

# AENC

## Financial Policy and Investment Plan

Adopted: June 20, 2018

### **Purpose**

The Financial Policy and Investment Plan for the Association Executives of North Carolina (AENC) has been developed to guide the financial decisions of the Board of Directors and staff of AENC and to improve the financial stability of our association.

While recognizing the need for stability and consistency, this document is intended to be dynamic in nature. It should be reviewed regularly by the Executive Committee and CEO to reaffirm its adequacy and ensure its consistency with AENC goals and objectives.

Our ultimate goal is to make the most efficient use of AENC resources and ensure that AENC will always exist to serve its stated mission to advance the field of Association Management by providing networking and professional development, while increasing the recognition of the Association community.

The key areas of focus of the Financial Policy and Investment Plan are:

1. Oversight of budget process, budget approval and budget implementation
2. Process and policies for the reserve account and operating account
3. Approval processes
4. Oversight of insurance needs
5. Investment strategy
6. Emergency Protocol

### **Oversight of Budget Process, Budget Approval and Budget Implementation**

The AENC Board of Directors shall approve an annual budget for each fiscal year using the following guidelines and processes:

- a. AENC shall never engage in the practice of association-wide deficit budgeting.
- b. The CEO shall:
  - i. Supervise the preparation of program, event, and the combined association budgets.
  - ii. Submit a draft annual budget to the Secretary/Treasurer for review by the Board of Directors at least 15 calendar days prior to the final Board meeting of each fiscal year.
  - iii. Be responsible for recommending additions, modifications, or amendments to the budget.
  - iv. Execute the approved budget.
  - v. Not authorize the expenditure of reserve funds unless approved by the Board of Directors.
- c. The AENC Board of Directors shall evaluate and approve the salary of the CEO annually. Such amount to be included in the budget.
- d. CEO shall evaluate and approve salary of all staff members. Such amounts to be included in the budget.

- e. CEO will receive monthly financial reports from designated bookkeeper/CPA to assess compliance with the budget. Financial reports will be constructed to mirror the approved budget with corresponding account codes for ease of evaluation and future budget construction. Such reports will contain:
  - i. Statement of financial position
  - ii. Statement of income for month and year to date rollup
  - iii. Statement of income for month and year to date rollup, budget versus actual
- f. CEO will review reports monthly with staff.
- g. CEO will report any significant budget concerns to Secretary/Treasurer and President.
- h. CEO will report on year to date finances at each scheduled AENC Board meeting.
- i. All monthly financial statements will be stored in the AENC Dropbox account.
- j. The AENC Board of Directors shall have the financial operations and statements of the Association reviewed or audited as required by all applicable laws, contracts, rules, and policies.

### **Process and Policies for the Reserve Accounts and Operating Account**

For the purpose of clarity, “reserve account” refers to the accounts named “Paragon Bank – Reserve Account” budget account code 10050 and Pinnacle Reserve Account, budget account code 10060. The “operating account” refers to the account named “Paragon Bank – Operating” budget code 10000.

At a minimum, AENC should have the goal of at least one year’s operational expenses available in the designated reserve account in order to ensure that the association is viable to exist one complete year to fulfill membership obligations in the event of a significant loss of funding.

AENC has a goal of making a provision for funding the reserve account each year through the annual budgeting process.

The operating account will be the primary account for deposits and withdrawals to manage day to day operations of the association.

Funds may only be moved from the operating account to the reserve account by recommendation of the Secretary/Treasurer and majority vote of the Executive Committee. Funds may only be moved from the reserve account to the operating account by recommendation of the Executive Committee and majority vote of the Board of Directors. The latter may be requested by CEO by submitting a written request to the President and Secretary/Treasurer detailing the exact amount, payback schedule and business case for such transfer. This process to be used for capital requests and short term operational cash needs. AENC shall have a contingency fund of \$5000.00 that may be moved from the reserve account by a majority vote of the Executive Committee.

No other accounts will be opened for association business without prior authorization of the Board of Directors.

### **Approval Processes**

To ensure proper oversight and internal controls, the following are financial approval processes:

- a. The Secretary/Treasurer, CEO or his/her designee, and closest geographically-located Director are authorized to co-sign on all AENC banking accounts. One original signature and one facsimile signature are required on all accounts.
- b. The CEO shall also have the authority to incur debt or expenditures on behalf of the Association as authorized by the Board-adopted budget or as approved by the Board.
- c. The President, Secretary/Treasurer, and one Board Member specifically appointed to the task by the President shall be allowed to sign travel vouchers of the CEO after review and expressed approval by the President of the Association.
- d. Travel Vouchers and Expense Reports of the CEO shall be emailed to the President for review monthly.
- e. Expense reports of staff to be reviewed and approved by CEO monthly.
- f. Budgeted expenditures and justifiable non-budgeted expenditures of less than or equal to \$5,000 may be purchased by the CEO without approval of the AENC Board of Directors. Over \$5,000 requires approval of the President or Secretary/Treasurer. At no time shall invoices be split or other methods of circumventing the intent of this policy.
- g. Event and hotel contracts, maintenance agreements for office and equipment, budgeted expenditures and miscellaneous contracts up to \$10,000 may be approved by the CEO or his/her designee without Board approval. Any contract over \$10,000 that does not fit into the above, mentioned categories must be approved by the President or Secretary/Treasurer. A check of such amount only requires one signature but must have prior written approval by the President or Secretary/Treasurer.
- h. The Secretary/Treasurer, CEO or his/her designee, and closest geographically-located Director to the AENC Administrative Office shall serve as authorized signers for any of the Association's employee benefits requiring signature.

### **Oversight of Insurance Needs**

Each year, during the budget development process, the CEO will work with the President and Secretary/Treasurer to assess insurance requirements to protect the association. Areas of focus for protection will be assets, loss of revenue from catastrophic events (event insurance) and potential loss from disability or death of key personnel.

### **Investment Strategy**

The Board of Directors shall seek to have funds in reserve equal to one year of operating expenses. Such reserve funds should be kept in a liquid money market account. Reserve funds in excess of one year of operating expenses may be invested in vehicles recommended by the Investment Committee and approved by the Board by majority vote.

When investment beyond money markets is made, the Board shall designate an Investment Committee, to consist of the Executive Committee, CEO and at minimum 3 additional Board Members to provide quarterly oversight of investment activity and shall report on investment earnings at each Board meeting.

When deciding on investing beyond money markets, the Prudent Man Rule should govern deliberations. Such rule states: "to observe how men and woman of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital

to be invested."

Operating within this rule, these types of financial investment activities should be prohibited:

1. Margin Purchases
2. Junk Bonds
3. Derivatives
4. Options
5. Other high risk investments

While subject to change, based on the economic outlook, the percentage investment in equity and fixed income securities should generally be:

Equities	20%
Fixed income securities	80%

All financial institutions and banks used for the purposes of accounts and/or investments, must maintain all appropriate licenses as required by law, including but not limited to full FDIC protection. The Secretary/Treasurer shall conduct an annual review of all such institutions and banks to ensure compliance.

### **Emergency Protocol**

AENC staff will develop an emergency file of all computer passwords, Dropbox access codes, bank contacts, CPA/bookkeeping contacts, IT contacts, insurance contacts and legal contacts.

The file will exist in the AENC Dropbox file storage and will be in the possession of the Executive Committee. In the event of a catastrophic event occurring which incapacitates the CEO and/or AENC staff, the Executive Committee will convene at the earliest possible time, assess current financial status and contact all vendor/partners as they deem appropriate. The Executive Committee will maintain regular contact with remaining staff members and will facilitate any required staff and/or membership communications.

If at any time the funds in the reserve account represent a quarterly decline of more than 25% from the prior quarter, such shall require the urgent convening of the full Executive Committee & CEO. The Executive Committee & CEO will determine what, if any, steps are required to maintain and ensure financial sustainability, then they will make a recommendation to the Board of Directors on actions needed.

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