



Tree Research & Education Endowment Fund

Policy/Procedure Statement

Subject: Financial Controls Policy

Policy No.: 02-BOD

1. As part of its financial oversight of the organization, the Board is responsible for ensuring that appropriate internal controls are established and followed to protect the organization.
 - a. These internal controls ensure that the organization is using:
 - i. generally accepted accounting principles
 - ii. complying with applicable laws and regulations
 - iii. providing reliable financial information
 - iv. operating efficiently
 - b. More specifically, financial controls are designed to:
 - i. segregate financial duties
 - ii. mitigate the risk of fraud
 - iii. guard against asset loss
 - iv. protect cash receipts
 - v. require second signatures on large checks
 - vi. track inventory
 - vii. require an efficient, competitive bidding process
 - viii. produce timely reports
 - ix. maintain accurate record keeping
 - c. Financial controls provide broad guidelines for significant financial transactions, but they are not intended to encourage board



intervention in monitoring or determining how the staff handles daily transactions

2. Key Elements:

- a. Establishing check cashing authority
- b. Regulating funds transfer
- c. Cash disbursement oversight
- d. Controls over other financial transactions

3. Components of controls and separation of duties

- a. Executive Committee
- b. President/CEO
- c. Bookkeeper
- d. Office Manager
- e. Finance Committee

4. Accounts

- a. Tree Research and Education Endowment fund, a.k.a TREE Fund shall maintain its operating accounts in financial institutions that are Federally insured.
- b. All funds received by TREE Fund shall be deposited weekly.
- c. Approval of bill payments
 - i. The Office Manager shall review invoices and submit them to the President/CEO for approval
 - ii. The Bookkeeper shall prepare checks and submit them for signature to:
 - 1. President/CEO



2. Chairman
 3. Treasurer
- d. Electronic bank statements may only be accessed by the
 - i. President/CEO
 - ii. Bookkeeper
 - iii. Treasurer
 - e. Reconciliation is done by the Bookkeeper and submitted monthly to the President/CEO
 - i. Duplicate bank statements are to be sent to the Bookkeeper who will complete the reconciliation process and prepare the monthly financial statement reports
 1. Statements will be prepared and distributed within 25 working days after the close of the month.
 2. Upon completion, the Bookkeeper will initial and date the bank reconciliation documentation, and forward with the internal financial statements to the President/CEO to review, initial and file
 3. Comparison of actual expenditures to those approved by the Board shall be done by the President/CEO
 - (a) Copies submitted to the Treasurer monthly
 - (b) Finance Committee is to receive quarterly financial statements
 - (c) The Board of Trustees receives financial statements prior to each board meeting



4. The Finance Committee will review monthly reports to compare actual expenditures to the approved budgeted expenditures.
 - (a) Variances will be discussed, documented and recommendations made as necessary
- f. The Audit Committee will receive quarterly financial reports and minutes of the Finance Committee meetings for review
 - i. The Audit Committee is charged with review and approval of the final audit documents. To support audit findings, they shall have access to:
 1. Audit work papers
 2. Reconciliations
 3. Other appropriate documents
5. Audit
 - a. An independent audit shall be performed annually. The annual audit shall first be reviewed by the Audit Committee, independent of the Finance Committee and executive staff
 - b. Upon acceptance of the final audit document, the President/CEO will distribute the audited financial statements to the Board of Trustees for review and acceptance
 - i. Final review and acceptance shall be by action of the Board of Trustees.
 - c. Nonproductive Funds
 - i. Non productive funds shall be invested in accordance with the Investment Policy established by the Board



6. Authority to Sign

- a. Orders of withdrawal shall bear the signature of one of the following officers or staff members
 - i. Chairman
 - ii. Treasurer
 - iii. President/CEO
- b. Checks issued over \$5000 shall require two signatures, and any checks (with the exception of payroll) payable to any of the above-named persons shall be signed by someone other than the payee
 - i. Any changes to the Endowment; including asset allocation, withdrawal, transfer or disbursements; must be done by a directive of the Finance Committee and ratified by a $\frac{2}{3}$ vote of the Board
- c. Quarterly Review
 - i. The Finance Committee shall, on a quarterly basis, review all disbursements in the amount of \$5000 or more and make appropriate comments or recommendations if necessary.

7. Bonding

- a. Each officer or designated signatory with authority to withdraw funds shall be bonded.
 - i. The amount of insurance coverage will be reviewed annually by the Finance Committee

8. Borrowing Funds or Establishing Lines of Credit

- a. Borrowing may be necessary for TREE Fund to borrow funds from outside sources for operations or program expansion



i. Justified purposes:

1. Seasonality of income from

- (a) Fees
- (b) Donations
- (c) Sales

2. Major expansions or reviews of TREE Fund programs

3. Other reasons agreed upon by the Board

- (a) Funds are to be borrowed only as required to meet the above needs
- (b) Borrowing is to be consistent with sound fiscal and management practices
- (b) Borrowing is not intended to compensate for inadequate planning or spending above budgeted levels

b. Borrowing guidelines

i. Within limits deemed appropriate and approved by the Board prior to the time of borrowing

ii. At the lowest available interest rates

- 1. Borrowing from individuals at lower than current commercial rates is permissible

iii. Most shall be done under short-term conditions due to the seasonal nature of income

- 1. Long-term borrowing is only permitted if rates are favorable and amounts for short-term would be at the same minimum level



9. Processes for Credit Cards for Business Use

- a. The Board is authorized to approve the establishment of a charge account in TREE Fund's name, including the credit limit
- b. The President/CEO is responsible for establishing and enforcing written procedures for open charge account and credit card use.
 - i. The Finance Committee will review all credit card procedures on an annual basis

10. Policy Review

- a. This policy shall be reviewed by the Board of Trustees annually

Issued by

Date revised:

Board Action (give date of vote) December 13, 2011

-or-

TREE Fund Chairman's Signature

-or-

President/CEO's Signature