

# Frederick Steeplechasers Running Club

## Fiscal Policies & Procedures



Version 1.0, September 3, 2016

Approved by the Executive Board, October 2, 2016

# FSRC Fiscal Policies & Procedures

## Table of Contents

- [Accounting Procedures](#)
  - [Basis of Accounting](#)
- [Internal Controls](#)
  - [Lines of Authority](#)
  - [Conflict of Interest](#)
  - [Segregation of Duties](#)
  - [Physical Security](#)
  - [Cyber Security](#)
  - [Recordkeeping and Document Control](#)
  - [Bank Statements and Reconciliations](#)
  - [Monthly Close and Review](#)
- [Financial Planning & Reporting](#)
  - [Budgeting Process](#)
  - [Internal Financial Reports](#)
  - [External Financial Reports](#)
  - [Audit](#)
  - [Tax and Other Government Compliance](#)
- [Revenue & Accounts Receivable](#)
  - [Invoice Preparation](#)
  - [Donation Recognition](#)
  - [Cash Receipts](#)
  - [Deposits](#)
- [Expense & Accounts Payable](#)
  - [Independent Contractors](#)
  - [Invoice Approval & Processing](#)
  - [Petty Cash](#)
  - [Volunteer Expense Reimbursements](#)
  - [Credit Cards](#)
- [Operating Reserve](#)
- [Races](#)
- [Revisions](#)

# FSRC Fiscal Policies & Procedures

## Accounting Procedures

This section covers basic accounting procedures for the Frederick Steeplechasers Running Club (“the club”). The accounting procedures used by the organization shall conform to Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards.

### Basis of Accounting

**Policy:** The club uses the cash basis of accounting. Revenues are recorded when cash is received and expenses are recorded when checks are written or credit cards are charged.

## Internal Controls

The club employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded.

### Lines of Authority

**Policy:** According to the club constitution, the “Executive Board” is comprised of the Board of Directors and the current club officers. The Executive Board serves as the voting members of the club for policy and budget issues. The Executive Board and a set of committee chairs collectively comprise the club “ Board”. Club finances are managed by the Treasurer. The Treasurer may be helped by a set of volunteers serving as the “Finance Committee” in the day-to-day financial operation of the club. The Finance Committee reports to the Treasurer.

#### Procedures:

- The Executive Board approves the annual budget, budget proposals, and expenditures that differ significantly from budget.
- Voting approval of financial matters of budget/policy is recorded in board meeting minutes or via emails documenting out-of-sequence votes. These documents are stored in the online document storage system.

### Conflict of Interest

The Frederick Steeplechasers Running Club Conflict of Interest Policy is maintained in a separate document.

### Segregation of Duties

**Policy:** The club’s financial duties are distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the club’s assets while also considering efficiency of operations. The segregation of execution and review of financial matters is achieved by identifying a club officer other than the treasurer (“reviewing officer”) to perform regular (monthly) review of financial records. The treasurer and the reviewing officer shall not be related.

Checks and/or electronic debits/charges issued for over \$1,000 shall require the written documented approval by the treasurer or other officer.

# FSRC Fiscal Policies & Procedures

## Procedures:

- The reviewing officer is identified on an annual basis.
- The treasurer and reviewing officer will have signature authority on the club checking account.
- The treasurer and reviewing officer will have full online access to the club's bank account(s).
- Monthly reviews of bank statements, reconciliation reports and transaction reports are performed by the reviewing officer as described in the section on Monthly Close. Other officers are provided with all monthly materials for optional review.
- Approvals of charges in excess of the \$1,000 limit will be retained in the online document repository.
- Expenditures in excess of the \$1,000 limit by a club officer must be approved by another (unrelated) club officer.
- Alerts will be configured in the online bank account such that the treasurer and reviewing officer will receive an alert for any check, credit card charge or other electronic transfer out of the account for greater than \$1,000. Each alert will be examined by the treasurer and the reviewing officer to ensure that the expenditure has been properly approved.

## Physical Security

**Policy:** The club maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to cash, equipment and other valuable property.

## Procedures:

- **Cash:** Cash that is collected at races and other events is kept under the control of the treasurer or delegate during the event. As soon as practical, the cash box is reconciled and the cash is deposited in the club checking account. Small amounts of cash (<\$100) may be held by the treasurer in a separate cash box or other container for use as change for subsequent events.
- **Equipment:**
  - Equipment is stored in a secure rental storage facility, controlled by a combination lock.
  - Access is limited to the smallest number of individuals possible.
  - Individuals will be removed from the access list when they no longer have a need for access.
  - The list of individuals with access to the storage facility is maintained by the treasurer.
  - The combination to the equipment storage lock is modified at least once every two years, and whenever an individual is removed from the access list.
  - In the case where sensitive equipment must be kept in a climate-controlled environment, such equipment may be kept in the home of a trusted board member or delegate.
  - A record of all club equipment is maintained by the treasurer. Newly purchased equipment is added to the list, and retired/damaged/lost equipment is removed from the list.
  - Physical inventory is performed on an annual basis, recording the location of each item.

## Cyber Security

## FSRC Fiscal Policies & Procedures

**Policy:** The club maintains security of online assets to ensure that only people who are authorized have access to such assets as bank accounts, club financial records, membership records, mailing lists, servers, websites, documents, social media accounts, etc.

**Procedures:**

- Where possible, each account shall have two users (“admin users”) with full access, and the ability to grant and revoke access to other users.
- Account credentials: Each user of a club online account shall have his/her own login credentials. Logins will not be shared between users.
- When possible, individuals will be provided with the lowest level of access to an online account required to carry out his/her duties.
- As individuals move in and out of various volunteer roles, access to online assets will be adjusted appropriately, including removal of access by an authorized admin when an individual no longer requires such access.
- Full bank account access will be strictly controlled, and limited to the treasurer and the reviewing officer. Other users may be provided with viewing access, as required to perform their duties.
- The banking login credentials of the treasurer and reviewing officer will be changed whenever the individuals holding these positions changes.
- Login credentials for admin users of each club account shall be maintained in a secure password storage system. The password storage system will be accessible to a limited set of club board members, such as two officers and the technology expert. The login credentials of the club bank account will not be stored in this system.
- Club member information will be protected and used only for club business.

### Recordkeeping and Document Control

**Policy:** The financial accounting system for the club will be a multi-user, cloud-based “online accounting system” (such as Quickbooks Online). Other legal and financial records such as receipts, financial reports, tax records, waivers, insurance records, club bylaws, meeting minutes, policies, etc will be retained indefinitely in an “online document retention system” (such as Google Drive). Data and documents that are primarily meant for display on the club’s website (such as race results) are maintained on the website server.

**Procedures:**

- Members of the FSRC Board will have access to most areas of the online document retention system. Documents may be filed by any board member, but are the primary responsibility of the officers.
- Certain areas of the online document retention system may be restricted, such as the area designated for club officers.
- Receipts/Invoices will be attached to the relevant transaction in the online accounting system and may also be retained in the online document retention system.
- Restricted funds (such as the Lincoln Panther Running Club and the FSRC Memorial Scholarship Fund) will be maintained in a separate pseudo-account within the online accounting system.

### Bank Statements and Reconciliations

**Policy:** The treasurer performs bank statement reconciliation against the online accounting system within 10 days of the availability of all statements pertaining to that month.

**Procedures:**

## FSRC Fiscal Policies & Procedures

- Bank statements (checking account, credit card account and PayPal account) are downloaded from the relevant online website. Statements are reviewed and reconciled by the treasurer against the online accounting system records within 10 days of the close of each month as defined above.

### Monthly Close and Review

**Policy:** Financial records are reviewed on a monthly basis by a club officer independent of the treasurer. All monthly close procedures are completed within 30 days of the close of the month.

**Procedures:**

- Treasurer (or delegate) reconciles checking account, credit card account and PayPal account against the online accounting system.
- Treasurer (or delegate) runs a transaction report of all banking/credit card activity for the month.
- Bank statements, reconciliation reports and the monthly transaction report are uploaded to the online document repository.
- Treasurer notifies other officers that the materials are ready for review.
- The designated financial review officer reviews the bank statements, online accounting bookkeeping system reconciliation report and monthly transaction reports within 30 days of the close of each month and submits approval via email to all officers after any questions/issues have been resolved.
- The approval email is stored in the online document retention system as evidence that the review took place.
- Treasurer transfers funds from checking account to credit card account to pay balance in full.

### Financial Planning & Reporting

The organization's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP).

#### Budgeting Process

**Policy:** The organization's annual budget is prepared by the treasurer and approved annually by the Executive Board. Any spending updates greater than \$250 must be approved by the Executive Board.

**Procedures:**

- The budget is prepared by the Treasurer with input from other officers and board members.
- The budget is approved by the Executive Board at the first Board Meeting of the calendar year.
- Any new budget item greater than \$250 or existing budget item expected to deviate from the budget by more than \$250 will be proposed via a budget proposal and approved by the Executive Board. Small deviations from the budget (less than \$250) do not require approval.

#### Internal Financial Reports

# FSRC Fiscal Policies & Procedures

**Policy:** The organization prepares regular internal financial reports on a monthly, quarterly and annual basis.

## Procedures:

- Monthly: The Treasurer is responsible for producing reports as described in the section on [Monthly Close and Review](#).
- Quarterly: The Treasurer produces the following reports for presentation/review at the May, August and November quarterly board meetings
  - quarterly profit/loss report
  - Budget vs Actual YTD through last completed quarter
  - balance sheet
- Annual: The Treasurer produces the following fiscal year reports for presentation/review at the first Board meeting of the calendar year:
  - Annual Income/Expense totals over the previous (3) years or more, along with projections (budget) for current year
  - Annual Revenue/Expense by category for previous (3) years, along with projections (budget) for current year
  - Signature Race Income/Expense overview for previous year
  - Balance Sheet as of end of previous year.
  - Actual vs Budget, by category, for previous year

## External Financial Reports

**Policy:** The organization prepares an Annual Report containing summary financial information about the club.

## Procedures:

- Annual: The President produces the Annual Report for presentation/review at the first Board meeting of the calendar year:
  - The Annual Report contains, at a minimum, summary information from financial reports produced by the Treasurer at the first board meeting of the year
  - It is recommended that the Annual Report also contain information about club operation
  - Upon approval by the Executive Board, Annual Report is made available to membership and to the public

## Audit

**Policy:** According to MD Solicitations Act §6-402 (b)(8): A charitable organization must file an audited financial statement prepared by an independent CPA if the gross income from charitable contributions is at least \$500,000. For organizations with gross annual contributions between \$200,000-\$500,000 financial statement must be reviewed or audited by an independent CPA.

Hence FSRC (with gross revenue less than \$200,000) is not required by the State of Maryland to submit its financial records for an independent audit.

However, to promote a culture of accountability and transparency, it is beneficial to the club to have some level of review of the club's financial records.

## Procedures:

## FSRC Fiscal Policies & Procedures

- On an annual basis, the financial processes used by the club will be reviewed against the policies and procedures described in this document.
- The reviewer or review committee need not be an independent CPA.
- If an internal review committee is used, the committee shall be comprised of at least one member of the Executive Board, one other board member, and a club member who does not hold a board position.
- The reviewer or review committee shall submit a brief report to the Executive Board summarizing the findings of the review, including any discrepancies noted, and any suggestions for modifications to the FSRC Fiscal Policies and Procedures.

### Tax and Other Government Compliance

**Policy:** All federal and Maryland tax filings are performed on the required schedule.

**Procedures:**

The treasurer ensures that the following federal and state requirements are addressed:

Requirement	Timeframe	Notes
IRS Form 990	Annual, due April 15	Filed online
IRS Form 1099	Annual, due February 1	Provided (US Mail) to any subcontractor paid >\$600
IRS Form 1096, 1099	Annual, due February 28	Sent to IRS via US Mail
MD Annual Update of Registration	Annual, due June 30	Sent to MD Comptroller via US Mail
MD Sales Tax	Semi-annual (January, July)	Filed online with State of MD
MD Personal Property Tax Return	Annual, due April 15	Filed online with State of MD
Frederick City Property Tax Payment	Annual, due October 30	Sent to City of Frederick Finance Office via US Mail

## Revenue & Accounts Receivable

### Invoice Preparation

**Policy:** All race services customers are invoiced at the time that services are booked. Other entities (eg race sponsors, members) may be invoiced for monies due.

**Procedures:**

- The treasurer or delegate prepares the invoice and sends to the recipient via email using the online accounting system.

## FSRC Fiscal Policies & Procedures

- Invoices may be paid by check or online by credit card, direct bank draft or by check.
- As part of the monthly close process, the treasurer or delegate reviews outstanding invoices and sends reminders to customers/clients with overdue invoices.

### Donation Recognition

**Policy:** All donations or contributions are posted to the correct account (race, scholarship fund, etc). Donations in excess of \$250 are acknowledged to the donor.

**Procedures:**

- The treasurer or delegate sends acknowledgement to donors who have donated more than \$250. This applies only to direct donations and does not apply to sponsorships for which the entity receives some sponsor benefits.
- The treasurer or delegate enters donations against the correct account and ensures that all restricted donations are tracked against the intended purpose.

### Cash Receipts

**Policy:** Cash receipts are booked against a cash account in the online accounting system.

**Procedures:**

- All cash received by the club is booked as a deposit in the “Cash” account in the online accounting system, against the correct account.
- As soon as practical, cash is deposited into the checking account and recorded as a transfer from the cash account to the checking account.
- Small amounts of cash (~\$100) may be held for making change at races and other events.

### Deposits

**Policy:** Deposits are made and recorded in the online accounting system within one week of being received.

**Procedures:**

- Checks are collected from the PO Box or received in person and deposited in the checking account. The deposit is recorded in the online accounting system with an image of the check attached to the transaction. Physical checks are held for at least 30 days *or* until the check is reconciled in the case of mobile deposit, whichever is later.
- Online payments/direct deposits are entered into the online accounting system as soon as practical and no later than the monthly closing procedures.

## Expense & Accounts Payable

### Independent Contractors

**Policy:** Independent contractors will be paid by the treasurer, and all tax documentation required by the IRS and the State of Maryland will be provided to the contractor on an annual basis.

**Procedures:**

## FSRC Fiscal Policies & Procedures

- Form 1099-MISC will be issued to all contractors paid in excess of \$600 in the previous tax year.
- Contractors will be paid by check and the check will be entered into the online bookkeeping system with an attachment that details the work performed.

### Invoice Approval & Processing

**Policy:** All invoices to be paid must be against approved budget items, and are paid by the treasurer or delegate within 30 days of receipt.

**Procedures:**

- Invoice payments are entered into the online accounting system, including the invoice as an attachment.

### Petty Cash

**Policy:** The treasurer keeps a petty cash box not to exceed \$100. Petty cash will be used primarily for making change at races and other events.

**Procedures:**

- The petty cash box is kept under control of the treasurer or delegate at all times.
- If required, the treasurer will make a cash withdrawal from the checking account to replenish cash.
- The content of the petty cash box is recorded before each event and reconciled after each event.

### Volunteer Expense Reimbursements

**Policy:** Volunteers will be reimbursed for out-of-pocket expenses within the approved budget.

**Procedures:**

- Volunteers will submit an expense report, with line items for each expense to be reimbursed. Each line item will include: date of purchase, vendor, expense account to be charged, brief description or note describing what was purchased. A receipt must be furnished in support of each line item.
- The treasurer will review the expense report and receipts and issue a check to the requesting volunteer.
- The treasurer will record the check in the online accounting system, attaching the expense report and the receipts.
- Ideally, expense reports will be submitted within the quarter that the expenses were incurred.

### Credit Cards

**Policy:** FSRC will offer credit cards (not debit cards) to club officers. In addition, club members with significant numbers of transactions may also be offered the use of a club credit card.

**Procedures:**

## FSRC Fiscal Policies & Procedures

- Issuance of club credit cards to individuals other than club officers must be approved by the Executive Board
- Credit card holders may charge expenses *within the approved budget*, and subject to the policies and procedures outlined in section [Segregation of Duties](#).
- Receipts must be submitted to the treasurer for each credit card charge within two days of the monthly close of the credit card account.
- The treasurer or delegate will enter each charge in the online accounting system, attaching the receipt.
- The treasurer or delegate will reconcile the credit card account and transfer funds from the club checking account to the club credit card account on a monthly basis to pay off the credit card balance in full.
- Credit cards will be revoked upon recommendation of the treasurer for any credit card holders in noncompliance with these procedures.
- Credit card holders will safeguard credit card information and specifically will not share it with other members/volunteers and will not provide it to vendors via insecure methods such as email.

## Operating Reserve

**Policy:** The target minimum operating reserve fund for the organization is six (6) months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as equipment storage, technology, RRCA Dues/Insurance, member events. Expenses related to races and to charitable giving are specifically excluded.

### Procedures:

- The amount of the operating reserve will be calculated each year after approval of the annual budget, reported to the Executive Board, and included in regular financial reports.
- The operating reserve will be funded with surplus unrestricted operating funds.
- To use the operating reserves, the treasurer will submit a request to the Executive Board. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within twelve (12) months to restore the operating reserve fund to the target minimum amount.

## Races

**Policy:** Financial management of club signature races is the responsibility of the race director. Signature races must always show a net profit, with such profits donated to designated charities as defined in the ***FSRC Event Revenue Policy***.

### Procedures:

- Each club signature race will operate off of a budget as defined by the race director. In the absence of a defined budget, the previous year's actuals may be used.
- Signature race revenue/expenses and associated charitable giving are not included in the club annual budget with the exception of the Admin Fee as defined in the ***FSRC Event Revenue Policy***.

## FSRC Fiscal Policies & Procedures

- Financial reports are provided to the race director by the treasurer or delegate upon request.
- The treasurer closes the books on each race in the month following the race date and submits a check for the proceeds to the identified charitable organization.
- The final financial race report is prepared by the treasurer or delegate and presented to the board at the next board quarterly board meeting.
- New signature races and changes to race directorship must be approved by the Executive Board.

### Revisions

**Policy:** Revisions to this document, if required, are proposed by the treasurer annually, with input from the Finance Committee, the review committee (see section [Audit](#)) and/or board members. Revisions are approved by the Executive Board.

**Procedures:**

- The treasurer makes revisions to this document and submit the revisions to the Executive Board for approval. Typically, such revisions/approvals will be done in the context of the annual budget submission/approval process.
- Minor changes to procedures (but not policies) may be made during the year in draft form.