

**FINANCIAL POLICY OF**

**THE BERKSHIRE COUNTY HISTORICAL SOCIETY**

Approved by the Board of Directors

November 22, 2019

**Introduction**

The Office of the Attorney General monitors and regulates nonprofit organizations in Massachusetts. According to its’ *Guide for Board Members of Charitable Organizations*:

As a board member you have primary responsibility for making sure that the charity is financially accountable, has mechanisms in place to keep it fiscally sound, operates in a fiscally sound manner, and is properly using any restricted funds it may have. This includes budget oversight; insuring that staff employ adequate internal accounting systems; insuring that staff produce timely and accurate income statements and attend to required federal, state, and local filings; and insuring proper fundraising methods.

In outlining *The Ten Basic Responsibilities of Nonprofit Boards*, BoardSource includes two responsibilities related specifically to an organization’s finances; to ensure adequate financial resources and to protect assets and provide financial oversight. This includes guiding fundraising activities through a designated committee; budget oversight; ensuring adequate financial reporting, and oversight of the annual audit.

In order to assist it with meeting these financial responsibilities, the Board of Directors of the Berkshire County Historical Society (hereafter BCHS) have developed and adopted this Financial Policy as a way of outlining and communicating BCHS business practices. It has relied on guidance from BoardSource and other museum-related publications to ensure that it conforms to industry-wide and local non-profit business practices.

1. **Treasurer and the Finance Committee**
2. The entire board is legally responsible for the organization’s finances and all board members must exercise diligently their oversight responsibilities. The Board, however, may designate certain individuals with specific responsibilities to assist with financial matters.
3. The Bylaws of BCHS provide for the office of Treasurer as well as for a standing Finance Committee. The Treasurer shall be a member of the Board and must be elected by the membership at the Annual Meeting for a two-year term. No board member may serve more than three consecutive terms; therefore, the Treasurer may not serve as an officer longer than their board service limitations permit. The Treasurer shall be responsible for ensuring proper oversight for receipt and disbursement of all monies of the Society and for oversight of financial reporting.
4. The Finance Committee shall consist of a chair appointed by the Board. The chair must be a member of the Board. The Treasurer may not be the chair, but is an ex officio member of the Finance Committee. The chair of the Finance Committee appoints at least two other members of the committee based on their known experience and abilities in the field of finance. These members need not be members of the board.
5. The Development Committee chair shall be a member of the Finance Committee. Thus the Finance Committee is composed of the Treasurer, Development Committee chair, Finance Committee chair and at least two other members.
6. The Finance Committee and BCHS staff shall work cooperatively to develop and implement the organization’s financial plans. Both must develop a mutual understanding of their respective roles. The Committee will expect to receive full and complete financial information and the competent execution of staff financial responsibilities. The Committee shall also take care not to interfere inappropriately with management. The respective roles of Finance Committee and staff are outlined in Appendix A.
7. **The Budget Process**
8. The fiscal year shall run from Jan 1st to Dec. 31st
9. The budget shall be prepared by the Executive Director in conjunction with the Finance Committee. The Board has final approval of the budget. The budget will project income and expenses and will provide for programs and services as outlined by board-approved policies, work plans, and the strategic plan.
10. The board shall approve the annual budget prior to the beginning of the fiscal year. In approving the budget, the board exercises its primary fiduciary responsibility.
11. The Board should understand the assumptions behind the budget and the ways in which financial projections translate into accomplishment of the mission. The annual budget shall be presented with accompanying narratives that focus on governance matters before the board, such as expansion of services or new ventures. The board must be informed of how budget assumptions were made and what kind of margin for errors or surprises the budget incorporates.
12. If alterations must be made to the budget, the staff shall make recommendations and, if approved, the Finance Committee will submit those recommendations to the full board.
13. The Board may reasonably and properly develop policies that restrict the budget, such as a requirement for a balanced budget or a surplus budget.
14. Six or seven months into the fiscal year, the Treasurer and Bookkeeper shall review actual income and expenses with the proposed budget. At that time, or any time during the budget year, any major change of income or expenditure which significantly alter the annual plan of operation shall be reflected in a budget revision and approved by the board.
15. The Executive Director may propose revisions to the budget throughout the year as necessary. Any revisions must be approved by the board.
16. **Financial Practices**
17. BCHS shall follow generally accepted not-for-profit accounting guidelines as set by the Financial Accounting Standards Board (fasb.org)
18. BCHS shall follow standard business practices for payment of corporate obligations and shall maintain adequate liquid reserves to meet those obligations.
19. The Executive Director shall sign checks and approve expenditures for the organization consistent with the budget and the annual plan of operation up to the amount of $2,000.00. Checks for more than that amount shall be co-signed by either the President or the Treasurer. Authorized signatories on all BCHS accounts shall be the President, the Treasurer, and the Executive Director.
20. Gifts of securities shall be sold immediately upon receipt unless otherwise restricted by the donor.
21. Cash reserves shall be invested according to board-approved investment policies.
22. All other investment activity should follow a BCHS investment policy.
23. The cashing of checks out of currency receipts is prohibited.
24. Loans to staff, board members, volunteers, or members are prohibited.
25. Bids will be requested from at least three vendors for projects requiring a cash outlay of $5,000 or more. The Board may choose to approve an exception.
26. **Financial Reporting**
27. The organization's accounting system shall be designed to gather, record, and update accurate and meaningful data about the organization's actual performance. The system shall provide an accurate record of income and expenditures, with appropriate controls and documentation as described in the Office Procedure Manual. The system must satisfy people outside the organization, such as major funding sources, individual donors, and government regulatory bodies, that money entrusted to the organization has been properly spent.
28. Financial statements depicting revenue and expenditures, and including a balance sheet, shall be provided to the Board of Directors in advance of each meeting. At the meeting the Executive Director will explain any significant variances. Discussion shall focus on the policy implications of financial results and not on minutiae. The financial statements must show YTD and Monthly - Actual and Budgeted amounts.
29. Nonprofit organizations have many financial reporting requirements. The Finance Committee will ensure that annual reports are made available to appropriate federal and state agencies. The Finance Committee shall monitor staff performance in paying taxes, insurance, social security payments, and other required fees. The Finance Committee shall also ensure that staff is filing required federal, state, and local reports.
30. **Outside Accounting Firm**
    1. BCHS will retain an outside accounting firm to compile annual statements and make the appropriate filing with state and federal agencies.
    2. The Finance Committee shall recommend an independent outside accounting firm for board approval on an annual basis. The Committee has the responsibility to meet with the firm annually to review the compilation process, control weaknesses and any other practices that come to their attention. The Committee will report the results of that meeting to the board.
31. **Insurance**
32. BCHS shall purchase insurance against casualty and liability losses to the corporation and its board members and employees in performance of their duties on behalf of the corporation. All insurance policies shall be reviewed by the Finance Committee annually.
33. BCHS shall secure insurance to adequately protect the corporation from losses due to employee theft or dishonesty.
34. **Conflicts of Interest**

The organization shall keep in place conflict-of-interest policies for staff and board. The staff policy shall be part of the Employee Handbook. The board policy shall be reviewed and signed by individual board members every year.

1. **Contracts and Agreements**

The Executive Director is authorized to enter into contracts on behalf of the Society that involve financial amounts of $1,000.00 or less. Contracts involving amounts over $1,000.00 require prior board approval. All contracts, including those that do not involve money, must be in keeping with board-approved policies or plans. The Executive Director must obtain prior board approval before entering into any contracts that are not in keeping with board-approved plans or policies.

**Appendix A: Respective Roles of the Finance Committee and Staff**

Source: *The Finance Committee* a publication of the National Center for Nonprofit Boards

The Finance Committee advises the board on the overall direction and control of the finances of the organization.

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| **Committee Responsibilities** | **Staff Responsibilities** |
| Proposes for board approval a budget that reflects the organization’s goals and board policies. | Prepares budget and presents it to the finance committee with backup information. Indicates need for budget revision when variances occur. |
| Monitors income, expenditures, and program activities against projections. Presents quarterly or monthly financial statements to the board. | Monitors income and expenditures on a daily basis. Prepares financial and program reports which the finance committee can compare to budget and projected activities. |
| Reviews and recommends financial policies to the board, including assuring adequate internal controls and maintaining financial records in accordance with standard accounting practices. | Raises policy issues in a timely fashion. Provides information for sound policy decisions. Prepares draft documents for finance committee review. Carries out policies established by the board. |
| Recommends resource development goals, including private fund raising, public sources and fees for services. | Researches sources of funds and prepares information. Acts as a liaison with funding sources. |
| Reviews proposed new funding contracts for financial implications, recommending to the board approval or disapproval. | Prepares information for decision-making. Drafts proposals and contracts for finance committee review. |
| Assures that organization maintains adequate insurance coverage. | Provides information and analysis. |
| Recommends to the board the selection of auditors, reviews scope of annual audit, and receives and reviews the audit. Evaluates staff response to management letter. | Prepare background information and recommendations. Assists in development of committee work plan, training, and evaluation. |
| Assures that the board as a whole is well informed about the organization’s finances. | Provides training and information as requested. |