

## VII. FINANCIAL POLICIES AND PROCEDURES

Revised: 12/07/2020

### 1. POLICY

The Lang Memorial Library is a nonprofit organization committed to protecting and using our assets to support our nonprofit mission. Proper financial practices are very important in doing this, since good practices help to prevent and detect errors and fraud. Good financial practices also assure our donors that we use their gifts for the purposes for which they were intended.

The Library recognizes the importance of carefully considering the risks associated with the various aspects of our financial operations, and has therefore established policies and procedures designed to minimize and manage those risks.

The Library reviews these policies and procedures regularly to consider whether the risks have changed. Such changes may include receipt of grant monies for the first time or receipt of grants with restrictions; a change in the laws regulating our nonprofit status; hiring of new employees; or a major change in our programs. If changes have occurred, risks will be re-evaluated and appropriate procedures will be adopted. The Library will consult with a professional if necessary to ensure that risks are being properly addressed.

### 2. INVESTMENT POLICY

2.1 Investment Classes. Library funds will be classified by expected time of use. Short-term funds are expected to be needed within 12 months. Long-term funds are funds that will not be needed within the next twelve months. Funds will also be classified by source as general, donor-restricted, grant-restricted, or Board-designated for a specific purpose. Donor-restricted funds include Lang Trust payments and book memorials. Grant-restricted funds include Finger Lakes Community Arts Grants, and other grants for specific uses, such as special programs or computer equipment.

2.2 Short Term Investments. The Treasurer is responsible for prudent investment of short term funds. The Treasurer may maintain a working balance of funds needed for annual operating costs in a non-interest bearing checking account. Amounts not needed immediately may be invested in money market funds, savings accounts or certificates of deposit of no more than one year's maturity.

2.3 Long Term Investments. The Library's guiding philosophy for investing long term funds is to choose a prudent and conservative portfolio consisting of high quality, diversified financial assets that will provide capital growth with some focus on income.

2.4 Government Funds. The Library receives annual payments of operating funds from government sources such as school district tax levies, county grants and local library services aid. The Library's intent is to spend such funds within one year of receipt. The Treasurer is responsible for prudent management of these funds. Amounts not immediately needed may be invested in money market funds, savings accounts, or certificates of deposits of no more than one year's maturity.

## 2.5 Lang Charitable Trust Restricted Funds

- 2.5.1 The Library is a beneficiary of the Stewart B. and Blanche S. Lang Charitable Trust. Under the terms of the Trust, a portion of the Trust income is distributed to the Library for use in maintenance and repair of the Library.
- 2.5.2 The Treasurer shall manage the Lang Trust funds as either short term or long term investments, based on anticipated Library maintenance and repair needs.
- 2.5.3 Interest earned by the Lang Trust funds is considered unrestricted and may be transferred to the General Fund.
- 2.5.4 Maintenance of a viable library requires maintenance of up to date collections, programs and services as well as maintenance of buildings and grounds. Therefore, Lang Trust funds may be used to pay for the following expense categories:
- a. Building and property upkeep and repairs
  - b. Yard work and landscaping
  - c. Collection materials (e.g. books, serials, audio cassettes, CD's, videos & DVD's)
  - d. Software (e.g., reference and circulating software)
  - e. Program supplies, costs and contractual fees
  - f. Cayuga Connect fees
  - g. Library Association fees
  - h. Ten percent (10%) of library staff payroll and benefits costs
  - i. Other maintenance expenses as deemed necessary by the Board of Trustees

2.6 Donor Contributions. The policy of the Library is to utilize donor contributions in a manner that will honor and maximize the benefit intended by the donor.

2.7 Board Designated Funds. The Board may elect to transfer certain funds, such as donor contributions, to a Board-designated long term investment fund. The Board must designate the purpose of the fund, and the Treasurer is responsible for managing such funds in accordance with the Board's instructions.

2.8 Pooling of Funds. Generally, monies from donor-restricted or board-designated funds shall be segregated by type of restriction. However, from time to time, it may be necessary to pool monies from different sources into a common investment. The Treasurer is responsible for maintaining records that show the allocation of the common investment by general, designated and restricted categories and by current and long-term categories.

## 3 ROLES AND RESPONSIBILITIES

- 3.1 The Board of Trustees has overall responsibility for exercising due diligence to ensure that the Library's finances are properly managed in compliance with governing regulations.
- 3.2 The Director is responsible for processing bills; depositing funds; maintaining the daily ledger and supporting documents; and submitting activity reports and staff time sheets to the Treasurer. The Director also supports preparation of the annual budget, the New York State Annual Report, and the annual IRS Form 990.

- 3.3 The Treasurer manages and reports to the Board regarding the Library's finances; works with the Director to prepare the Library's annual budget; and ensures compliance with applicable regulatory and reporting requirements including the New York State Annual Report and the annual IRS Form 990. The Treasurer also performs or oversees the bookkeeping functions.
- 3.4 The Finance Committee oversees and reports to the Board regarding the Library's finances. The Committee reviews bank and investment statements, provides regular reports to the Board, and provides other financial support as needed.
- 3.5 Bank and investment accounts may only be opened or closed upon authorization by the Board of Trustees. The Treasurer, President and Director will be authorized signers on the Library's accounts. Account statements will be reviewed by the Treasurer and the Finance Committee.

#### 4. BOOKKEEPING

4.1 The Library's bookkeeping functions will be carried out by one of the following methods:

- The Treasurer will perform the Library's bookkeeping functions; or
- The Board may elect to have the bookkeeping functions performed by an outside Bookkeeper. In this case the Treasurer will oversee the Bookkeeper's activities.

4.2 The following reports will be submitted to the Board:

- Monthly account activity and reconciliation reports demonstrating that the Library's internal records agree with the records of the financial institutions.
- Quarterly YTD (year to date) reports showing budgeted versus actual income and expenses and highlighting areas warranting Board attention.

4.3 Bookkeeping records shall consist of a master file (QuickBooks database or equivalent) and a backup file copy. The master and backup files shall be kept at physically separate locations. The master file shall be kept current, and the backup file shall be updated at least once a month to match the master. The backup file should be stored on a data storage device (e.g., a USB flash drive, external hard drive, or equivalent).

#### 5. ANNUAL BUDGETS

The Director and the Treasurer, in consultation with the Finance Committee, will prepare an Annual Budget for Board review and approval. The Library By-Laws require that (1) the Board approve a budget for the coming year by no later than the prior year's November meeting (Article IV-3), and (2) the Board approve any adjustments to the budget by a majority vote (Article V-1).

#### 6. ANNUAL REPORTS

The Treasurer, supported by the Director and Finance Committee, shall ensure that the required annual government reports of revenue and expenses (such as IRS Form 990 and the New York State Annual Report for Public and Association Libraries) are submitted in a timely and accurate manner.

## 7. OPERATING PROCEDURES

### 7.1 RECEIPTS

- 7.1.1 Receipt of Checks. The Director opens all mail addressed to the organization. The Director makes a photocopy of all checks over \$25.00 received and provides the photocopies to the Treasurer. The Director endorses all checks by an endorsement stamp that provides that the check is “For Deposit Only.”
- 7.1.2 Receipt of Cash. The Library staff records all cash received in the Library's circulation system and on the daily receipt ledger. The ledger and the computer report are balanced at the close of each day. The funds are placed in a bank bag which is kept in a locked designated location until the funds are deposited.
- 7.1.3 Deposit of Funds. The Director deposits funds received at the Library each week, or more often if funds on hand exceed \$100.00, and maintains deposit records on paper and in a computer file. All funds that the Library receives, whether cash or check, will be deposited intact into the appropriate bank account, with no monies removed to make payments or for other purposes.
- 7.1.4 Deposit Reporting. The Director provides a monthly deposit report to the Treasurer for reconciliation with the bank statement. Photocopies of the checks and deposit statement along with the deposit ticket and daily ledger should be stapled to the deposit report.
- 7.1.5 Patron Credit Card Payments. Patrons may pay Library fees using the Finger Lakes Library System on-line credit card payment option. Library staff members are not allowed to touch a patron's card, and can only offer to instruct the patron on the procedure. The Finger Lake Library System will reimburse the library for funds collected minus transaction fees.
- 7.1.6 Receipt of Donations. Monetary donations are entered into the computer system and daily ledger under the heading of “Other Donations.” The Director shall respond to each donation with a note thanking the donor and provide a donation receipt. If items are donated, staff should not place a value on the items, only the number and type of item donated. (See also the Gifts section in the Library's Collection Development Policy).

### 7.2 PAYMENTS

- 7.2.1 All disbursements from the Library's funds will be made by check or credit card, with the exception of petty cash disbursements.
- 7.2.2 Invoices or bills should be obtained, reviewed and approved before payments are issued. Invoices should be reviewed for validity, completeness, accuracy, and satisfaction of all specified terms and conditions. Supporting documents such as purchase orders, work orders or contractor proposals should be referenced or attached to the invoice.
- 7.2.3 The Treasurer, the President and the Director are authorized to sign and issue payment checks for approved invoices. The Director shall not sign checks for more than \$200.00. Payment checks should not be signed by the same person who approved the invoice.

- 7.2.4 Unused checks are stored in a locked location, and only the Director and Treasurer have information about how to access them.
- 7.2.5 If a check is voided; the check will have “VOID” written in large letters in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file.
- 7.2.6 In the event that it is necessary to issue a duplicate check for checks in an amount over \$20, the Secretary will order a stop payment at the bank on the original check.
- 7.2.7 In no event will blank checks be signed in advance; checks will never be made out to Cash, Bearer or similar.

### 7.3 PETTY CASH

- 7.3.1 If the Director elects to use petty cash, up to thirty five dollars (\$35.00) cash may be kept on hand. Petty cash will be kept in a locked drawer separate from the cash receipts on hand.
- 7.3.2 The petty cash drawer should be replenished as needed by means of a petty cash check.
- 7.3.3 Petty cash may be used for any individual expenses of thirty five dollars (\$35.00) or less, when payment by check or credit card is impracticable.
- 7.3.4 Receipts for items purchased with petty cash must be attached to the daily funds ledger and noted in the reports.
- 7.3.5 Petty cash deposits and disbursements will be recorded in the appropriate expense accounts for the items that were purchased, so that these expenditures are properly classified by type (e.g., postage, children’s programming, snow removal etc.).

### 7.4 RECONCILIATION

The Treasurer will reconcile each bank statement monthly, as follows:

- 7.4.1 Review all checks for correct signatures and number of signatures, and protest to the bank any incorrect signatures.
- 7.4.2 Ensure that the name of the payee and the check amount and date agree with the Library’s accounting records; verify that whoever the check was made out to was the depositor of the check; and each check has a valid signature.
- 7.4.3 Compare the bank deposit records with the Library’s accounting records to determine whether each deposit recorded in the accounting records agrees with the bank record.
- 7.4.4 Check the cash entries in the receipt book against the bank record of deposits to ensure that all cash was deposited.
- 7.4.5 Check whether the ending balance in the general ledger cash account agrees with the bank statement, after making the adjustments on the bank reconciliation form.

7.4.6 If any checks are outstanding over 90 days, take appropriate action.

## 7.5 EXPENSE REIMBURSEMENT

Employees, volunteers and trustees are entitled to reimbursement for authorized expenses incurred on behalf of the Library. To receive reimbursement, the following requirements must be met:

7.5.1 Reasonable documentation must be provided showing the date, amount and what the expense was for. Receipts must describe the purchase. Credit card receipts and store receipts that do not describe the purchase are not reasonable documentation.

7.5.2 The Library will reimburse personal car usage at the standard mileage rate established by the IRS. The organization will reimburse reasonable travel and meal expenses or the Board may elect to pay the standard per diem rate established by the IRS for business travel established.

7.5.3 Reimbursement requests and supporting documentation must be submitted to the Director within 45 days from the date the expense was incurred.

## 7.6 CREDIT CARD AND EFT TRANSACTIONS

7.6.1 The Library Board will determine whether there is a compelling need for the Library to obtain one or more credit cards. If credit cards are needed, the Board will authorize specific individuals to utilize the card.

7.6.2 Authorized individuals shall only use the card for official purposes directly related to the needs of the organization. The card may not be used for personal purposes.

7.6.3 If an expense meets one or more of the following conditions, payment may be made by credit card or electronic funds transfer rather than by check:

- Legal or contractual requirements
- Expedited payment required
- Standard industry practice
- Guaranteed payment delivery requested
- Most cost-effective payment procedure

7.6.4 The credit card may also be used to purchase: DVDs, janitorial supplies, books, on-line purchases such as toner, library supplies, office supplies, and membership fees.

7.6.5 Prior Board of Trustees approval must be obtained for credit card or EFT purchases of more than \$500.

7.6.6 The following purchases are NOT allowed on the corporate credit card:

- Personal purchases
- Cash advances or loans
- Payroll advances
- Purchased for other organizations

7.6.7 The Director will submit a list of all credit card purchases to the Treasurer each month. The list should include the date, name of the items, cost, and where the item was purchased and the budget category.

## 7.7 PAYROLL

7.7.1 It is the policy of the Library to pay employees for time worked in an accurate and timely manner, in accordance with applicable laws, and to maintain the required supporting documents and records.

7.7.2 The pay schedule is based on a bi-monthly pay period, between the 1<sup>st</sup> day and the 15<sup>th</sup> day of the month; and between the 16<sup>th</sup> day and the last day of the month.

7.7.3 Time sheets must be maintained by the employees and submitted to the Director on the assigned date.

7.7.4 It is the responsibility of the Director to set staff work schedules, manage staff work hours, approve staff time sheets, and report them to the Treasurer.

7.7.5 The Treasurer, will report staff work hours to a designated payroll company which will calculate wages and payroll deductions (e.g., federal and state income taxes, social security tax, disability insurance and Medicare tax) and issue payroll checks to staff. The payroll company will also file required reports to the Federal and State Agencies (e.g., Federal Forms 941, W-2, W-3 and State forms NYS-45 and RS-87).

7.7.6 If a staff member is underpaid the correction will be made in the following payroll. In the case of an overpayment, funds will be deducted from the following pay period or the staff may return the extra funds within 30 days.

7.7.7 All payroll information is confidential and is kept in a locked cabinet.

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