



## Montana Nonprofit Association

### Financial Policies and Procedures

#### Cash Receipts

Cash receipts (check or cash) will be recorded in a deposit ledger and then immediately endorsed with a For Deposit Only stamp. Checks will be photocopied. Cash is verified by the documentation which accompanies the cash receipt. Copies of checks and cash documentation will be attached to each deposit record (see below).

#### Accounts Receivable

Accounts receivable balances will be reviewed quarterly by the executive director and finance committee chair with balances over six months written off unless extenuating circumstances related to future collectability apply. Each year MNA will budget for an accounts receivable allowance for doubtful accounts of 3-5% of AR balance (excluding grants receivable).

#### Deposits

Receipts should be deposited to an MNA account at least once per week. A copy of the deposit record and a copy of the corresponding check or cash documentation for each item should be retained. At the end of each bank statement cycle, the Treasurer or other Board designee will reconcile the deposit register and deposit records to the bank statement.

#### Bank Reconciliations

Bank statements are to be reconciled to the account/check register monthly. Reconciliations will be performed by the Executive Director or other staff designee and reviewed by the Treasurer or other Board designee.

#### Cash Disbursements / Accounts Payable

The Executive Director, the Treasurer, the Board Chair, and other Board members proximate to the MNA office as deemed appropriate shall be designated as signatories on MNA accounts. All invoices are subject to budget authority. Checks written on

invoices above \$5000.00 must have two signatures. Invoices of \$2500.00 or greater must have written authorization from the Finance and Audit Committee. An exception to the requirement for Finance and Audit Committee approval is allowed when the expense has been previously budgeted and approved by the Board of Directors. Only one signature, which may be that of the Executive Director, is required on the regular monthly rent per lease agreement and regular payroll checks of any amount documented by time sheets. This would apply to payroll for all staff, including the Executive Director.

There must be a signed statement on file by all employees or contractors who calculate and write checks (and anyone else who might write checks) that states “I am not allowed to change the Executive Director’s salary without approval by the Board of Directors.”

### Capitalization

A capital asset is a piece of property that meets all of the following requirements:

1. The asset is tangible and complete.
2. The asset is used in the operation of MNA’s activities.
3. The asset has a useful life of one year or more.
4. The cost of the asset is \$500 or more.

Other Considerations:

1. The cost of a repair, which does not add value or prolong the life of an asset, will be charged as an expense.
2. The cost of an improvement, which prolongs the life of the asset or materially increases its value, will be capitalized.

### Depreciation

The “straight line” method of depreciation should be utilized to depreciate assets, over the estimated useful lives.

### Disposition of Assets

When assets are sold or otherwise disposed of, the assets and related accumulated depreciation will be removed, on an annual basis. The appropriate depreciation will be taken for the year of disposal.

### Grant Receipts, Restriction Releases, and Allocation

The Executive Director has responsibility for seeing that revenue received is allocated in accordance with any restrictions placed on its use by the grantor or contributor. Generally, grant funds are accompanied by a letter or other documentation from the grantor which outlines any stipulations on use of the funding. This documentation, along with the proposal and budget sent as application for the grant, are used to guide the allocation of the grant revenue to various projects. These funds will be booked as temporarily restricted assets. Multi-year grants receivable will be booked at present value. The discount used for calculating present value will be based on the current Federal Treasury Rate.

### Financial Statements

The Executive Director and Treasurer will work together to prepare financial statements on a monthly basis. These statements will summarize all expenditures and receipts for the period covered and compare them to the approved budget. The monthly statements will be circulated to the Finance Committee as completed. The full Board will review the most up-to-date financial statements available at each Board Meeting.

### Line of Credit

Montana Nonprofit Association will maintain an appropriate, board approved line of credit to ensure regular cash flow. The line of credit will be used solely for cash flow for operations expenses, not to handle a deficit and not for capital expenses, and will have a clear payback plan based on a current cash flow projection. LOC withdrawals up to \$10,000 may be approved by the Executive Director. Withdrawals over that amount must be authorized by the Treasurer. All LOC activity shall be reported to the Finance Committee. If and when there is an outstanding balance on the line of credit, staff will update the Finance Committee on a monthly basis as to progress on the payback plan.

### Budget

The Board of Directors is responsible for approving an annual budget at the regularly scheduled Fall Board meeting.

### Investment Policy

MNA should limit the funds in its checking account to \$10,000.00 or less. Any amount above \$10,000.00 should be transferred to an interest bearing account or other investment vehicle approved by the Board. The MNA investment account will require two signatures for any withdrawal of funds.

### Accounting Software

Amended May 19, 2011 by the MNA Board of Directors  
Amended November 7, 2011 by the MNA Board of Directors  
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Amended February 19, 2014 by the MNA Board of Directors  
Amended November 16, 2017 by the MNA Board of Directors

Setting up the MNA chart of accounts and computerized accounting system should be the responsibility of the Finance and Audit Committee. The Executive Director and other staff will be given appropriate levels of security authority for use of the computerized accounting system, while reserving design and oversight authority for the Treasurer or other Board designee.

### Credit Cards:

The Executive Director is authorized to issue an organizational credit card to an employee under the employee's name on an as needed basis. For each authorized employee, the credit card limit will be the reasonable minimum determined by the Executive Director based on anticipated credit card expenditures for that employee. No employee, including the executive director, will have a limit beyond \$2000. The credit card may be used only for expenses on behalf of the Organization. In no circumstances may the credit card be used for personal purposes.

Credit card users shall prepare an expense reimbursement form relative to each statement cycle for each transaction on the credit card in accordance with the Organization's expense reimbursement procedures. The expense reimbursement form, along with the original receipts and supporting documentation shall be signed by the authorized user, given to the Executive Director for review and approval.

In every case of credit card usage, the individual user will be held personally responsible in the event that a transaction is deemed personal or unauthorized. It is the policy of the Organization that any unauthorized or personal charges on the Organization's credit card will be recovered through payroll withholding in the event the employee, officer, or director has not reimbursed the Organization within 10 days of being notified the charge was deemed personal or unauthorized. Misuse of the credit card may result in loss of credit card privilege and/or disciplinary action.

### Gift Acceptance Policy

#### 1. Policy and Purposes

This Policy represents the policy of the Montana Nonprofit Association governing the solicitation and acceptance of gifts by MNA. The board of directors of MNA and its staff solicit current and deferred gifts from individuals, corporations, foundations and others for purposes that will further and fulfill the MNA's mission.

Purposes of this Policy include: (a) guidance for the Board of Directors, officers, staff and other constituencies with respect to their responsibilities concerning gifts to MNA; and (b) guidance to prospective donors and their professional advisors when making gifts to MNA.

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Amended November 16, 2017 by the MNA Board of Directors

The provisions of this Policy shall apply to all contributed income received by MNA. Notwithstanding the foregoing, MNA reserves the right to revise or revoke this Policy at any time, and to make exceptions to the Policy.

MNA's mission is to promote a strong nonprofit sector in Montana. In fulfilling its mission, MNA subscribes to the Donor Bill of Rights as put forth by the Association of Fundraising Professionals (AFP).

## 2. Use of Legal Counsel

A. MNA shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by legal counsel is recommended for:

- (1) Closely held stock transfers subject to restrictions or buy-sell agreements;
- (2) Documents naming MNA as trustee;
- (3) Gifts involving contracts such as bargain sales, partnership agreements, or other documents requiring MNA to assume an obligation;
- (4) Transactions with a potential conflict of interest;
- (5) Gifts of real estate;
- (6) Pledge agreements;
- (7) Any gift with restrictions; and
- (8) Other potential gifts that create financial, political, or ethical risks to MNA.

B. Donor. For non-standard gifts, in order to avoid any conflicts or potential conflicts of interest, MNA should encourage prospective donors to seek the assistance of their own legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences.

## 3. General Policy

MNA shall not accept gifts that:

- (1) Violate the terms of MNA's organizational documents;
- (2) Would jeopardize MNA's status as a tax-exempt organization under federal or state law;

- (3) Are too difficult or expensive to administer;
- (4) Are for purposes that do not further MNA's objectives; or
- (5) Could damage the reputation of MNA.

Subject to Section 4 below, all final decisions on the acceptance or refusal of a gift, shall be made by the Board of Directors.

#### 4. Policy Regarding Specific Types of Gifts

##### A. Gifts Generally Accepted Without Review:

**Unrestricted Gifts of Cash.** MNA will accept unrestricted gifts of cash without prior review by the Board of Directors, provided that, for donations of \$5,000 or more, the identity of the donor has been vetted with respect to any reputational or policy issues. Unrestricted gifts of cash are acceptable in any form. Checks shall be made payable to the Montana Nonprofit Association.

**Solicited Gifts and Grants.** MNA will accept gifts, sponsorships and grants that have been solicited by an authorized representative of the association in accordance with section 3 described above, and the organization's ongoing planning processes. MNA reserves the right to make exceptions.

##### B. Gifts Subject to Board of Directors Review Prior to Acceptance.

All other gifts, other than unrestricted gifts of cash less than \$10,000 must be reviewed by the Board of Directors (or its designee) prior to acceptance, unless the Board authorizes certain gifts or categories of gifts to be accepted without its review. The following guidelines also apply:

(1) Tangible Personal Property: The Board of Directors shall review and

decide whether to accept gifts of tangible personal property by considering the following factors:

- i. Whether the property furthers the mission of MNA;
- ii. The marketability of the property;
- iii. The restrictions on the use, display, or sale of the property; and

iv. Carrying costs and possible liability for the property.

(2) Marketable Securities:

i. Unrestricted marketable securities may be transferred to an account maintained by MNA at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. All marketable securities shall normally be sold as soon as practical following receipt, unless otherwise directed by the Board of Directors.

ii. If the marketable securities are restricted by applicable securities laws, the Board of Directors shall make the final determination on the acceptance of the restricted securities.

(3) Closely-Held Securities: Closely-held securities, including debt and equity positions in non-publicly traded companies, interests in LLPs and LLCs, or other ownership forms, can be accepted subject to the approval of the Board of Directors of MNA. The Board of Directors shall review and decide whether to accept closely held securities based on the following factors:

i. Restrictions on the security that would prevent MNA from ultimately converting the securities to cash;

ii. The marketability of the securities; and

iii. Any undesirable consequences for MNA from accepting the securities.

If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The final determination on the acceptance of closely held securities shall be made by the MNA Board with advice of legal counsel when deemed necessary. Non-marketable securities shall be sold as quickly as possible.

(4) Bequests: Donors may make bequests to MNA under their wills and trusts. A bequest will not be recorded as a gift until the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the gift will be recorded in accordance with GAAP.

(5) Charitable Remainder Trusts: MNA may accept designations as remainder beneficiary of a charitable remainder trust. MNA shall not accept appointment as a trustee of a charitable remainder trust.

(6) Charitable Lead Trusts: MNA may accept designations as income beneficiary of a charitable lead trust. MNA shall not accept an appointment as trustee of a charitable lead trust.

(7) Retirement Plan Beneficiary Designations: MNA may accept designations as beneficiary of donors' retirement plans. Designations will not be recorded as gifts until the gift is irrevocable. When the gift is irrevocable, the gift will be recorded in accordance with GAAP.

(8) Life Insurance: MNA may accept designations as beneficiary and owner of a life insurance policy. The life insurance policy will be recorded as a gift once MNA is named as both beneficiary and irrevocable owner of a life insurance policy. The gift shall be valued in accordance with GAAP rules. If the donor contributes future premium payments, MNA will include the entire amount of the additional premium payment as a gift in the year that it is made. If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, MNA may:

i. Continue to pay the premiums;

ii. Convert the policy to paid up insurance, or

iii. Surrender the policy for its current cash value. Donors may name MNA as beneficiary or contingent beneficiary of their life insurance policies. Designations will not be recorded as gifts until the gift is irrevocable. Where the gift is irrevocable, the gift shall be recorded in accordance with GAAP.

(9) Charitable Gift Annuities: MNA may offer charitable gift annuities. The minimum gift for funding is \$50,000. The minimum age for life income beneficiaries of a gift annuity shall be 66 years of age. Where a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 66 years of age. No more than one life income beneficiary will be permitted for any gift annuity. The Board of Directors may make exceptions to these minimums.

Payment Schedule. Annuity payments may be made on a quarterly, semiannual, or annual schedule. The Board of Directors may approve exceptions to this payment schedule.

Illiquid Assets. MNA may accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities. MNA may accept real estate, tangible personal property, or other illiquid assets in exchange for deferred gift annuities if there is at least a five (5) year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and the Board of Directors approves the arrangement.

Handling of Funds. Funds required as reserves for gift annuities should be established and maintained in accordance with applicable Montana insurance laws.

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(10) Real Estate: Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest.

**Environmental Review.** Prior to acceptance of real estate, MNA shall require an environmental review of the property to ensure that the property has no environmental problem. If the initial inspection reveals a potential problem, MNA shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall be an expense of the donor.

**Title Binder.** A title binder shall be obtained by MNA prior to the acceptance of the real property gift when appropriate. The cost of this title binder shall be an expense of the donor.

**Factors for Acceptance.** The Board of Directors and legal counsel shall review and decide whether to accept real property based on the following factors:

- i. Whether the property is useful for the purposes of MNA;
- ii. The marketability of the property;
- iii. Any encumbrances, leases, restrictions, reservations, easements, or other limitations associated with the property;
- iv. Any carrying costs associated with the property, including insurance, property taxes, mortgages, notes or other costs;
- v. Any concerns which the environmental audit revealed.

(11) Remainder Interests in Property: MNA will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of this Paragraph 4. The donor or other occupants may continue to occupy the real property for the duration of the stated life.

At the death of the life tenant(s), MNA may use the property or reduce it to cash. Expenses for maintenance, real estate taxes, and any property indebtedness shall be paid by the donor or primary beneficiary.

(12) Oil, Gas, and Mineral Interests: MNA may accept oil and gas property interests when appropriate. The Board of Directors and legal counsel shall review and decide whether to accept oil, gas, and mineral interests subject to the following limitations:

- i. Gifts of surface rights should have a value of \$25,000 or greater.

ii. Gifts of oil, gas and mineral interests should generate at least \$5,000 per year in royalties or other income (as determined by the average of the three years prior to the gift).

iii. The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate.

iv. A working interest should only be accepted after consideration of potential liability and tax consequences.

v. The property should undergo an environmental review to ensure that MNA has no current or potential exposure to environmental liability.

(13) Restricted Gifts: A gift with restrictions will be accepted only if and when the restrictions are approved by the Board of Directors.

(14) Named Funds: A donor, or group of donors, may contribute and name a fund and restrict the use of the income or principal of the fund. Named funds require a minimum contribution of \$50,000 and are subject to Board of Directors approval like any other restricted gift.

## 5. Additional Provisions

A. Gift Agreements. Where appropriate, MNA shall enter into a written gift agreement with the donor, specifying the terms of any restricted gift, which may include provisions regarding donor recognition.

B. Pledge Agreements. Acceptance by MNA of pledges by donors of future support of MNA (including by way of matching gift commitments) shall be contingent upon the execution and fulfillment of a written charitable pledge agreement specifying the terms of the pledge, which may include provisions regarding donor recognition.

C. Fees. MNA will not accept a gift unless the donor is responsible for (1) the fees of independent legal counsel retained by donor for completing the gift; (2) appraisal fees; (3) environmental audits and title binders (in the case of real property); and (4) all other third-party fees associated with the transfer of the gift to MNA.

D. Valuation of Gifts. MNA shall record gifts received at their valuation on the date of gift, except that, when a gift is irrevocable, but is not due until a future date, the gift may be recorded at the time the gift becomes irrevocable in accordance with GAAP.

E. **IRS Filings upon Sale of Gifts.** To the extent applicable, the Board of Directors shall file IRS Form 8282 upon the sale or disposition of any charitable deduction property sold within three (3) years of receipt by MNA. “Charitable deduction property” means any donated property (other than money and publicly traded securities) if the value claimed by the donor exceeds \$5,000 per item or group of similar items donated by the donor to one or more donee organizations (e.g., the property listed in Section B on Form 8283). MNA shall file this form within 125 days of the date of sale or disposition of the asset.

F. **Written Acknowledgement.** The Board of Directors of MNA shall provide written acknowledgement of all gifts made to MNA and comply with the current IRS requirements in acknowledgement of the gifts.

G. **Changes to or Deviations from the Policy.** This Policy has been reviewed and accepted by MNA's Board of Directors, which has the sole power to change this Policy. In addition, the Board of Directors must approve in writing any deviations from this Policy.

H. **Donor Recognition.** The Executive Director will present to the Board of Directors for approval a policy that will outline the appropriate recognition for all gifts to MNA. Special attention shall be given to acknowledging charitable contributions to aid donors with their claims for charitable deductions from income tax. This policy will take into account appropriate recognition for different levels of gifts and be consistent with current professional fundraising practices.

### **Donor Bill of Rights**

*Based on the Association of Fundraising Professionals Guidelines and included with permission.*

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Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the Montana Nonprofit Association (MNA), we declare that all donors have the following rights:

- a. To be informed of the Montana Nonprofit Association mission, of the way MNA intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
- b. To be informed of the identity of those serving on MNA's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.
- c. To have access to MNA's most recent audited financial statements.
- d. To be assured their gifts will be used for the purposes for which they were given.
- e. To receive appropriate acknowledgement and recognition.
- e. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.
- g. To expect that all relationships with individuals representing EMB to the donor will be professional in nature.
- h. To be informed whether those seeking donations are volunteers, employees of MNA or hired solicitors.
- i. To be informed and assured that their name will be held in confidence when requested and that the MNA mailing list will never be shared or sold to any other entity.
- j. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.