

GLASA

The Greater Los Angeles Softball Association

Financial Policies & Procedures Manual

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Purpose. The organization is a non-profit California corporation committed to protecting and using its assets for its stated mission. Maintaining proper financial practices are important in establishing an organization's internal controls and ensuring compliance with regulatory standards. Documenting these practices identifies and communicates responsibilities of GLASA leadership in the performance of their duties. This document is designed as an instructional tool and when used in conjunction with the GLASA Bylaws can provide a basis for organizational decision making.

This document is organized into sections representing the most significant components of the organization's financial system. Where applicable, a section provides examples of associated risks along with the stated policies and procedures to be followed.

I. GENERAL PRACTICES

Review of Risks. The policies and procedures in this manual were drafted to minimize risks associated with the various aspects of financial operations. The Finance Committee shall review these policies each year to identify any new risks and adopt appropriate procedures to minimize those risks. The Finance Committee and the Board shall consult with a professional if necessary to ensure that risks are being properly addressed.

Segregation of Duties. There are four fiscal roles in the organization: *custodial, authorizing, executing, and monitoring.* For example: the Commissioner and Treasurer maintain the League bank accounts in a *custodial* role; a Board member or Committee Chair who approves payment of a bill is *authorizing*; the Treasurer who prepares checks for signature is *executing* payment; and the Finance Committee Chair who reviews the bank statement and reconciliation acts in a *monitoring* role. The Board is required to separate the responsibilities for fiscal roles so that at least two individuals authorize, execute and monitor the same transaction.

Safeguarding Corporate Records. The GLASA Secretary is responsible for maintaining the organization's legal and corporate records in a secure location. The GLASA Treasurer shall maintain the organization's financial records in a secure location. These records shall be made available to a member of the GLASA Board, if requested, within a reasonable period of time and shall be presented to the Board upon request after a change in GLASA leadership occurs. As GLASA does not maintain a corporate office, it is agreed to by the Board member or corporate officer in possession of the records to use appropriate means to prevent inadvertent or unauthorized access to the data. All data maintained on computers must be password protected and divulging banking passwords to unauthorized personnel is prohibited. The Board has sole discretion on determining record retention policies. Refer to the *Records Retention Policy (Appendix C)*.

II. CASH RECIEPTS

RISKS

GLASA faces the risk that funds received electronically, by check or in cash may be stolen, lost, or applied incorrectly.

POLICY

The Treasurer is responsible for depositing all funds collected by the League. All funds, whether cash or check, which the organization receives will be deposited intact into the bank account. No cash should be removed to make any payments (no "net" deposits). All cash receipts should be deposited into the bank as soon as possible. This allows for a complete accounting and independent verification of funds. Monies received from players and teams must be properly applied.

PROCEDURES

1. *Receipt of Checks.* A Board member opens all mail addressed to GLASA and provides all checks to the Treasurer to deposit into the GLASA bank account. All checks are to be endorsed "For Deposit Only" and will be paid to the order of the GLASA corporate bank with the GLASA account number. This lessens the risk that a check may be lost or stolen.

2. *Receipt of Cash.* Cash is not to be accepted for any fees or dues. Cash is easily stolen and must be handled carefully.

3. *Procedures for Depositing Funds.*

- Funds are to be deposited into the GLASA bank account as soon as possible.
- Prepare a deposit slip.

4. *Receipt of Checks and Cash at Events.* If checks and/or cash are received for example, at a fund raising event, special precautions are needed to safeguard it:

- Two people must count the cash and initial on a tally slip to be retained with the cash.
- The individuals accepting the funds in cash or by check will give the Treasurer an envelope containing the funds within 72 hours of the close of the event.

5. *Credit Card or PayPal Contributions.* GLASA accepts fees and contributions by PayPal. If it decides to accept credit cards, proper accounting controls will need to be implemented.

6. *Acknowledging Donations.* IRS rules require that a 501(c)(3) organizations acknowledge in writing, all donations it receives that are more than \$75. The Treasurer will send a GLASA donor letter to the donor when required. The letter should include the amount of the gift and state that the gift was in cash (which includes a check). If the donor received something of value in return, the donor letter must contain a description of the donation and a good faith estimate of value received by the donor. The donor letters sent will serve as a record of donor contacts.

7. *Posting Donor Names on Website.* The Secretary shall *not* post the names of donors on the GLASA website unless requested by the donor and then only at the Board's discretion.

III. CASH DISBURSEMENTS

The organization wants to ensure that all disbursements on its behalf are authorized by the Board. Unauthorized disbursements deplete GLASA's resources and interfere with the Board's ability to govern properly. All purchases made on behalf of GLASA must be made pursuant to the Board-approved budget or GLASA Bylaws. The Board may not authorize any purchase which does not conform to the Annual Budget unless it receives approval from the Commission.

A. PAYMENTS BY CHECK

RISKS

GLASA faces the risk that funds will be spent on unauthorized items; that someone will misappropriate funds by taking blank checks or by writing checks to payees who are not approved vendors; and that payments made will be improperly recorded.

POLICY

The Treasurer is responsible for making all disbursements from the organization's funds by check or debit card as described below. This allows tracking of funds spent, who is spending them and who is authorizing expenditures.

PROCEDURES

I. *Opening Bank Accounts.* Bank accounts may be opened only when authorized by the Board. The Commissioner is custodian of the League bank accounts and adds the Treasurer and one additional Executive Board member as signatories.

- All bank accounts must be opened with the GLASA taxpayer identification number.
- The Board shall approve the authorized signers on the organization's bank accounts.

2. *Custody of Checks.* The Treasurer is the only person authorized to have access to unused checks. The checks should be stored in a secure location.

3. *Disbursement Authorization.* Funds should only be disbursed when accompanied by a Disbursement Request Form. Also, a form W-9 Request for Taxpayer Identification and Certification must be on file for a recipient before payment is made for services and products. [The GLASA Disbursement Request Form and a W-9 form can be found on the League website.] Additionally:

- The Treasurer will review all invoices and Disbursement Request Forms for accuracy, agreement with a written quote if any, conformity to budget, and Board member, Committee Chair or Umpire In-Charge authorization.
- The Treasurer will post the disbursement into the appropriate expense account as needed for accounting purposes.
- The Treasurer is responsible for timely follow-up on any discrepancies.

4. *Payment by Checks.* Upon approval of the Disbursement Request Form, the Treasurer is authorized to prepare checks for payment.

- If a check is voided, the check will have "VOID" written in large letters in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file.
- In the event that it is necessary to issue a replacement check for checks in an amount over \$100, the Treasurer will order a stop payment at the bank on the original check.

5. *Duties of Check Signers.* All checks will be signed by the signers designated by the Board. Prior to signing a check, a check signer will do the following:

- Verify that the Treasurer has reviewed the Disbursement Request Form; and the amount of the check is reasonable.
- A check for \$600 or less is valid with only the Treasurer's signature. All other checks will require two authorized signatures.

6. *Prohibited Practices.*

- No Disbursements are to be made unless approved by the Treasurer;
- No blank checks are to be signed in advance;
- No checks are to be made out to "cash"

B. DEBIT CARD PAYMENTS

RISKS

Payments by debit card are not as completely documented and are not as easily monitored as payments by check and thus may subject the organization to greater likelihood of errors and fraud. Debit cards can be misused when people charge personal expenses, or fail to obtain documentation showing that a purchase was for the organization.

POLICY

The Board has authorized the Treasurer's use of a debit card with the checking account held by the League, for specific purchases only, all of which require approval in advance. The Treasurer may use the debit card only for official League purposes directly related to the needs of the organization. Automatic bank debits (scheduled and recurring withdrawals from the League checking account) must be approved in writing by the Board in advance. The Board can authorize the Treasurer to setup automatic debits and it is the Treasurer's responsibility to verify all automatic debits are properly deducted.

PROCEDURES

In order to use the debit card, the Treasurer must follow these procedures:

1. *Authorization.* Upon receiving the debit card, the Treasurer agrees that he or she will abide by the policies and procedures pertaining to use.

2. *Advance Approval.* The Treasurer's purchase request should describe the purpose and cost. Another Board member must give advance written approval to make a purchase whenever practical.

3. *Original Receipts.* The Treasurer must keep the original receipt that describes each purchase made with the debit card.

4. *Notification of use of the debit card:* The Treasurer will email the Commissioner and Assistant Commissioner a completed Disbursement Request Form to notify them of the transaction within 24 hours after each use of the debit card, noting the date, vendor, and amount of each charge made. In case of meals, the statement must include the names of all persons at the meal and a brief description of the purpose, in accordance with IRS regulations.

5. *Transaction Alerts.* The debit card must be from an institution that supports transaction alerts and such alerts must allow for and be set to notify the Treasurer at least one other Executive Board member when a transaction is made.

6. *Notification of Loss/Theft.* The Treasurer must notify the bank and the Commissioner immediately in the event that the debit card is lost or stolen.

C. EXPENSE REIMBURSEMENT

RISKS

The organization does not have the same level of control over expenses incurred on behalf of the organization by those who pay with personal funds and seek reimbursement as it does for expenses paid by it directly. The organization is not in as good a position to determine whether the goods or services purchased might have been obtained at a lower price elsewhere, whether there is a personal benefit to the person seeking reimbursement and how the expenditure fits in with the rest of the organization's budget.

POLICY

Board members and Committee Chairs are entitled to be reimbursed for expenses related to GLASA that they incurred on its behalf. To receive reimbursement, you must meet the following requirements:

- Your expense must have been authorized by the Board or Committee Chair.
- Your purchase of goods or services must have been incurred for the benefit of GLASA.
- If your expense is for travel, the travel must be related to GLASA. GLASA may reimburse actual travel costs, but no more than a reasonable amount. GLASA may reimburse for use of a car at the established standard mileage rate set by the IRS. The organization may reimburse meal expenses incurred in direct connection with the organization's affairs.
- The organization may reimburse using per diem rates established by the IRS.

Refer to the *GLASA Travel Reimbursement Policy (Appendix D)* for additional information.

PROCEDURES

To be reimbursed for expenses:

1. *Documentation.* You must provide reasonable documentation showing the date, amount and what the expense was for. Credit card receipts and store receipts that do not describe the purchase are not reasonable documentation. Your receipt must describe the purchase.
2. *Reimbursement from another party.* Your reimbursement request must reflect any reimbursement you received from sources other than GLASA which reduced the expense you incurred.
3. *Timely Submission.* You must submit your documentation along with a Disbursement Request Form within a reasonable period of time from the date the expense was incurred.
4. *Overpayment.* Any excess reimbursement must be returned to GLASA within a reasonable period of time.

IV. OTHER FINANCIAL MATTERS

Contracts with third parties. The corporation needs to ensure that any obligation undertaken in the corporate name is authorized by the corporation and is for a corporate and not a personal purpose. No member of GLASA shall bind the corporation to any contract or financial commitment without prior express authorization from the Board. Refer to the *Contract Approval Policy (Appendix B)*.

Conflicts of interest. Directors and officers of the organization shall not have any personal or business interest that may conflict with their responsibilities to the organization. In the event any matter comes before the Board for action concerning which an officer or director or their family member has a personal or business interest, the officer or director shall fully disclose the same and shall not participate in any consideration of or decision related to the matter. Refer to the *Conflict of Interest Policy (Appendix A)*.

Ethical behavior. GLASA requires Board members, committee members and Commission members to observe the highest standards of business and personal ethics in the conduct of their duties and responsibilities and to comply with all applicable laws and regulatory requirements.

Confidentiality. Board members and committee members are reminded that confidential financial, personal and other matters concerning the organization, donors, vendors or members may be included in Board materials or discussed from time to time. Board members should not disclose such confidential information.

Financial reserves. The organization should maintain reserves in its bank accounts to pay for expenses if its income stream is reduced or pay for material unexpected or non-recurring expenses and other contingencies.

Insurance. GLASA shall maintain commercial general liability coverage, umbrella liability insurance and directors and officers insurance at all times. At the Board's discretion it may obtain limited secondary medical coverage and event insurance.

Inventory. Purchases of merchandise for resale to the public will be tracked by quantity and reconciled to the ending inventory count at the close of the event. A report of the sales proceeds will be presented by the GLASA representative in charge of the event and all funds received will be remitted to the Treasurer within 72 hours of the close of the event. Any discrepancies in quantity will need to be accounted for.

Bank transfers. Inter Account transfers and PayPal transfers will only be made as directed by the Board. Only the Treasurer will have the authority to transfer funds between institutions or accounts.

V. BANK RECONCILIATION AND ONLINE MONITORING

RISKS

Monitoring may uncover any discrepancies which may exist between the accounting records and banking records (which may result from errors or fraud).

POLICY

The Treasurer will monitor the corporation's accounts regularly and will prepare a written reconciliation of all bank or investment accounts which proves that the balances presented on the GLASA financial reports agree with the records of the financial institution.

The Finance Committee Chair will be granted "read only" access to the GLASA bank accounts and PayPal accounts, as well as the QuickBooks online accounting, in order to periodically monitor activity.

PROCEDURES

1. *Bank Statement.* The Commissioner will direct the bank to send the bank statements to the Finance Committee Chair (or to such recipient as the Board directs in accordance with internal controls in place). The Finance Committee Chair will submit the bank statement to the Secretary for retention.

2. *Reconciliation.* The Treasurer will reconcile the bank statement and a copy of the reconciliation will be provided to the Commissioner and Finance Committee Chair monthly. The reconciliation should be done within 7 days after month end, as follows:

- Verify checks have correct signatures.
- Verify the checks per the bank statement with accounting records.
- List all outstanding checks in accounting records not yet recorded by the bank (the outstanding checks). On all checks outstanding over 90 days, take appropriate action (void, reissue or contact payee).
- Verify deposits per the bank statement agree with accounting records and list if in transit.
- Verify the ending balance in the general ledger cash account agrees with the bank statement, after making adjustments on the bank reconciliation form for outstanding checks and deposits in transit. Make any necessary adjustments to bring the cash accounts per the general ledger in agreement with the reconciliations.
- Notify the bank immediately of any activity reflected in the bank statement that is in error.

VI. FINANCIAL REPORTING AND FISCAL MANAGEMENT

The Treasurer will develop the Annual Budget with the Executive Board. The Finance Committee must review the Annual Budget before it is submitted to the Commission. The Commissioner oversees the timely development of the Annual Budget and its submittal in writing to the Commission at the first regular Commission meeting of the fiscal year. Once the Annual Budget is presented and approved it may be changed by a majority vote of the Commission, except changes to team and player dues or fees require a two-thirds vote of the Commission.

Committee expenditures and fund-raising shall be submitted in writing requiring approval of the Commission. Any change will require prior approval by the Commission. Committees will comply with all policies and procedures set forth in this document and provide the Treasurer with accurate and timely information.

A Chart of Accounts and General ledger will be maintained consistent with the Annual Budget. The organization shall keep adequate and correct books and records of accounts to be kept in the possession of the Treasurer. Once the monthly and fiscal year-end (August 31st) financial statements are prepared by the Treasurer and approved by the Finance Committee Chair, no more entries or adjustments shall be made into that month or year's accounts.

The Treasurer will prepare the monthly and year-to-date financial reports and publish online prior to each Commission meeting. The reports will include: a balance sheet; a statement of income and expenses; and reflect budget versus actual. The Finance Committee Chair will review all financial reports prepared by the Treasurer prior to the Treasurer presenting the financials to the Commission. The Chair of the Finance Committee will sign the financial reports and the Treasurer will submit the signed financial reports to the Secretary.

Monthly and annual procedures for financial and tax reporting:

The Finance Committee Chair is responsible for:

1. Reviewing all monthly and year-end journal entries.
2. Periodically reviewing all balance sheet accounts including verification of the following: cash accounts match the bank reconciliation and accounts receivable and payable accounts match outstanding amounts per detailed schedules maintained by the Treasurer.
3. Verifying income and expense accounts reconcile to amounts received and expended as reported in the financial statements.

At the end of the fiscal year, the Treasurer will instruct the outside CPA (when a CPA has been engaged to do so, otherwise the Treasurer will be responsible to prepare all such filings) to file the annual GLASA filings with the IRS including the Return of Organization Exempt From Income Tax (form 990); Information Returns (forms 1096 and 1099); California Franchise Tax Board; California Exempt Organization Annual Information Return (form 199); and all other required filings with the California Secretary of State and California Registry of Charitable Trusts. Tax returns in draft form will be presented to the Commissioner, Finance Committee, and Executive Board for their review and approval. The Treasurer will then cause the returns to be filed with the appropriate governmental agencies on a timely basis, including any approved extensions. The Treasurer will provide proof of all filings to the Commissioner and Finance Committee Chair. The Treasurer is responsible to notify the Commissioner and the Finance Committee Chair of all correspondence from the government agencies in a timely manner.