment procedures, control of funds, and operating procedures. These shall be reviewed on an annual basis by the Finance Committee and then be submitted for action by the House of Delegates.
- c. Budget Committee:** . The Budget Committee, with the Treasurer as Chairman, shall submit a proposed budget of income and expenses for the coming fiscal year at the October meeting of the House of Delegates for review before it is submitted for action at the Annual Meeting the following April. An updated report of the budget shall be submitted at each meeting of the Executive Committee and of the House of Delegates.
- d. Audit Committee:** The Audit committee shall consist of at least three (3) members, one of whom shall be chairman, preferably with financial and /or accounting

experience. They shall perform an audit of all accounts of the Society at least once each year and submit a report to the House of Delegates at the July meeting.

- e. **Treasurer:** The Treasurer reports to the Executive Committee and acts as the primary agent of all fiscal policies and procedures. In the absence of an Treasurer, these responsibilities fall onto the Assistant Treasurer. Responsibilities include:
 - a. Approving expenditures; to include budgeted expenditures and purchases up to \$3,000. Amounts over \$3,000 require Assistant Treasurer co-signing approval.
 - b. Approving check payments as an authorized check signer.
 - c. Approving the purchase of fixed assets
 - d. Approving grant claims, requests, and invoices
 - e. Approving credit card/bank card transactions and related statements.
 - f. Receiving deposits and marking them for deposit only
 - g. Reviewing and approving standard journal entries for reasonableness and posting to the general ledger. Completing annual reviews with the Finance Committee of the adequacy of the insurance coverage for the organization
 - h. Posting, recording and processing approved expenses, deposits, journal entries, and payroll activities into QuickBooks general ledger package. The
 - i. Recording monthly all fees, donations and additional items
 - j. Preparing monthly financials, monthly budget reports, monthly team statements and management financial reports to the Executive Committee covering at a minimum, receipts, disbursements, receivables, and payables.
 - k. Preparing grant claims, requests, and invoices.
 - l. Reviewing daily deposits
 - m. Reconciling monthly bank statements

- f. **Assistant Treasurer:** The Assistant Treasurer supports the Treasurer and his responsibilities as needed. The Assistant Treasurer also:
 - a. Approves/Signs expense reports
 - b. Approves/co-signs expenditures over \$3,000.

3. Fiscal Year and Basis of Accounting

The fiscal year of the IN SAR is April 1 through March 31. The IN SAR shall maintain its records on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). The accrual basis of accounting records income and expenses when incurred rather than when cash is received or paid

4. Independence Examination of Financial Statements

IN SAR will have a review/compilation/audit of its financial statements annually. The review/compilation/audit may be completed any time after the end of the fiscal year so long as a final draft is available to the Organization's Annual Meeting in April. It shall be completed in

accordance to the Constitution and Bylaws of the IN SAR. The Treasurer will be the liaison for to the Audit process.

The Treasurer and Assistant Treasurer shall provide the Executive Committee recommendations for correcting any noted deficiency.

5. Financial Reports

Monthly Financial Reports shall be distributed to the Executive Committee. Additional information shall be provided as requested.

6. Banking Relationships

The Treasurer and the Assistant Treasurer shall act as liaisons for the various banking relationships of the IN SAR and the signature holder for those banks. The Treasurer and the Secretary of the IN SAR shall be the liaison and signature holder for the investment accounts.

The Treasurer and the Assistant Treasurer will be required to co-sign all checks written for more than \$3,000.

7. Separation of Duties

Bank statements are reviewed by the Treasurer for reasonableness of transactions and vendors, and once approved they are reconcile the accounts to the general ledger.

Deposit documentation is prepared by the Treasurer, and copies are to be included in the transaction posting in QuickBooks.

8. Invoice Preparation

Invoices will be prepared within five business days of the close of the prior month to ensure regular healthy cash flow.

9. Cash Receipts

a. Purpose

As a regular course of business, the IN SAR receives payments (ie account receivables) and donations from various sources. The IN SAR shall report all income received in an accurate and timely manner in accordance with GAAP. Contributions are recorded as pledged or received in accordance with FSB 116, and must be credited to the appropriate revenue lines as presented in the annual budget.

- Membership and/or program fees are recognized in the month in which they were received and are classified according to the corresponding account.
- Grant revenue is recognized when earned in the case of reimbursable grants, or when granted for all other grants and is properly classified as restricted or nonrestricted per grantor's stipulations.
- Contributions are recognized as of the date of the check or when received if cash or in-kind and are properly classified as restricted or nonrestricted per the donor's stipulations.

b. In office Receipt Procedures

- i. All mail is opened and sorted by the Treasurer, unless absent, with the contents reviewed for donations. If the transmittal included a payment by check, all checks are restrictively endorsed, and promptly deposited. Copies of all checks and deposit slips shall be made with account coding to be included in the QuickBooks transaction records for reference and reconciliation.
- ii. All checks are stamped with the IN SAR "for deposit only" stamp immediately upon receipt. Cash receipts should note the date received, payer and the amount of cash received.
- iii. The Treasurer reconciles the bank account.

c. IN SAR Bank Card Procedures - THIS SECTION IS IN PREPARATION FOR POSSIBLE BANK CARD PAYMENT SYSTEM

- i. All bank card payments and donations are processed through the XXX account on the IN SAR website.
- ii. XXX provides detail on each daily deposit for IN SAR Treasurer to properly record payments to each member and reconcile payments to the bank statement
- iii. Any information provided to XXX is noted in its transaction report.
- iv. The IN SAR Treasurer uses XXX to record all player payments, credits and refunds.
- v. The Treasurer reconciles all the credit card deposit transactions to daily deposits shown on bank statements.
- vi. Donor reports are provided to the Executive Committee
- vii. XXX has a variable processing fee of generally 10%-3% depending on the balance.

d. Special Events

- i. Funds received at special events are immediately locked in a cash box.
- ii. Upon completion of special events, the Treasurer and the special event coordinator will count the funds together and sign off on agreeing amounts

- iii. Any checks will be stamped for deposit only.
 - iv. Cash and checks will be deposited the next business day.
 - v. The special event coordinator prepares a brief report for the Treasurer. The Treasurer compares report to general ledger activity.
 - vi. Any outright donations received at event are added to donor report.
- e. Donor reports
- i. Donor reports are prepared by Treasurer and used by the President to prepare thank you notes to donors.
 - ii. The monthly donor reports are given to President and Executive Committee for review.

10. Accounts Payable / Policies on Disbursement

a. Purpose

The accounts payable function is created to fairly and accurately represent the expenses and liabilities of the IN SAR. Most programs/services and functions of the INSAR create liabilities. The Treasurer shall rely on the accurate and timely receipt of invoices to facilitate the payment process.

b. Invoices

On a weekly basis the Treasurer receives and opens all mail. Invoices are reviewed for accuracy and marked with the appropriate account information and approval. Once approved the Treasurer processes the payable, enters it into Quickbooks, and prepares the check for printing. At the end of the week, the Treasurer cuts/prints, signs (along with the Assistant Treasurer when required), and mails the check.

Checks over \$3,000 require written authorization (e-mail is acceptable) by the Treasurer and Assistant Treasurer. The Assistant Treasurer must co-sign any checks over \$3,000.

c. Bank Statements

The Treasurer reviews the bank statements on a monthly basis and then reconciles the bank statements to QuickBooks on a monthly basis.

d. Credit and ATM Cards

Credit Cards are not authorized for use.

Bank ATM Card is only for the Treasurer to access the Online Banking system.

11. Expense Reports

Expense reports are subject to IN SAR Policy 05.003 Expense Reimbursements.

12. Payroll and Personnel

Currently the IN SAR has no employees, so there is no payroll and personnel needs.

13. Monthly Close

Monthly closing activities are performed by either the Treasurer or in his absence the Assistant Treasurer and are intended to promote timely and accurate financial reports as well as prevent transactions from inadvertently being posted into prior closed out months. The financial statements are prepared for Executive Committee for the previous month in the week prior to the meetings. The most recent three months' financial information are presented to the Executive Committee for comparison purposes as well as to provide any changes to the prior two months; once the month drops off the board scorecard, it is finally closed out and locked in QuickBooks.

- Prior to preparing financial statements and performing closing duties, the Treasurer will post or record any remaining daily transactions.
- Bank Reconciliation will be completed.
- Treasurer will perform a reconciliation of Balance Sheet items to locate and correct any missing or incorrect entries.
- Treasurer and Assistant Treasurer will review Revenue and Expense Accounts looking for reasonableness of amounts and accounts.
- The Treasurer will review the balances and accounts receivable reports to assure any delinquencies or overpayments are being addressed.
- Treasurer will prepare financial statements and present them to the Executive Committee. Reports will be provided before any regular meetings of the IN SAR Membership.
- The Executive Committee will approve financial statements subject to year-end review/compilation/audit.

14. Record Keeping

IN SAR uses QuickBooks online Software for tracking and processing financial data. The data is backed up automatically in the cloud.

Hard copies of invoices, check stubs, statements, deposits, etc. are scanned into an electronic copy and saved as an attachment to their corresponding transaction in QuickBooks, and the hard copies are filed with the Treasurer during the current year; past year's hard copies are filed in a locked storage room. Records are archived and retained in accordance with our record retention policy.

15. Budget

The annual budget for the fiscal year shall be presented for action to the House of Delegates by the Budget Committee at the Annual Meeting of the Society. When officially adopted by the House of Delegates, expenditures for the fiscal year shall be limited to the total amount thereof, except that with distribution of notice of the proposed change at least thirty days' notice prior to the House of Delegates meeting at which action is to be taken, the House of Delegates may act to approve modification of the budget.

16. Physical Security

IN SAR maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, real estate, and other valuable property.

- a. Cash Receipts
 - i. Cash and checks, as received in person or via mail, are immediately stamped for deposit only and placed in a locked box.
 - ii. Cash and checks received totaling \$500 or more will be deposited by next business day. Cash and checks unable to be deposited will be recorded and locked in a secure area until next business day.
- b. Blank Checks
 - i. Blank checks are numbered and kept in a locked area
 - ii. Checks are used in sequential order; any missing or incorrectly numbered checks are reported immediately to the Treasurer and Assistant Treasurer for further investigation.
 - iii. Voided checks are kept on file with the word "void" written on the face of the check.
- c. Accounting and Server Access
 - i. The accounting software and data is Quickbooks online.
 - ii. The data is backed up regularly through the Quickbooks online cloud system.
 - iii. Data is accessible through the QuickBooks application of which there is Two users with a unique username and password.
 - Treasurer
 - Assistant Treasurer

17. Tax Compliance

IN SAR's annual Federal Form 990 and NP-20 is prepared by the Treasurer. The 990, along with the NP-20 state return, is completed prior to the end of the following fiscal year.

18. Asset Management

The IN SAR has one bank account at the 5/3rd Bank. This account is used for all primary checking, deposits, and transactions.

Capitalization & Depreciation

Any items over \$500 and with a useful life longer than one-year will be capitalized.

- Attached to every purchase record over \$500 will be the capitalization worksheet; this worksheet will be used to identify whether or not the transaction will be expensed or capitalized, the useful life, and to which cost center the expense or depreciation should be allocated.
- The Treasurer and Assistant will work to determine the useful life using IRS guidelines.
- All capitalized assets are depreciated using the straight-line depreciation method.
- All capitalized assets will be recorded at historical value on the Depreciation worksheet, this worksheet is used to track assets and depreciation.
- The Assistant Treasurer will notify the Treasurer in writing when the asset is retired, and the Treasurer will record the proper journal entries and will update the depreciation worksheet accordingly.
- The Treasurer and the Assistant Treasurer will review the asset/depreciation worksheet annually to ensure all recorded assets are still in service and are being properly depreciated. Any donated assets are recorded at Fair Market Value as of the date of contribution.

The IN SAR has one investment account with Morningstar. This account is used for all the investment accounts for the IN SAR.

19. Accounting Policies

The Indiana SAR will follow established Generally Accepted Accounting Principles (GAAP), Financial Accounting Standards Board (FASB) Guidelines, and IRS Guidelines.

20. FDIC Limits

In order to protect the IN SAR funds kept in banks, the IN SAR must not keep funds in any bank that would exceed the FDIC Limits. If the IN SAR has funds in excess of FDIC, they must diversify among different banks.

21. Restricted Funds

The IN SAR must keep all restricted funds in a separate bank account to ensure those funds are not mixed with their regular funds (unrestricted). This adds an additional layer of protection for the restricted funds.

Annual Review

This policy will be reviewed every two years by the Executive Committee.

Changes To Policy

This policy can be changed/modified at any time by recommendation of the Independent Accountants, Finance Committee, Executive Committee, and the membership of the House of Delegates. Changes must be approved by the IN SAR Executive Committee.