Milwaukee LGBT Community Center
Fiscal Policies and Internal Control Procedures
(Approved by the Board of Directors on March 17, 2010)

I. BUDGET PROCESS AND IMPLEMENTATION

A. The Board of Directors of the Milwaukee LGBT Community Center (herein referred to as the Center) shall approve an annual operating budget for each fiscal (calendar) year that will project income and expenses and will provide for programs and support services as outlined in the work plan for the year.

B. The budget process is designed to provide:

1. A means by which spending limits are set based on expected revenue levels.
2. A system to allow for procedures to compare actual results to the set spending limits.
3. A means for setting program priorities and allocating resources to those priorities.
4. A means for comparison of actual financial results to budgeted amounts and analysis of differences from those budgeted amounts.

C. Budgeting for any fiscal period shall not deviate materially from the mission, goals, and strategies; risk fiscal jeopardy; nor fail to show a generally acceptable level of foresight.

D. Accordingly, the Executive Director with the senior leadership team shall develop a budget that:

1. Contains enough detail to enable accurate projection of revenues and expenses, separation of capital and operational items, cash flow and subsequent audit trails, and disclosure of planning assumptions.
2. Plans the expenditure in any fiscal year of no more funds than are available or conservatively projected to be received in that period.
3. Maintains current assets (cash, accounts receivable, prepaid expenses, etc.) at any time to no less than 100 percent of current liabilities (accounts payable, debt due in 12 months, etc.).
4. Does not deviate materially from Board-stated priorities and Board-approved budgets (except for grant revenues received during a fiscal year and their related expenditures) without seeking Board approval.

E. After preparation of the budget for the next fiscal (calendar) year, copies of the budget, proposals for cost reductions (if necessary), and proposals for cost increases (if necessary) shall be sent to all Board members.

F. At the December Board meeting, the Board shall meet to discuss and approve or reject the budget.

G. If the budget is rejected, the Board shall direct the Treasurer and Executive Director to amend the budget for changes as directed by the Board.

H. The Board will approve the annual budget prior to the start of the fiscal (calendar) year.

I. The Board then authorizes the Executive Director to manage the organization in accordance with the approved annual operating budget.

J. Once the budget has been set for the fiscal year, the budget shall be included in the accounting system of the Center.

K. As monthly financial statements are prepared, a comparison of actual monthly results of operations to budget figures shall also be prepared. The financial statements and budget variances (with detailed explanations) shall be reviewed by the Board.

L. Programmatic or operational changes that may have a significant impact on the annual budget shall be reviewed by the Board between budget cycles and may lead to a budget revision. When deemed necessary, the Board shall revise the budget to fund additional services or make allowances for other unbudgeted revenues or expenses.

II. CAPITAL EXPENDITURES

A. Definition.

1. A capital acquisition is an individual asset and/or class of assets that has a useful life of more than one year and a cost of $2,000 or more.
2. Items of a capital nature over $2,000 will be capitalized.

B. Budget.

1. Anticipated capital acquisitions shall be included in the normal budgetary process, and when necessary, as part of the separate capital acquisitions budget.
2. The annual budget may have some nominal allocation for smaller capital expenditures.
3. The annual budget shall include purchase requests for all new and replacement acquisitions.

C. Fixed-Asset Inventory.

1. A fixed-asset inventory of office equipment, computers, and printers will be maintained and adequate insurance will be maintained.

D. Purchasing.

1. Any equipment with an estimated value of $5,000 or more shall be purchased through competitive bidding or comparative pricing by at least three vendors whenever possible.
2. Comparative pricing or competitive bidding should also be used periodically for regularly purchased materials, supplies, services, and insurance.
3. All capital expenditures are acquired pursuant to a purchase order.

E. Executive Authority.

   1. The Executive Director shall have the authority to make purchases that are part of the approved annual budget without additional approval from the Board.

   2. Such acquisitions shall be reported to the Board and Finance Committee at their next regular meetings.

F. Long-Range Plan.

   1. The Center should consider adopting a long-range plan for capital additions and replacements.

G. Discretionary Fund.

   1. The Executive Director shall have the authority to spend up to $1,000 from the discretionary fund on any single acquisition without prior approval from the Board.

H. Property.

   1. The Finance Committee must approve the purchase or disposition of any capital asset with a value of $5,000 or more.

   2. The purchase or sale of any capital asset of higher value shall be approved by the Board.

   3. Purchase or sale of any real estate must be approved by the Board.

III. INVESTMENTS

A. It is the general policy of the Center to invest funds to achieve growth in principal value over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation.

B. The funds include permanently restricted funds, temporarily restricted funds, and Board-designated reserves.

C. Notwithstanding this policy, all restrictions placed by donors on the interest and investment earnings on donated funds will be honored.

D. Types of Permissible Investments.

   1. *Temporarily Restricted Funds.*

      a) <u>Description:</u> These funds are restricted in time or purpose. They include donated funds that are restricted to program use or over time, and are expected to be used for operating expenses. They also include funds pledged as collateral to third parties.

      b) <u>Investment Objective:</u> Preservation of principal for designated uses, and maximization of earnings in a way that allows for immediate liquidity to meet ongoing operations and spending requirements.

      c) <u>Authority:</u> Within the parameters of this investment policy, the Executive Director has authority to invest the funds, and to spend principal and interest to meet grant requirements and operational needs of the Center.

2. *Unrestricted Short-Term Operating Funds.*

    a) Description: These funds are not restricted in their use. They include cash, surplus from current operations, unexpended portions of unrestricted grants, and other unrestricted funds received.

    b) Investment Objective: Preservation of principal to cover operating expenses, and maximization of earnings in a way that allows for immediate liquidity to meet ongoing operational requirements.

    c) Authority: Within the parameters of this investment policy, the Executive Director has authority to invest the funds, and to spend principal and interest to meet the operational needs of the Center.

3. *Board-Designated Reserves.*

    a) Description: These funds have been designated by the Board to be held in reserve to support future years' operations, provide a resource for unexpected downturns, and provide a source of investment in the business. They may include accumulations from past years' annual results of operations, investment income, and other funds designated by the Board.

    b) Investment Objective: Preservation of real purchasing power of principal, and maximization of investment income.

    c) Authority: The Finance Committee shall establish the appropriate ranges and types of investment for these funds, with prior approval of the Board, and shall review investment performance of these funds on a quarterly basis in accordance with this policy. Within the parameters of this document and with the advice of the Finance Committee, the Executive Director shall have the authority to invest the funds.

4. *Endowment Funds.*

    a) Description: Endowed funds are those that have been given in perpetuity, through which the principal of the fund remains intact and the income is paid out.

    b) Investment Objective: Preservation of principal to allow distribution of income for designated uses.

    c) Authority: These funds shall be overseen by the Finance Committee, invested on a long-term basis in accordance with the investment policy. Spending withdrawals will be made in accordance with the spending policy.

E. Finance Committee Responsibilities.

1. The Finance Committee shall reexamine the portfolio allocations on a quarterly basis for the purpose of evaluating the appropriateness of the

allocation given existing market conditions, the economic needs of the Center, and the size of the funds.

2. The Finance Committee shall periodically review the distribution policy against actual returns in order to make adjustments necessary for the preservation of purchasing power of the funds.

IV. Financial Audits

A. Audit Mandate and Distribution.

1. In order to ensure financial accountability, the Center shall have its financial statements audited by an independent auditing firm on an annual basis.
2. The selection of the firm to conduct the audit will be approved by the Board of Directors.
3. The auditor's report, management letter, and IRS Form 990 shall be presented to the Board for approval.
4. A copy of the audited statement will be distributed to the full Board and the Executive Director.
5. The audited financial statements shall also be made available to anyone else who requests them.

B. Annual Audit.

1. The financial records of the Center shall be audited annually by an independent CPA firm that has a significant group of nonprofit clients.
2. The Finance Committee shall be responsible for selecting the audit firm to conduct the annual audit.
3. The audit firm will not be hired to perform non–auditing services, except for tax preparation and Form 990 preparation and shall not perform substantial services for any officer or director personally.
4. The audit firm shall be engaged to present annual audit findings to the Executive Director and the Finance Committee, and if needed, the Board.
5. The Finance Committee shall review the audit and make its recommendation to the board.
6. If the same audit firm conducts the audit for more than five consecutive years, the Finance Committee shall review the firm's services and decide if the firm or the audit partner needs to rotate.

V. IRS Form 990

A. Expectations.

1. The Executive Director shall ensure that tax payments and other government-ordered payments or filings are filed in a timely and accurate manner.
2. The Executive Director shall sign and certify that the IRS Form 990 is accurate and complete.

3. The Finance Committee shall review and approve the IRS Form 990 annual tax filing prior to submission, and the full Board shall receive a copy of the IRS Form 990 within 30 days of its submission.
4. Consistent with the requirements of §6104(d) of the Internal Revenue Code and the regulations thereunder, copies of the organization's Form 990 shall be made available, upon request, in a timely manner, and ,without charge, to any individuals who request it.

B. Board Checklist for IRS Form 990.

1. The Board shall ensure that the following steps toward public disclosure of the Center's financial status take place:
   a) Review Form 990 and Form 990-T by the full Board by April 30 each year.
   b) Distribute, to the full Board, a copy of the Form 990 in advance of filing for review and consideration.
   c) File accurate, complete, timely, and in compliance with regulatory requirements Form 990 by June 15, without extension, each year.
   d) File accurate, complete, timely, and in compliance with regulatory requirements Form 990-T (Unrelated Business Income Tax) by June 15, without extension, each year.
   e) Disclose to the general public, through the organization's Web site, the Form 990 and the audited financial statements by June 15.

VI. Risk Management

A. General Commitment.

1. The Center is committed to protecting its human, financial, tangible, real estate, and goodwill assets and resources through the practice of effective risk management.
2. The Center's Board and senior leadership team are dedicated to safeguarding the safety and dignity of its paid and volunteer staff, its clients, and anyone who has contact with the organization.
3. To this end, the Board will ensure that the organization has a risk management plan for the organization that is reviewed and updated on an annual basis.

B. Asset Protection.

1. The Executive Director shall adequately protect and maintain from unnecessary risk the assets of the Center.
2. Accordingly, the Executive Director shall:
   a) Insure against theft and casualty losses of tangible personal property to at least 80 percent replacement value and against liability losses to Board members, staff, or the organization itself at no less than minimally acceptable prudent levels.

b) Have sufficient employee dishonesty insurance and Directors' and Officers' liability insurance for personnel with access to material amounts of funds.

c) Ensure office and equipment is not subjected to improper wear and tear or insufficient maintenance.

d) Protect the organization, its Board, and staff from exposure leading to claims of liability.

e) Protect intellectual property, information, and files from loss or significant damage.

f) Seek bids or demonstrate other prudent methods for any purchases over $5,000 and protect against conflicts of interest.

g) Receive, process, or disburse funds under financial controls that meet the Board-appointed auditor's (or other grant) standards

h) Invest or hold operating capital in secure instruments, such as insured checking accounts and bonds of greater than __ rating, interest-bearing accounts (except when necessary to facilitate ease in operational transactions or where restricted by the donor/grantor).

i) Acquire, encumber, or dispose of real property only with Board approval, with the price set on any property to be disposed of following either a formal market appraisal or analysis of comparable properties by at least two reputable realtors in that market.

j) Not endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of mission, except when necessary to accomplish its mission

3. In addition, the Finance Committee shall:

    a) Perform an annual review of directors' and officers' liability insurance, worker's compensation insurance, general liability insurance as well as any other insurance carriers and/or policies as needed.

C. Emergency Response and Recovery Plan.

1. It is the policy of The Center to protect its employees and to prevent the interruption of vital operations; thus, the Center is committed to employing all appropriate strategies for anticipating and controlling crisis situations.

2. The senior leadership team is responsible for development and implementation of an emergency response and recovery plan.

3. This plan shall establish contingencies and anticipate threats that could harm Center personnel, property, clientele, and reputation.

4. The Center's Board is responsible for review and approval of this plan.

5. All employees are expected to comply with this plan and to minimize risk to themselves and to the Center's property, clientele, and reputation.

6. Copies of this document and other documents referenced in this plan will be stored off-site and be readily available for reference in the event of an emergency situation that restricts or prohibits access to the normal workplace.
7. This Emergency Response and Recovery plan is intended to:
    a) Anticipate potential threats to the Center's operations.
    b) Provide an orderly and efficient transition from normal to emergency conditions.
    c) Provide specific guidelines appropriate for complex and unpredictable occurrences.
    d) Provide consistency in action.
    e) Prevent activity inconsistent with the organization's philosophy.
    f) Establish threshold events that may trigger an emergency response.

VII. Guidelines for Internal Controls

A. General Provisions.

1. Authorization for signatures necessary on contracts, checks, and orders for payment, receipt or deposit or withdrawal of money, and access to securities of the Milwaukee LGBT Community Center (herein referred to as the Center) shall be provided by resolution of the Board of Directors.
2. Any individual authorized to purchase goods and/or services for the organization shall follow the procedures set forth in these policies.
3. The Finance Committee shall be responsible for reviewing and recommending an annual operating and a capital budget to the Board for approval.
4. The Board shall be responsible for adopting the annual operating and capital budgets.
5. No expense shall be incurred in excess of the total budgetary appropriations without prior approval of the Board.

B. Accounts.

1. The Center shall maintain its accounts in financial institutions that are federally insured.
2. All funds received by the Center shall be deposited when funds equal or are greater than $500.
3. All nonproductive funds shall be invested in accordance with the investment policy established by the board.

C. Check-Signing Authority.

1. The Board Co-Presidents, Executive Director, and one senior staff member, as designated by the Executive Director, are authorized to sign checks.
2. All checks require two signatures.

3. In addition, any checks payable to any one of the above-named persons shall be signed by someone other than the payee.

D. Cash Disbursements.

1. An authorized check signer will make disbursements only upon review and approval of the transaction. This will include review for the existence of proper supporting documentation, such as a purchase order and evidence of the receipts of the goods and services.
2. Any disbursement check requires the signatures of any two persons authorized by the Board.

E. Bonding.

1. Each officer or designated signatory with authority to withdraw funds shall be bonded.
2. The cost associated to secure the aforementioned coverage shall be that of the Center.
3. The amount of insurance coverage will be reviewed annually by the Finance Committee.

F. Borrowing Funds.

1. From time to time it will be necessary for the Center to borrow funds from outside sources to fund operations and expansion. This will be necessary because of the seasonality of income from fees, donations, and online auctions, and due to major expansions or revisions of Center programs.
2. Funds are to be borrowed only as required to meet these needs, and borrowing is to be consistent with sound fiscal and management practices. Borrowings are not intended to make up for inadequate planning or spending above budgeted levels.
3. Borrowing funds should be done within the following guidelines:
    a) Borrowing should be within appropriate limits approved by the Board prior to the time of borrowing.
    b) Amounts should be borrowed at the lowest available interest rates. Where borrowing from individuals can be done at lower than current commercial rates, this may be done.
    c) Most borrowing will be done at short-term conditions due to the seasonal nature of income. Long-term borrowing will be done only if rates are favorable and amounts for short-term would be at the same minimum level.

G. Loans to Board or Staff Members.

1. No loan may be made to any officer, director, or employee of the Center, except in accordance with applicable Wisconsin law.
2. Any such loan may be made only pursuant to a written agreement approved

by the Board and reviewed and approved by legal counsel.

3. All such loans to an employee shall be repaid through payroll withholding and shall be callable by the organization upon termination of employment or, in the case of a relocation loan secured by a residence, upon the sale of the residence.
4. Staff shall ensure that all such loans are properly reported for employment and income tax purposes.

H. Credit Cards.

1. The Center shall not issue corporate credit cards to employees.
2. Employees shall follow the expense reimbursement policy whereby employees submit legitimate business expenses charged to their personal credit cards and the Center shall reimburse them within 30 days of receipt.
3. For special or emergency situations, the Center shall maintain one corporate credit card under the supervision of the Executive Director.
4. In circumstances where an employee needs to use the corporate credit card for the online purchase of programs materials and/or supplies, the employee should adhere to the following procedures.
    a) Complete the Check Request Form, providing detailed instructions about the vendor's website, the items to be ordered, quantity and any other important information.
    b) On the Check Request Form, the employee *must* note that this transaction will be a credit card payment.
    c) As with all Check Request, the immediate supervisor's signature is required, then the form is submitted to the Facilities Manager, who will obtain the signature of the Executive Director for approval of the online purchase.
    d) The online purchase will then be completed by the Facilities Manager or the staff member who initiated the request.
5. The Board has the authority to approve the establishment of a charge account in the Center's name, including the credit limit.
6. The Executive Director has the responsibility to establish and enforce written procedures for the use of all open charge accounts and credit cards.
7. The Finance Committee will review all credit card procedures on an annual basis.

I. Purchasing and Values.

1. The Center will make a good-faith effort to identify and solicit minority and women vendors.
2. It will strive to utilize, whenever possible, vendors that have a presence within the organization's service area.

Signature ______________________________ Date ____________

Name (please print) ______________________________