
FINANCIAL MANAGEMENT POLICY

Financial Management Policy

Procedure Sections

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Reason for Procedure

This procedure outlines the processes and expectations for the overall financial management of Aspen Center for Physics

Who Should Know This Policy

- Principal Investigators
- Administrative Staff
- Winter Conference/Summer Workshop Organizers
- Proposal Committee
- Officers
- Trustees
- General Members
- Other: _____

Contacts

Subject	Contact
Finance Procedure Questions	Finance Manager Administrative Vice President



Applicable ACP Policies

- Accounting Policies and Procedures
 - Financial Procedures
 - Grant Procedures
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Financial Management Policy at ACP

Purpose

The purpose of these policies is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of the Center, and managing the Center's funds.

Financial Responsibilities

It is the responsibility of the Board of Trustees to formulate financial policies and review operations and activities on a periodic basis.

The Board delegates this oversight responsibility to the Treasurer of the Board and the Finance Committee of which the Treasurer is the Chair. This responsibility is shared through delegation with the Center's Administrative Vice President.

The Center's Administrative Vice President acts as the primary fiscal agent, implementing all financial policies and procedures. The Center's Administrative Vice President, with oversight of the Finance Committee is responsible for the coordination of the following:

- Management of the Endowment and other fund investments
- Selection of the outside auditors
- Approving revenue and expenditure objectives in accordance with the Board approved long-term plans

The Finance Manager with oversight by the Finance Committee has the day-to-day operations responsibility for the following:

- Managing Center funds
- Providing budget and other information to the Treasurer for the financial presentation to the Board
- Ensuring the accuracy of the accounting records, internal controls, financial objectives and policies
- Financial statement preparation, and bank reconciliation review and approval



- Preparation of the Chart of Accounts, Reporting Formats, Accounts Payable Processing, Payroll input and Payroll processing, Cash Receipts input, Journal Entries for General Ledger, Form 1099 reporting, Form 5500 reporting, and Form 990 reporting as well as Bank Reconciliations

Conflict of Interest

Members of the Board of Trustees are prohibited from activities that might present conflicts of interest. The powers of directorship may not be used to personally benefit the Trustee at the corporation's expense. If a Trustee has a financial interest in a corporate transaction, the Trustee must fully disclose the interest and abstain from voting. Loans to Trustees are prohibited. See the ACP Conflict of Interest Policy.

Budgeting Process

The Center's Administrative Vice President, the Finance Manager, and the Treasurer shall be responsible for presenting to the Finance Committee and other Board Committees an annual operating budget. See the ACP Budget Development Policy for more information.

Financial Statements

The Center's financial statements shall be prepared on an accrual basis in accordance with Generally Accepted Accounting Principles ("GAAP").

The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations" (SFAS No. 117).

Under GAAP, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes shall be classified as unrestricted, temporarily restricted and permanently restricted.

Separate from Unrestricted Funds, resources for various purposes are classified for accounting and maintained for each fund. Several funds are in place for this purpose including but not limited to: Endowment Fund, Restricted Funds, Cash Management Fund, Property and Equipment Fund, etc.

The Finance Manager shall prepare a trial balance to be used by the Center's Auditor to prepare an annual financial statement. The statements shall be presented to the Center's Administrative Vice President, senior management, and the Finance Committee for review.

Cash Fund

A cash fund of one-quarter to one-third of the Center's annual operating expenses shall be maintained. When the fund balance falls below this minimum, the Finance Committee and the



Board shall develop a plan and budget for rebuilding it. These monies could be held in the Center's operating bank account or in accessible investments.

Audit

The Center will have an audit of its financial statements annually, within 4 months of the end of the fiscal year.

The audit will be completed by a firm of Independent Certified Public Accountants. The Center's Administrative Vice President and the Finance Manager shall have direct responsibility in overseeing the implementation of the Annual Financial Audit. The Finance Committee shall have board oversight. In no cases shall the number of Board Members holding seats on the Finance Committee be less than the number of Center staff and management.

The Center's Administrative Vice President and the Finance Manager shall recommend to the Audit Committee for approval, the selection of a firm to perform the annual audit. In addition, the Audit Committee shall assist when necessary in the audit preparation, and report the final results to the Board of Trustees. A representative of the audit firm shall be invited to attend the annual presentation to the Finance Committee, and shall be required to make a presentation to the Board if the audit report is other than unqualified, or if the auditors report material weaknesses in internal controls or reportable conditions.

The Finance Manager or the Auditor shall prepare the Form 990 and it shall be reviewed by the Center's Administrative Vice President, and the Finance Committee before submission to the IRS.

Revenue and Income Procedures

The Center's Administrative Vice President in conjunction with the Treasurer, and the Finance Manager, develops and proposes revenue goals and objectives and submits them to the Board for discussion and approval.

All contributions shall be recorded in accordance with GAAP, with specific attention to standards FASB 116 and 117. Contributions are recorded as pledged or received in accordance with FASB 116, and must be credited to the appropriate revenue lines as presented in the annual budget and coded with the appropriate account number as designated in the Center's Chart of Accounts.

Recording Receipts

The following procedures for cash received through the mail or given to a staff person shall be in place. Mail should be opened by a staff person that is not involved in the accounting function. All checks shall be endorsed with the Center's official stamp. All cash and checks received through the mail shall be forwarded to the Administrative Vice President. Either Front Desk Personnel or the Administrative Vice President, or when neither is available, the Finance Manager, records all checks and cash by date, name of company or individual, designation, and amount.



After recording checks, or cash, they are forwarded to the Finance Manager who records it for accounting purposes. An individual deposit ticket shall be prepared with duplicate copies, bearing a different designation of each account. That record shall include date of deposit, name of sender, amount, and designation. A copy of the bank deposit slip is retained in chronological order. All cash and checks shall be deposited as soon as possible into the Center's Bank Account.

The same procedures followed for cash receipts shall be followed when monies are received by employees as contributions for special events.

Gifts received electronically, such as stock transfers or on-line contributions or gifts submitted in the Center's shopping cart should be properly noted by the Administrative Vice President with an acknowledgement of donation letter in accordance with IRS Guidelines. The Finance Manager records the online transaction in the accounting system and reconciles these amounts monthly in coordination with the checking account bank statement.

As an internal control on making sure donations are deposited in Center accounts, the Finance Manager provides a list of donors by fund, with amounts to the ACP President and Treasurer for review. Should donors question that their contributions were indeed received, the President and Treasurer can confirm such transactions.

Expenditures Procedures

All expenditures shall be approved by the Center's Administrative Vice President. All expenditures shall be coded by account number using the Center's Chart of Accounts by the Finance Manager. The invoices or statements are then submitted to the Administrative Vice President for review of the allocation of the costs and for the expenditure approval.

The Finance Manager maintains standard accounting records containing all aspects of the Center's financial operations. They include but are not limited to: A general ledger, a check register, and a payroll register.

Following review and approval, checks shall be prepared by the Finance Manager. Upon payment of a bill, a copy of the check or duplicate of stub shall be stapled onto the bill. The paid invoices shall be filed alphabetically, then chronologically according to company/individual name and shall be kept on a fiscal year basis on file.

Signature Policy

The Center Administrative Vice President or one other Vice President (two signatures) shall unless otherwise decided by the Board, sign all checks, drafts, or orders for payment of money, contracts, and commitments for services issued in the name of the Center.

Compensation and Payroll



Payroll is executed semi-monthly. Paychecks will be provided to each employee by the Finance Manager.

The compensation of the Center's Administrative Vice President and Finance Manager shall be determined by the ACP President or his or her designees. Comparable local salary studies have been done and will be performed as needed and are on file in the Accounting Office. Administrative Vice President and Finance Manager compensation considers performance. The salaries of all other employees shall be determined by the Center's Administrative Vice President. Compensation ranges for all staff positions shall be approved by the Center's Administrative Vice President. No employee of the Center may be compensated outside of the approved range, without the approval of the Center's Administrative Vice President.

Local Travel and Expense Reimbursements

Employees must abide by the Center's Travel and Expense policy. Travel and expense reports for mileage, meals, hotel, supplies, etc., will be maintained by each employee and then submitted to the Administrative Vice President for approval and payment by the Finance Manager. Mileage to and from the employee's residence to the place of work will not be paid by the Center. Reimbursements will be based on the travel rate established by the Center's Administrative Vice President and the Finance Manager and approved through the budgeting process. Travel reimbursement shall not be above IRS Guidelines.

All parking and other expenditure receipts must be attached to the expense voucher as a condition for payment. For receipts \$25 and less the Accounting Office will provide a form for reimbursements where not receipt is available.

Credit Card Expenditures

The Administrative Vice Presidents maintains a company-issued credit card for Center expenses. The same allocation, review and payment policies for expenses paid by check also apply to expenses paid by credit card.

Purchasing

Any expenditure in excess of \$10,000 (except for reimbursed housing rents) as determined by the Board of Directors for the purchase of a single item should have bids from three (3) suppliers if possible. These bids are reviewed by the Finance Manager and the Administrative Vice President and the bid award must be specifically approved in advance by the Center's Administrative Vice President. Exceptions to the three-bid policy are for work contracted by a firm that does regular maintenance on some of the Center's old or quirky infrastructure when a new firm would not have the knowledge or understanding of the element needing repair or replacement.

Purchase of less than the approved amount may be made at the discretion of the Center's Administrative Vice President without competitive bids. However, for fixed assets, reasonable diligence should be exercised to comparatively shop for available sources.



Any purchase made by a Board member on behalf of the Center will require prior approval by the Center's Administrative Vice President.

Leases and Other Contractual Agreements

The Center's Administrative Vice President is authorized to develop and enter into contractual agreements with vendors, bankers, and third parties for the purpose of ensuring the Center's general operations. The Finance Committee shall review such agreements, except ongoing agreements for copier or printer maintenance and rental housing contracts and make recommendations when necessary.

Notes, Loans, Etc...

All notes, loans and other indebtedness to be contracted in the name of the Center (except open accounts and all other routine banking transactions), shall require the signature of the Center's Administrative Vice President, unless otherwise specified by the Board or established in the present management policies and procedures. All indebtedness must be approved by the Center's Administrative Vice President.

Deeds, Conveyances, Etc...

The Center's Administrative Vice President shall execute all Deeds, Conveyances, Mortgages, Leases, Contracts and other instruments in the name of the Center.

Bank Accounts and Investment Accounts

The Finance Manager shall maintain and oversee Bank and Investment accounts, and ensure the Center's day-to-day financial operations. Several accounts may be maintained by the Center as follows:

- Checking Account
- Money Market Account
- Certificates of Deposit
- Brokerage Account

These accounts may be changed as the Center's financial conditions and requirements change.

Checking Amount

All checks, cash, money orders, and credit card deposits are reviewed by the Finance Manager and deposited in the appropriate accounts. Fund raising events, foundations and corporate donations and miscellaneous contributions shall be deposited into the accounts. Monies shall be transferred from the Checking account into the Money Market Account or the investment account when necessary, by the Finance Manager. Checks are written weekly to meet obligations or ongoing operational expenditures.



Bank Reconciliations

Bank reconciliations shall be completed monthly by the Finance Manager and cross-referenced with the cash and receipts journals. The Financial Statements shall be compiled by the ACP auditor on an annual basis. The Statements shall be then reviewed by the Center's Administrative Vice President and presented to the Finance Committee. Quarterly grant expenditure reviews are conducted. See the ACP Policy on Account Review.

All Bank Statements, Credit Card Statements, and Endowment Fund Reports will be reconciled every month by the Accountant, and records will be kept in the Accounting office.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of six months or less. The Center places its temporary cash investments with highly rated financial institutions. The Finance Manager shall closely monitor the balances of the Checking account, Money Market and Certificates of Deposit accounts. At times such investments and the checking account may be outside of the FDIC insurance limit.

Petty Cash

A petty cash fund provides a systematic method for paying and recording out-of-pocket cash payments too small to be made by check. The Center shall maintain a Two Hundred (\$200.00) petty cash fund that is replenished as needed.

The Finance Manager shall maintain control of, and responsibility for, payments disbursed from the Petty Cash fund.

Investments Reports and Investments Policy

The Finance Committee can opt to view investment reports online. This allows the Committee to review the ACP investment status on a daily basis if they choose. The Finance Committee shall review and determine the general investment strategy for all funds.

See the Center Investment Policy for more information.

Insurances

Reasonable and adequate coverage will be maintained to protect the Center's interests as well as the Board of Trustees and the Center's employees. The following insurance policies shall be kept on a yearly basis: Commercial Property Contents Policy, General and Professional Liability Insurance, Directors and Officers Liability Insurance, and Workers Compensation Insurance.

Insurance Policies shall be carefully reviewed by the Center's Administrative Vice President before renewal each year.



Property and Equipment

Property and equipment shall be stated at historical cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. A depreciation schedule shall be prepared and maintained by the Center's Finance Manager on an annual basis, taking into consideration the annual equipment inventory. Property is recorded as disposed during the fiscal year in which it is removed. Every three years at a minimum the asset list is reviewed to ensure all dispositions have been completed.

Equipment Installation

Purchase, installation and maintenance of telephone equipment, telephone lines, office equipment, computer equipment, etc. shall be approved by the Center's Administrative Vice President. Staff Members and other managers shall be responsible for receiving and supervising the installation of equipment scheduled for their facility or working area, and for maintaining and protecting the equipment installed in their offices.

Donated Materials and Services

Donated materials and equipment are not reflected in the Financial Statements. Volunteers donate time to the Center's Program services on an on-going basis. Other volunteers contribute time and services for Administrative or fundraising activities. Such contributed services are generally not reflected in the Center's financial statements, since there is no objective way of assessing their value.

Confidentiality and Records Security

Financial records are restricted materials with limited access. Only authorized staff shall have access to financial records (vendor files, checks, journals, payroll, etc.). See the ACP Policy on Information Security.

Document Retention

Financial documents are retained for a period of time in keeping with State law and the recommendations of the IRS. See the ACP Policy on Retention of Documents.

Tax Reporting

The Center is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code as amended. Accordingly, no provisions for income taxes shall be reflected in the financial statements.

Appendix Effective Systems of Internal Control



General

Internal control can be divided into two areas: accounting controls and administrative controls. Administrative controls deal with the operations of the business, whereas the accounting controls deal with accounting for such operations. Accounting controls should be designed to achieve the five basic objectives:

Validation

Validation is the examination of documentation by someone with an understanding of the accounting system, for evidence that a recorded transaction actually took place and that it occurred in accordance with the prescribed procedures. As systems grow more sophisticated, validation is a built in component whereby the transactions test themselves against predetermined exceptions.

Accuracy

The accuracy of amounts and account classification is achieved by establishing control tasks to check calculations, extensions, and additions and account classifications. The control objective is to be certain that each transaction is recorded at the correct amount, in the appropriate account and in the right time period.

Completeness

Completeness of control tasks ensures that all transactions are initially recorded as a control document and accepted for processing once and only once. Completeness controls are needed to ensure proper summarization of information and proper preparation of financial reports. To ensure proper summarization of recorded transactions as well as a final check of completeness, subsidiary ledgers and journals with control accounts need to be maintained.

Maintenance

The objective of the maintenance controls is to monitor accounting records after the entry of transactions to ensure that they continue to reflect accurately the operation of the business. The control system should provide systematic responses to errors when they occur, to changed conditions, and to new type of transactions. The maintenance function should be accomplished principally by the operation of the system itself. Control maintenance policies require procedures, decisions, documentation, and subsequent review by a responsible authorized individual. Disciplinary control tasks, such as supervision and segregation of duties, should ensure that the internal control system is operating as planned.

Physical Security



It is important in all business organizations that the assets are adequately protected. Physical security of assets requires that access to assets be limited to authorized personnel. One means to limit access to both assets and related accounting records is through the use of physical controls. Protection devices restrict unauthorized personnel from obtaining direct access to assets or indirect access through accounting records that could be used to misappropriate assets. Locked storage facilities restrict access to inventories, and fireproof vaults prevent access to petty cash vouchers. Transaction recording equipment limits access to assets by limiting the number of employees involved in recording and posting transactions.

Roles & Responsibilities

Administrative Staff: Responsible for managing the day-to-day finances of ACP.

Designated Officers: Responsible for developing policy and overseeing the Center finances. Responsible for arranging for, monitoring and signing on the Center's investment account.

Appendix: Applicable Federal Regulations & Criteria

ACP Financial Management procedures adhere to the NSF AAG and to OMB Circular A-110 as posted below:

- .21 (1) Recipients relate financial data to performance data and develop unit cost information whenever practical
- (2) Provide
 - (a) Financial results of each project or program
 - (b) Provide source, application of funds
 - (c) Control over funds, property, assets
 - (d) "Comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data"
 - (e) Written procedures for time between transfer of funds and use
 - (f) Written procedures for determining reasonableness, allocability, allowability of costs
 - (g) Cost accounting records supported by documentation
- (3) May require bonding, insurance
- (4) May require fidelity bond coverage
- (5) Bonds must come from companies holding certificates of authority
- .22 (6) Minimum time elapse funds transfer to use
- (7) Cash advances OK if time elapse written and acctg system adequate
- (8) Advances – n/a
- (9) Obsolete – check requests – now ACM\$



- (10) Reimbursement is preferred when (b) “cannot be met.”
 - (11) N/A alternative to reimbursement
 - (12) “To the extent available” disburse program income before cash payments
 - (13) NSF won’t withhold pmts unless “(a) a recipient has failed to comply with the project objectives, the terms and conditions of the award, or the Federal reporting requirements.”
Or “(b) the recipient is delinquent in a debt to the US.”
 - (14) Bank standards:
 - (a) NSF won’t require separate depository accounts for funds, but ACP must be able to account for receipts and expenditures.
 - (b) Use insured accounts,
 - (15) Use women- and minority-owned banks when possible
 - (16) Advances in interest-bearing accounts
 - (17) Remit interest
 - (18) Obsolete - \$ request forms – now ACM\$
- .23 Cost Sharing – N/A
- .24 Program Income
- (1) Pgm Income
 - (a) Adds to grant funds
 - (b) “Used to finance the non-Federal share of the project.”
 - (c) Deducted from total project allowable cost
- .25 Revision of budget and program plans
- (1) Budget is “financial expression of the project” approved during award process
 - (2) Deviations must be reported, prior approvals for budget and program plan revisions –
 - (3) Budget revisions: change in scope of project, change in key person, PI out for more than 3 mos, need for more funding, xfer from indirect to direct and vice versa, inclusion of costs requiring approval, xfer of funds for training to other categories, subawards,
 - (4) NSF may waive cost-related and adm prior written approvals for (a) preaward costs of 90 days, (b) one-time extension of award up to 12 months (which can’t be done just to use up funds), (c) carrying forward unobligated balances to subsequent funding periods (d) “FOR AWARDS THAT SUPPORT RESEARCH, UNLESS THE NSF PROVIDES OTHERWISE IN THE AWARD OR REGULATIONS, THE PRIOR APPROVAL REQUIREMENTS IN PARAGRAPH (e) ARE AUTOMATICALLY WAVED (i.e. RECIPIENTS NEED NOT OBTAIN SUCH PRIOR APPROVALS) UNLESS ONE OF THE CONDITIONS INCLUDING IN PARAGRAPH (e)(2) APPLIES.”
 - (5) Notify the NSF when there will be \$5000 or 5% of the award left unspent, whichever is greater
 - (6) Use budget forms that were used in application when requesting budget revisions
 - (7) NSF has 30 days after receiving budget revision request to respond
- .26 Non-Federal Audits
- .27 Allowable costs Non-Profits use A-122
- .28 Period of Availability of funds. Funding period is established in grant

