



FOR YOUTH DEVELOPMENT
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

Clifton Springs Area YMCA Financial Management Plan

BOARD & MANAGEMENT FIDUCIARY RESPONSIBILITIES

Board Fiduciary Responsibility

Board Financial Responsibility Policy

It is the responsibility of the board of directors to formulate financial policies and review the operations and activities of the Clifton Springs Area YMCA on a periodic basis in order to safeguard the Clifton Springs Area YMCA's assets. The board may delegate this oversight responsibility to a finance committee, of which the treasurer is the chair.

The executive director / CEO of the organization acts as the primary fiscal agent, with responsibility for implementing all financial management policies and procedures on a day to day basis. The executive director / CEO may delegate to qualified professional staff responsibility for managing various aspects of financial management.

The board's financial management objectives for are:

- Preserve and protect financial assets needed for mission critical activities
- Exercise appropriate care in the handling of incoming funds and disbursement of outgoing funds
- Strive for transparency and accountability in fiscal operations
- Ensure compliance with federal, state and local regulations and fulfillment of contractual obligations
- Make certain that all taxes are properly paid and fully understand the potential for personal accountability for unpaid payroll and other taxes
- Participate with staff in raising adequate financial and other resources
- Regularly question financial information and make certain that questions are answered fully and promptly
- Receive and regularly review financial statements by comparing the current actual financial circumstances with the approved budget
- Understand the financial documents presented for review and receive ongoing training on how to read and understand financial reports if needed

- Monitor investment performance with income invested to ensure the highest possible return with appropriate corresponding risk
- Approve an annual operating plan and provide oversight to insure that program evaluation is conducted to measure impact
- Approve a realistic budget that maximizes use of resources

Ethics

Volunteer and staff leaders are encouraged to examine carefully the 33 Principles of Governance developed by the Panel on the Nonprofit Sector, and determine how best they should be applied to our Y's own policy decisions and operations.

Financial Literacy and Health

Clifton Springs Area YMCA's Financial Literacy Policy

At the Clifton Springs Area YMCA, knowledgeable, trained personnel are responsible for the accounting function and the preparation of financial statements. The staff member who oversees the financial management function has experience and expertise in nonprofit accounting concepts. At the Clifton Springs Area YMCA, the executive director / CEO delegates to qualified professional staff responsibility for various aspects of financial management. Both staff members and the board of directors understand the financial reports they receive and receive ongoing training on how to read and understand financial reports as needed.

INTERNAL CONTROL/FRAUD PREVENTION

Internal Controls

Clifton Springs Area YMCA's Internal Control Policy

Clifton Springs Area YMCA has adopted a number of internal control measures as part of an overall effort to safeguard financial assets. These controls include:

- All incoming checks are immediately stamped with a restrictive endorsement indicating "for deposit only."
- A detailed log of all incoming checks and cash is maintained and reconciled with deposit slips and monthly bank statements.
- All cash and checks are deposited the same business day if possible, and no later than the next business day.
- Bonding all accounting employees and others who handle cash receipts, make deposits, have access to securities, are responsible for purchasing, and wire transfers.
- Cross training employees so that someone else does the job during vacations.
- Reconcile bank accounts monthly.
- Use competitive bidding.
- Require written supervisory approval for write-offs, credit memos, employee additions, terminations, and wage changes.
- Use physical or software controls to prevent unauthorized access to systems.
- Require two signatures for all checks. All back up documentation including the original invoice should accompany the check when sent for signature.
- Require bank callback verifications for telephone transfers exceeding a predetermined dollar amount.
- Require time sheets for all employees. Subject these to review and approval by supervisors.
- No blank checks will ever be signed.
- No checks will be written to "cash."
- Establish policies for employee expense reimbursement and require employees to submit original receipts for reimbursement.
- Using monthly budgets and investigating variances.

In addition, and to the extent possible given its size and circumstances, the organization strives to segregate the following duties so that a single staff member isn't required to perform two or more of the following incompatible functions:

- Authorizing the purchase of goods and services
- Preparing a purchase order to purchase goods
- Receiving goods or validating the performance of services
- Approving the payment of accounts payable for goods and services received
- Recording the liability for accounts payable
- Preparing and signing checks to pay the respective accounts payable
- Forwarding payments to the payee

Managing Fraud Risk

Clifton Springs Area YMCA's Fraud Management Policy

Introduction

Like all organizations, the Clifton Springs Area YMCA is faced with risks from wrongdoing, misconduct, dishonesty and fraud. As with all business exposures, we must be prepared to manage these risks and their potential impact in a professional manner.

The impact of misconduct and dishonesty may include:

- the actual financial loss incurred
- damage to the reputation of Clifton Springs Area YMCA and Clifton Springs Area YMCA's employees
- negative publicity
- the cost of investigation
- loss of employees
- loss of customers
- damaged relationships with Clifton Springs Area YMCA's contractors and suppliers
- litigation
- damaged employee morale

Clifton Springs Area YMCA's goal is to establish and maintain a business environment of fairness, ethics and honesty for Clifton Springs Area YMCA's employees, guests, suppliers and anyone else with whom we have a relationship. To maintain such an environment requires the active assistance of every employee and manager every day.

Clifton Springs Area YMCA is committed to the deterrence, detection and correction of misconduct and dishonesty. The discovery, reporting and documentation of such acts provides a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders up to and including dismissal where appropriate, the referral to law enforcement agencies when warranted by the facts, and the recovery of assets.

Purpose

The purpose of this document is to communicate Clifton Springs Area YMCA's policy regarding the deterrence and investigation of suspected misconduct and dishonesty by employees and others, and to provide specific instructions regarding appropriate action in case of suspected violations.

Definition of Misconduct and Dishonesty

This policy of misconduct and dishonesty includes but is not limited to:

- theft or other misappropriation of assets, including assets of Clifton Springs Area YMCA, Clifton Springs Area YMCA's guests, tenants, suppliers or others with whom we have a business relationship
- misstatements and other irregularities in company records, including the intentional misstatement of the results of operations
- wrongdoing
- forgery or other alteration of documents
- fraud and other unlawful acts
- any similar acts.

Clifton Springs Area YMCA specifically prohibits these and any other illegal activities in the actions of its employees, managers, executives and others responsible for carrying out the agency's activities.

Policy and Responsibilities

Reporting - It is the responsibility of every employee, supervisor, manager and executive to immediately report suspected misconduct or dishonesty to their supervisor or the executive director (ED) if the supervisor is involved, or the chair of the board if the executive director is involved. Supervisors, when made aware of such potential acts by subordinates, must immediately report such acts to the executive director. Any reprisal against any employee or other reporting individual because the individual, in good faith, reported a violation is strictly forbidden.

Due to the important yet sensitive nature of the suspected violations, effective professional follow up is critical. Managers, while appropriately concerned about "getting to the bottom" of such issues, should not in any circumstances perform any investigative or other follow up steps on their own. **All relevant matters, including suspected but unproved matters, will be referred immediately to Clifton Springs Area YMCA's auditor and attorney.**

To facilitate reporting of suspected violations, especially in those situations where the reporting individual wishes to remain anonymous, Clifton Springs Area YMCA will receive anonymous reports of suspected fraud by calling either the executive director or the chair of the board.

Additional Responsibilities of Supervisors - All employees have a responsibility to report suspected violations. However, employees with supervisory and review responsibilities at any level have additional deterrence and detection duties. Specifically, personnel with supervisory or review authority have three additional responsibilities.

- First, you must become aware of what can go wrong in your area of authority.
- Second, you must put into place and maintain effective monitoring, review and control procedures that will prevent acts of wrongdoing.
- Third, you must put into place and maintain effective monitoring, review and control procedures that will detect acts of wrongdoing promptly should prevention efforts fail.

Authority to carry out these three additional responsibilities is often delegated to subordinates. However, accountability for their effectiveness cannot be delegated and will remain with supervisors and managers.

Assistance in effectively carrying out these responsibilities is available upon request from the executive director or the designee of the ED.

Responsibility and Authority for Follow Up and Investigation - **The executive director has the primary responsibility for all investigations involving the organization and all subsidiaries.** The executive director may request the assistance of an independent auditor in any investigation, including access to independent auditing, periodic examinations and evaluations of internal controls.

Properly designated members of the investigative team will have:

- free and unrestricted access to all agency records and premises, whether owned or rented
- the authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities (whether in electronic or other form) without the prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of investigative or related follow up procedures.

All investigations of alleged wrongdoing will be conducted in accordance with applicable laws and agency procedures.

Reported Incident Follow Up Procedure - Care must be taken in the follow up of suspected misconduct and dishonesty to avoid acting on incorrect or unsupported accusations, to avoid alerting suspected individuals that follow up and investigation is underway, and to avoid making statements which could adversely affect the agency, an employee, or other parties.

Accordingly, the general procedures for follow up and investigation of reported incidents are as follows:

1. Employees and others must immediately report all factual details as indicated above under this policy.
2. **The executive director has the responsibility for follow up and, if appropriate, investigation of all reported incidents.**
3. All records related to the reported incident will be retained wherever they reside.
4. Do not communicate with the suspected individuals or organizations about the matter under investigation.
5. In appropriate circumstances and at the appropriate time, the executive director may notify the officer of the employee's organization.
6. The executive director may also notify the auditor of all reported incidents so that it may be determined whether this matter should be brought to the attention of the board of directors.

7. The executive director may also obtain the advice of an attorney at any time throughout the course of an investigation or other follow up activity on any matter related to the report, investigation steps, proposed disciplinary action or any anticipated litigation.
8. Neither the existence nor the results of investigations or other follow up activity will be disclosed or discussed with anyone other than those persons who have a legitimate need to know in order to perform their duties and responsibilities effectively.
9. All inquiries from an attorney or any other contacts from outside of Clifton Springs Area YMCA, including those from law enforcement agencies or from the employee under investigation, should be referred to Clifton Springs Area YMCA's attorney.
10. Investigative or other follow up activity will be carried out without regard to the suspected individual's position, level or relationship with Clifton Springs Area YMCA.

Questions or Clarifications Related to This Policy

All questions or other clarifications of this policy and its related responsibilities should be addressed to the executive director, who shall be responsible for the administration, revision, interpretation, and application of this policy.

Budgeting

Clifton Springs Area YMCA's Budgeting Policy

The CEO, CFO and treasurer shall be responsible for developing and presenting to the finance committee a proposed budget for the upcoming fiscal year no less than 60 days prior to the beginning of the new fiscal year. The format used for the proposed annual budget should show how we allocate resources to board and staff designated long-range planning areas.

The CFO shall develop annual budget projections based on previous year's financial information and the Clifton Springs Area YMCA's goals for the future. Input from staff and board will be encouraged and sought out during this process.

The CFO shall develop a draft copy of the projections complete with individual account analysis. This should identify the assumptions used to prepare the projections. The CEO will review the projections and work with the CFO to modify as required. The projections shall be presented to the Board of Directors through the Finance Committee for approval.

The Finance Committee shall review and approve the budget and present it to the board no less than 30 days prior to the beginning of the new fiscal year. The budget shall contain detailed projections for revenues and expenditures for all program, administrative and fundraising areas.

A flexible budget program shall be utilized whereby the annual operating budget is reviewed and modified by the CEO and CFO. The Board of Directors then approves the projections. The projections shall be reviewed at least semi-annually and modified as necessary. The approved budget cannot be materially changed without Board of Directors approval.

Capital Project Planning

Our Y follows best practices in capital development which start with reviewing the *YMCA Capital Development Manual* posted on YMCA Exchange prior to committing to any capital projects, as well as contacting our Y-USA resource director for additional free resources and guidance early in the process. We recognize the importance of early planning in order to support good fiscal stewardship and a targeted and thoughtful approach to meeting community needs now and in the future.

- Roof repair
- replace Heating system in Y building - rezone, replace boiler
- Fire Alarm system in Y building

Return on Investment Analysis

Clifton Springs Area YMCA's ROI Policy

It is vital that most, but not all programs sponsored by Clifton Springs Area YMCA generate net income that can be used to cover overhead expenses and other operating costs for Clifton Springs Area YMCA. Specific goals for each program will be established prior to launch and re-evaluated periodically. Those programs that consistently fail to meet their revenue production targets will be carefully reviewed prior to discontinuation to determine whether other vital outcomes (e.g. client retention) support continuation.

Grants and Contributions

Clifton Springs Area YMCA's Grants and Contributions Policy

Clifton Springs Area YMCA's accounting for contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. Contributions made, including unconditional promises to give, are recognized as expenses in the period made at their fair values. Conditional promises to give, whether received or made, are recognized when they become unconditional (when the conditions are substantially met).

Individual Donations

Clifton Springs Area YMCA's Individual Donor Policy

When Clifton Springs Area YMCA receives donations from individuals it provides to the donor:

- Written acknowledgment for all gifts that includes the amount of the gift or description of non-cash gift.
- A statement that payment was a gift (as opposed to payment for goods or services).
- A statement as to whether anything of value was exchanged (even if nothing was).
- A statement of the deductible and non-deductible portion of the gift, if applicable.

Clifton Springs Area YMCA does not give tax advice. It is the donor's responsibility to obtain that for themselves. Clifton Springs Area YMCA does not furnish donors with valuation information for non-cash items. Clifton Springs Area YMCA will give to donors the [IRS' Publication 1771](#), *Charitable Contributions, Substantiation and Disclosure Requirements*.

In-Kind Contributions and Expenses

Services contributed to Clifton Springs Area YMCA are recognized as revenue and expense if either of the following is true:

- The service creates or enhances non-financial assets, such as property and equipment, or
- The service requires specialized skills, is provided by individuals possessing those skills, and would typically need to be purchased if not obtained by donation.

Clifton Springs Area YMCA tracks general volunteer time but it is not treated as income or expense to the organization unless it meets the above criteria.

Clifton Springs Area YMCA's In-Kind Contribution Policy

Donated Items may be given to Clifton Springs Area YMCA for its use. Examples include:

- Donated space or rent
- Auction or raffle items for fundraising events
- Donated property and equipment
- Low-interest or no-interest financing

Clifton Springs Area YMCA enters the in-kind contribution as both an income item and an expense item. Every effort will be made by to verify the value of the donation from the donor and third parties before it is entered into the accounting system.

Investment Policies

Clifton Springs Area YMCA's Investment Policy

Statement of Philosophy

Clifton Springs Area YMCA's primary investment objective is to preserve and protect its assets by earning a total return for each category of assets (a "fund"), which is appropriate for each fund's time horizon, distribution requirements, and risk tolerance. It is the policy of the board to treat all assets of Clifton Springs Area YMCA in a fiduciary capacity for the sake of accomplishing its mission and purposes. The funds include permanently restricted funds, temporarily restricted funds, unrestricted funds and board-designated reserves. Notwithstanding this policy, all restrictions placed by donors on the interest and investment earnings on donated funds will be honored.

The following investment objectives and directions are to be judged and understood in light of that overall sense of stewardship. In that regard, the basic investment standards shall be those of a prudent investor as articulated in applicable state law.

Supervision and Delegation of Authority for Clifton Springs Area YMCA's Investments

The Board of has adopted these policies and has formed an investment committee, described below, to whom it has delegated authority to supervise investments. The board reserves to itself the exclusive right to amend or revise these policies.

Investment Committee

The investment committee is comprised of the chief financial officer, board members, and non-board members (if so desired), who serve at the pleasure of the board. It shall be the responsibility of the committee to:

1. Supervise the overall implementation of Clifton Springs Area YMCA's investment policies by Clifton Springs Area YMCA's executive staff and outside advisors;
2. Monitor and evaluate the investment performance of Clifton Springs Area YMCA's funds;
3. Report regularly on investment matters to the board;
4. Grant exceptions as permitted in these policies and recommend changes in approved policy, guidelines, and objectives as needed;
5. Examine the portfolio allocations on a quarterly basis for the purpose of evaluating the appropriateness of the allocation given existing market conditions, the economic needs of Clifton Springs Area YMCA, and the size of the funds;
6. Periodically review the distribution policy against actual returns in order to make or request Clifton Springs Area YMCA's outside advisors to make adjustments necessary for the preservation of purchasing power of the funds; and,
7. Execute such other duties as may be delegated by the board.

Whenever these policies assign specific tasks to the committee, the policies assume that the actual work will (or may) be performed by Clifton Springs Area YMCA's chief financial officer or other designated staff members, subject only to the committee's overall supervision.

Investment Consultant, Advisors, and Agents

The committee is specifically authorized to retain one or more investment advisors (advisors) as well as any administrators, custodians, or other investment service providers required for the proper management of Clifton Springs Area YMCA's funds. The committee may utilize an advisor as an investment consultant (consultant) to advise and assist the committee in the discharge of its duties and responsibilities. In that regard, a consultant may help the committee to:

1. Develop and maintain investment policy, asset allocation strategies, risk-based fund objectives, and appropriate investment management structures;
2. Select, monitor, and evaluate investment advisors and/or investment entities;
3. Provide and/or review quarterly performance measurement reports and assist the committee in interpreting the results;
4. Review portfolios and recommend actions, as needed, to maintain proper asset allocations and investment strategies for the objectives of each fund; and,
5. Execute such other duties as may be mutually agreed.

In discharging this authority, the committee can act in the place and stead of the board and may receive reports from, pay compensation to, enter into agreements with, and delegate discretionary investment authority to such advisors. When delegating discretionary investment authority to one or more advisors, the committee will establish and follow appropriate procedures for selecting such advisors and for conveying to each the scope of their authority, the organization's expectations, and the requirement of full compliance with these policies.

Reporting Requirements

1. *Monthly* — The committee will obtain written monthly custodial statements. Such statements should contain all pertinent transaction details for each account that holds all or a portion of any investment funds. Each monthly statement should include:
 - The name and quantity of each security purchased or sold, with the price and transaction date;
 - A description of each security holding as of month-end, including its percentage of the total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income (yield) at market.
 - In addition, if not included in the custodial reports, the consultant and/or the investment advisor(s) should provide a report for each fund or portfolio showing the month-end allocation of assets between equities, fixed-income securities, and cash.The monthly review of custodial statements may be delegated to accounting staff.
2. *Quarterly* — The committee should obtain from its investment consultant and/or investment advisors, a detailed review of Clifton Springs Area YMCA's investment performance for the preceding quarter and for longer trailing periods as appropriate. Such reports should be provided as to each fund and as to investment assets in the aggregate. As to each fund, the committee should establish with its investment consultant and/or investment advisors the specific criteria for monitoring each fund's

performance including the index or blend of indices that are appropriate for the objectives of each fund and for the investment style or asset class of each portfolio within a fund. The committee shall meet with the consultant to conduct such reviews to the extent it deems necessary.

3. *Periodically* — The committee should meet with its investment consultant at least annually to review all aspects of Clifton Springs Area YMCA’s investment assets. Such a review should include
 - strategic asset allocation,
 - manager and investment entity performance,
 - anticipated additions to or withdrawals from funds,
 - future investment strategies, and
 - any other matters of interest to the committee.

Custody and Securities Brokerage

The committee will establish such custodial and brokerage relationships as are necessary for the efficient management of Clifton Springs Area YMCA’s funds. Whenever the committee has not designated a brokerage relationship, then investment advisors may execute transactions wherever they can obtain best price and execution.

Cash Flow Requirements

Clifton Springs Area YMCA will be responsible for advising the consultant and each advisor in a timely manner of Clifton Springs Area YMCA’s cash distribution requirements from any managed portfolio or fund. Each advisor is responsible for providing adequate liquidity to meet such distribution requirements.

Proxy Voting

Subject to any specific instructions received from Clifton Springs Area YMCA, each advisor shall vote proxies according to their firm’s established procedures and shall provide a copy of such procedures to the committee upon request.

Asset Allocations

Actual asset allocations for each fund will be established and maintained by Clifton Springs Area YMCA on the advice of its consultant and/or advisors, within the ranges provided in the following table:

Investment Fund	Asset Class		
	Equities	Fixed-Income	Cash and Cash Equivalents
Operating Reserves	0%	0-50%	50-100%
Reserves	30-60%	35-75%	5-35%
Charitable Trusts	30-60%	35-75%	5-35%
Endowments	50-80%	15-50%	5-20%

Fund Categories, Objectives and Authority

Temporarily Restricted Funds

Description. These funds are restricted in time or purpose. They include donated funds that are restricted to program use or over time, and are expected to be used for operating expenses. They also include funds pledged as collateral to third parties.

Investment Objective. Preservation of principal for designated uses, and maximization of earnings in a way that allows for immediate liquidity to meet ongoing operations and spending requirements.

Authority. Within the parameters of this investment policy, the chief executive and chief financial officer have authority to invest the funds, and to spend principal and interest to meet grant requirements and operational needs of Clifton Springs Area YMCA.

Unrestricted Short-Term Operating Funds

Description. These funds are not restricted in their use. They include cash, surplus from current operations, unexpended portions of unrestricted grants, and other unrestricted funds received.

Investment Objective. Preservation of principal to cover operating expenses, and maximization of earnings in a way that allows for immediate liquidity to meet ongoing operational requirements.

Authority. Within the parameters of this investment policy, the chief executive and chief financial officer have authority to invest the funds, and to spend principal and interest to meet the operational needs of Clifton Springs Area YMCA.

Board-Designated Reserves

Description. These funds have been designated by the board to be held in reserve to support future years' operations, provide a resource for unexpected downturns, and provide a source of investment in the business. They may include accumulations from past years' annual results of operations, investment income, and other funds designated by the board.

Investment Objective. Preservation of real purchasing power of principal and maximization of investment income.

Authority. The finance and investment committee shall establish the appropriate ranges and types of investment for these funds, with prior approval of the board, and shall review investment performance of these funds on a quarterly basis in accordance with this policy. Within the parameters of this investment policy and with the advice of the finance and investment committee, the chief executive and chief financial officer shall have the authority to invest the funds.

Endowment Funds

Description. Endowed funds are those that have been given in perpetuity, through which the principal of the fund remains intact and the income is paid out.

Investment Objective. Preservation of principal to allow distribution of income for designated uses.

Authority. These funds shall be overseen by the investment committee, invested on a long-term basis in accordance with the investment policy. **Spending withdrawals will be made in accordance with the spending policy.**

Authorized Investments

Asset Quality

1. *Common stocks* — The advisor may invest in any unrestricted, publicly traded common stock that is listed on a major exchange or a national, over-the-counter market, and that is appropriate for the portfolio objectives, asset class, and/or investment style of the fund that is to hold such shares.
2. *Convertible preferred stock and convertible bonds* — The advisor may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stock and convertible bonds must be BBB or better, as rated by Standard & Poor's; or BAA or better, as rated by Moody's. The common stock into which both may be converted must satisfy the standard of Section 1, above.
3. *Fixed-income securities* — The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations with maturities of ___ (e.g., seven) years or less. The advisor may not utilize derivatives without the prior permission of the committee.
4. *Short-term reserves* — The quality rating of commercial paper must be A+1, as rated

by Standard & Poor's; P+1, as rated by Moody's; or better. The assets of any money market mutual funds must comply with the quality provisions for fixed-income securities or short-term reserves.

5. *Other securities* — The advisor may invest in real estate investment securities (REITs), international securities traded in the United States directly or as depositary shares, international securities traded on recognized foreign exchanges, and any other publicly traded investments that the committee determines to be appropriate.

Prohibitions

Types of investments not specifically authorized by the board and included above are forbidden.

Asset Diversification

The advisor will maintain reasonable diversification at all times. The equity securities of any one company should not exceed ___ percent of the portfolio at the time of purchase and the combined debt and equity securities should not exceed ___ percent of the portfolio at any time. The advisor shall also maintain reasonable sector allocations. In that regard, the maximum allocation to any one economic sector shall be ___ percent of the sector's weighting, as defined in the published index used for measuring the portfolio's performance (e.g., S&P500, Russell 1000, etc.). These restrictions do not apply to U.S. government securities.

Chief Financial Officer Responsibilities **(describe as applicable)**

The chief financial officer will maintain the permissible ranges of investment for each asset class.

At least quarterly, the holdings of the asset classes shall be rebalanced or reallocated, if necessary. A portfolio valuation allowance of up to ___ percent is authorized prior to rebalancing.

The chief financial officer, in consultation with Clifton Springs Area YMCA's advisor, if utilized, will review the organization's portfolio performance in comparison with appropriate economic benchmark data on a quarterly basis and establish targeted rates of return for the following quarter.

The chief financial officer will provide the finance and investment committee with a quarterly statement containing the following investment performance information: The name and quantity of the securities purchased and sold, with the price and transaction date.

An analysis for each security including its description, percentage of total portfolio, quantity, market value, unrealized gain or loss, and annual income and yield.

An analysis for the entire portfolio of the current asset allocation by asset class (equity and fixed income funds)

Quarterly, the chief financial officer will provide the finance and/or investment committee with information about

1. asset allocation,
2. investment performance,
3. future investment strategies, and
4. any other matters of interest to the committee.

Additionally, an annual report will be provided to the finance and investment committee and to the board summarizing the previous year's transactions and overall investment performance as compared to appropriate indices.

FUNCTIONAL ACCOUNTING

Cost Allocation

Clifton Springs Area YMCA's Cost Allocation Policy

The purpose of this policy is to place in writing the methods Clifton Springs Area YMCA uses to allocate expenses to primary functional activities of program(s), administration (also known as "Management and General"), and fundraising.

Allocation Methodology

Clifton Springs Area YMCA uses one or more allocation methodologies that have been approved by the executive director. They are deemed to be reasonable and will be consistently followed by Clifton Springs Area YMCA.

Personnel

Each of Clifton Springs Area YMCA's employee's payroll cost is allocated according to that employee's percentage of effort and time spent. Payroll taxes and benefits are allocated across cost centers in aggregate, as a % burden on payroll, rather than by individual. Details of employee compensation rates are kept confidential.

Activity-Specific Expenses

Activity-specific expenses are specifically associated with one or more cost centers (program areas, administration or fundraising) and are posted accordingly.

Shared Operating Expenses

Shared operating expenses are shared costs of all cost centers (for example, Occupancy), and are partially program, and / or partially administration and / or fundraising. Each shared operating expense is spread across the cost centers according to Clifton Springs Area YMCA's allocation methodology.

FINANCIAL REPORTS

Financial Statements and Financial Reporting

Policy re. preparation of financial statements.

Classifying Net Assets

Clifton Springs Area YMCA's Net Asset Classification Policy

Clifton Springs Area YMCA shall classify its assets based on the existence or absence of donor-imposed restrictions as either unrestricted, temporarily restricted or permanently restricted.

Contributions to be used for activities in a future time period, or unconditional promises to give funds that won't be received until a future time period, are always considered restricted until received.

Balances in board-designated funds will be included as unrestricted net assets as Clifton Springs Area YMCA's board of directors can undesignate the funds at any time.

The Audit Process

Clifton Springs Area YMCA's Audit Policy

Clifton Springs Area YMCA engages the services of an independent CPA firm to conduct an audit of its financial statements whenever conducting an audit is required by a funding or regulatory agency. Otherwise it is the policy of the organization to evaluate on an annual basis whether an independent financial statement audit is feasible.

IRS and the Form 990

Clifton Springs Area YMCA's Expense Reimbursement Policy

Clifton Springs Area YMCA recognizes that board members, officers, and employees ("personnel") of Clifton Springs Area YMCA may be required to travel or incur other expenses from time to time to conduct business and to further the mission of this non-profit organization. The purpose of this policy is to ensure that (a) adequate cost controls are in place, (b) travel and other expenditures are appropriate, and (c) to provide a uniform and consistent approach for the timely reimbursement of authorized expenses incurred by personnel. It is the policy of to reimburse only reasonable and necessary

expenses actually incurred by personnel.

When incurring business expenses, Clifton Springs Area YMCA expects personnel to:

- Exercise discretion and good business judgment with respect to those expenses.
- Be cost conscious and spend Clifton Springs Area YMCA's money as carefully and judiciously as the individual would spend his or her own funds.
- Report expenses, supported by required documentation, as they were actually spent.

Expenses will not be reimbursed unless the individual requesting reimbursement submits a written expense report. The expense report, which shall be submitted at least monthly or within two weeks of the completion of travel if travel expense reimbursement is requested, must include:

- The individual's name.
- If reimbursement for travel is requested, the date, origin, destination and purpose of the trip, including a description of each Clifton Springs Area YMCA-related activity during the trip.
- The name and affiliation of all people for whom expenses are claimed (i.e., people on whom money is spent in order to conduct Clifton Springs Area YMCA's business).
- An itemized list of all expenses for which reimbursement is requested.

Receipts are required for all expenditures billed directly to Clifton Springs Area YMCA, such as airfare and hotel charges. No expense will be reimbursed to personnel unless the individual requesting reimbursement submits with the expense report written receipts from each vendor (not a credit card receipt or statement) showing the vendor's name, a description of the services provided (if not otherwise obvious), the date, and the total expenses, including tips (if applicable).

General Travel Requirements

All trips involving air travel or at least one overnight stay must be approved in advance by the individual's supervisor. In determining the reasonableness and necessity of travel expenses, personnel and the person authorizing the travel shall consider the ways in which Clifton Springs Area YMCA will benefit from the travel and weigh those benefits against the anticipated costs of the travel. The same considerations shall be taken into account in deciding whether a particular individual's presence on a trip is necessary. In determining whether the benefits to Clifton Springs Area YMCA outweigh the costs, less expensive alternatives, such as participation by telephone or video conferencing, or the availability of local programs or training opportunities, shall be considered.

Personal and Spousal Travel Expenses

Individuals traveling on behalf of Clifton Springs Area YMCA may incorporate personal travel or business with their Clifton Springs Area YMCA-related trips; however, personnel shall not arrange travel at a time that is less advantageous to Clifton Springs Area YMCA or involving greater expense to Clifton Springs Area YMCA in order to accommodate personal travel plans. Any additional expenses incurred as a result of personal travel, including but not

limited to extra hotel nights, additional stopovers, meals or transportation, are the sole responsibility of the individual and will not be reimbursed by Clifton Springs Area YMCA. Expenses associated with travel of an individual's spouse, family, or friends will not be reimbursed by Clifton Springs Area YMCA.

Air Travel

Air travel reservations should be made as far in advance as possible in order to take advantage of reduced fares.

Saturday Stays

Personnel traveling on behalf of Clifton Springs Area YMCA are not required to stay over Saturday nights in order to obtain a lower-priced airline ticket. An individual who chooses to stay over a Saturday night shall be reimbursed for reasonable lodging and meal expenses incurred over the weekend to the extent the expenses incurred do not exceed the difference between the price of the Saturday night stay ticket and the price of the lowest price available ticket that would not include a Saturday night stay.

Frequent Flyer Miles

Individuals may not deliberately patronize a single airline to accumulate frequent flyer miles if materially less expensive comparable convenient tickets are available on another airline.

Lodging

Personnel traveling on behalf of Clifton Springs Area YMCA may be reimbursed at the single room rate for the reasonable cost of hotel accommodations. Convenience, the cost of staying in the city in which the hotel is located, and proximity to other venues on the individual's itinerary shall be considered in determining reasonableness. Personnel shall make use of available corporate and discount rates for hotels.

Out-Of-Town Meals

Personnel traveling on behalf of Clifton Springs Area YMCA are reimbursed for the reasonable and actual cost of meals (including tips) subject to a maximum per diem meal allowance as established by relating to the per diem meal allowance.

Ground Transportation

Employees are expected to use economical ground transportation appropriate under the circumstances.

Personal Cars

Personnel are compensated for use of their personal cars when used for Clifton Springs Area YMCA's business. When individuals use their personal car for such travel, including travel to and from the airport, mileage will be allowed at the currently approved IRS rate per mile **for non-profits**. In the case of individuals using their personal cars to take a trip

that would normally be made by air, mileage will be allowed at the currently approved rate; however, the total mileage reimbursement will not exceed the sum of the lowest available round trip coach airfare.

Parking/Tolls

Parking and toll expenses, including charges for hotel parking, incurred by personnel traveling on business will be reimbursed. The costs of parking tickets, fines, car washes, valet service, etc., are the responsibility of the employee and will not be reimbursed. On-airport parking is permitted for short business trips. For extended trips, personnel should use off-airport facilities.

Entertainment and Business Meetings

Reasonable expenses incurred for business meetings or other types of business-related entertainment will be reimbursed only if the expenditures are approved in advance by the CEO and qualify as tax deductible expenses. Detailed documentation for any such expense must be provided, including:

- Date and place of entertainment
- Nature of expense
- Names, titles, and affiliation of those entertained
- A complete description of the business purpose for the activity including the specific business matter discussed
- Vendor receipts (not credit card receipts or statements) showing the vendor's name, a description of the services provided, the date, and the total expenses, including tips (if applicable).

Other Expenses

Reasonable Clifton Springs Area YMCA-related telephone and fax charges due to absence of personnel from the individual's place of business are reimbursable. In addition, reasonable and necessary gratuities that are not covered under meals may be reimbursed. Finally, emergency secretarial work and/or postal charges incurred are reimbursable for the purpose of work on behalf of Clifton Springs Area YMCA.

Non-Reimbursable Expenditures

Clifton Springs Area YMCA maintains a strict policy that expenses in any category that could be perceived as lavish or excessive will not be reimbursed, as such expenses are inappropriate for reimbursement by a nonprofit, charitable organization. Expenses that are not reimbursable* include, but are not limited to:

- First class tickets or upgrades.
- When lodging accommodations have been arranged by Clifton Springs Area YMCA and the individual elects to stay elsewhere, reimbursement is made at the amount no higher than the rate negotiated by Clifton Springs Area YMCA. Reimbursement shall not be made for transportation between the alternate lodging and the meeting site.
- Limousine travel.

- Movies, liquor or bar costs.
- Membership dues at any country club, private club, athletic club, golf club, tennis club or similar recreational organization.
- Spa or fitness center charges.
- Clothing purchases.
- Business conferences and entertainment which are not approved by the CEO.
- Valet service.
- Car washes.
- Toiletry articles.
- Expenses for spouses, friends or relatives. If a spouse, friend, or relative accompanies personnel on a trip, it is the responsibility of the personnel to determine any added cost for double occupancy and related expenses and to make the appropriate adjustment in the reimbursement request.
- Overnight retreats without the prior approval of the CEO.

* Clifton Springs Area YMCA offers this list of non-reimbursable expenses by way of example only and in no way means to imply that categories of expenses not included on this list should automatically be eligible for reimbursement.

Clifton Springs Area YMCA's Nonstandard Gift Acceptance Policy

Purpose of the Guidelines

- To protect the interests of the donor, Clifton Springs Area YMCA, or causes named as the beneficiary of a gift.
- To make certain all gifts to Clifton Springs Area YMCA are structured to provide maximum benefits to the donor and the named entity.
- To encourage interested donors to make gifts without encumbering their own or Clifton Springs Area YMCA's financial or other resources.
- To optimize opportunities to secure gifts from individuals to causes without compromising or endangering the reputation of Clifton Springs Area YMCA.

General Guidelines

1. No gifts will be accepted that cannot be used or expended consistent with the purpose and mission of Clifton Springs Area YMCA.
2. No irrevocable gift, whether outright or life-income in character, will be accepted if under any reasonable set of circumstances the gift would jeopardize the donor's financial security.
3. Any gift presented to Clifton Springs Area YMCA without the approval of a charity representative shall not be received until after it is determined that the intended gift and the manner in which it is given is in the best interest of the donor.
4. Key executives of Clifton Springs Area YMCA shall be apprised of any potential gift or bequest to Clifton Springs Area YMCA. Each case shall be reviewed on a regular basis by the planned giving staff with key executives to ensure proper action, accounting, and acknowledgment surrounding each gift.
5. Donors should always be advised of their own need for legal counsel to assist them in the process of making their gift. Clifton Springs Area YMCA's staff shall avoid becoming involved in what can be interpreted as unauthorized practice of law; any

suggestions made to a donor by Clifton Springs Area YMCA's staff should be accompanied by encouragement to seek advice from the donor's personal counsel and/or financial advisors.

6. Every precaution shall be taken by Clifton Springs Area YMCA staff to protect the privacy and confidentiality of each donor and the donor's family. Permission must be obtained before any public acknowledgment is made of gifts received by Clifton Springs Area YMCA. The right of anonymity must always be respected.
7. Clifton Springs Area YMCA's staff shall attempt to have key executives meet with each individual donor prior to or concurrent with the execution of a gift agreement. In the case of charitable remainder trusts or other complex arrangements, such a meeting is mandatory. All complex arrangements must be reviewed by Clifton Springs Area YMCA's counsel.
8. In all cases, any professional advisors such as attorneys or CPA's hired by Clifton Springs Area YMCA must recognize their client is Clifton Springs Area YMCA, and that they do not represent the donor. Professional advisors for Clifton Springs Area YMCA will always seek to work with the advisors for the donor.
9. Gifts shall not be accepted where the mental competency of the donor is in question.
10. However this does not preclude a person acting in the capacity of attorney-in-fact from making a gift from the estate of the individual granting the power of attorney. In this event every consideration shall be given to the donor's charitable giving habits and financial condition to ensure that the gift is in the best interest of the donor and is carried out in a prudent manner. The donor's power of attorney must specifically grant the power to make charitable gifts.
11. Clifton Springs Area YMCA will provide gifts receipts meeting IRS substantiation requirements for property received by as a gift. However, except for gifts of cash and publicly traded securities, no value shall be ascribed to any receipt or other form of substantiation of a gift received by Clifton Springs Area YMCA.
12. Investment considerations and gift considerations are in all cases to be evaluated separately, each on their respective merits. In no event shall the offer of a gift be tied in any way to an investment action or decision by Clifton Springs Area YMCA.
13. Clifton Springs Area YMCA shall in no way compensate, whether through commissions, finders' fees, or other means, any third party for directing a donor to Clifton Springs Area YMCA.
14. All written instruments setting out the description and terms of a gift shall be reviewed by legal counsel on behalf of Clifton Springs Area YMCA and a written report made to the executive director on its compliance with applicable laws and regulations as well as an explanation of its potential liability to Clifton Springs Area YMCA.

Types of Gifts

- Both current gifts and deferred gifts shall be actively encouraged. Response to each type of gift should be prompt without regard to the monetary value or timing of the individual gift. The decision to accept or reject any gift, whether current or deferred, shall be weighed on the merits of the individual gift, always regarding the donor's intent and financial condition as well as the benefit to Clifton Springs Area YMCA's

causes.

- Any gift subject to a restriction shall be accepted, only after review by Clifton Springs Area YMCA's counsel and/or the board of directors. Every effort shall be made to ensure the restrictions on the gift do not negate any potential benefit to the intended cause. Also the restrictions should not encumber Clifton Springs Area YMCA's staff with excessive additional responsibilities as to make the gift inadvisable.
- Clifton Springs Area YMCA should not be engaged in the execution of notarial wills. Clifton Springs Area YMCA may, however, provide gift clauses for inclusion in wills by donors and/or their personal counsel.
- Gifts of real estate are acceptable only after the following criteria are met:
 1. A personal inspection is conducted by an appropriate Clifton Springs Area YMCA staff member.
 2. Determination is made that the property has not been utilized in a manner that would cause embarrassment to Clifton Springs Area YMCA.
 3. An appraisal satisfactory to the IRS gift substantiation requirements has been completed and Clifton Springs Area YMCA and donor have reached an understanding as to the valuation of the property.
 4. Debt, insurance, homeowners' association fees, property taxes, and other carrying costs have been assessed as to the effect on the advisability of taking the gift.
 5. Appropriate steps have been taken to determine if any other liabilities might attach to the property such as leases, contracts, or servitudes.
 6. All pertinent information regarding the property is supplied by the donor. This would include names of owners and co-owners (and percentage ownership), recent tax statements, address and/or legal description, and description of current use.
 7. Donor must convey all his/her undivided interest in the real estate including any mineral interests. The IRS will not consider a gift of partial interest and would disqualify such a gift from income and estate tax deductions.
 8. Clifton Springs Area YMCA may recover any costs of managing real estate by charging a fee that is determined by the schedule set by the board of directors.
 9. The donor must be willing to bear the costs associated with the gift of real estate, such as legal fees, real estate commissions, management fees, and appraisals, or have these costs deducted from the sale of the property.
 10. The board of directors must approve any exception.
- Gifts of real estate are ordinarily acceptable only after it has been determined that no reasonable possibility exists that the property could be contaminated by toxic waste. An initial personal inspection shall be made by an appropriate staff member. This inspection shall include both a physical inspection and an investigation of the recent ownership history of the property. If, after inspection, it is determined that there is a substantial likelihood that the property has been environmentally impacted, the property may not be accepted. If, after inspection, it is determined that a reasonable possibility exists that the property has been environmentally impacted, an inspection must be made by a licensed environmental consultant, who must certify, within the context of a Phase 1 Site Assessment, that no contamination exists before the property

may be accepted. The inspection should be performed in general conformance with the scope of ASTM Practice E1527. The expense of inspection must be borne by the donor unless an exception is approved by the board of directors.

- Gift annuity contracts are to be entered into by upon approval of the executive director.
- In no event shall a gift annuity contract be agreed to which pays an income at a rate in excess of an actuarially prudent rate of return. Clifton Springs Area YMCA will invest the gift in a manner that will attempt to protect the integrity of the principle amount given. Gift annuities will not be funded with real estate or other illiquid assets. Donors must be reminded in correspondence or conversation with them and their advisors that a qualified charitable gift annuity is not insurance under the laws of their State.
- Gifts of life insurance shall be accepted after examination of funding of the policy and the gift substantiation requirements. Clifton Springs Area YMCA staff members shall avoid even the appearance of giving an endorsement, either implied or direct, to any life insurance product, company, or agent.
- Where a personal residence is the subject of a gift, it will not be accepted without the approval of the board of directors if the right to utilize the residence is vested in a person other than the donor. Gifts of personal residences will be subject to Clifton Springs Area YMCA's real estate policies and environmental assessment procedures.
- Gifts of oil and gas rights may be received absent extenuating circumstances such as extended liabilities or other conditions making receipt of the gift inadvisable. In that regard, each potential oil and gas gift shall be examined by a professional advisor with experience in mineral leases for such extenuating circumstances which would argue against receipt of the gift. Working interests in oil and gas, which entail special problems regarding taxation either to generally or to individual trusts which receive the gifts, and may also entail extended liabilities for personal, property and environmental damage should not be considered.

Clifton Springs Area YMCA's Policy of How the Board of Directors Will Review the Form 990 Prior to Submission to the IRS

Clifton Springs Area YMCA's board of directors will be mailed a hard copy or an electronic copy of Clifton Springs Area YMCA's Form 990 before submission to the Internal Revenue Service.

If not able to meet in person, Clifton Springs Area YMCA 's board of directors will meet by conference call to review, discuss and approve submission of Clifton Springs Area YMCA's form 990.

Clifton Springs Area YMCA's Compensation Policy

In compliance with Internal Revenue Service guidelines for approval of senior management compensation, the board of directors of will follow the following review and approval guidelines. Individuals subject to this policy (defined as "covered individuals") include:

- *Chief Employed Executives:* The individual or individuals who have the ultimate responsibility for implementing the decisions of Clifton Springs Area YMCA's governing body or for supervising the management, administration, or operations of

Clifton Springs Area YMCA, including Clifton Springs Area YMCA's top management official and top financial official. If this ultimate responsibility resides with two or more individuals who may exercise such responsibility in concert or individually, then each individual should be included.

- *Officers*: A person elected or appointed to manage Clifton Springs Area YMCA's daily operations, such as a president, vice president, secretary, or treasurer. The officers of an organization are determined by reference to its organizing document, bylaws, and include, at a minimum, those officers required by applicable state law.
- *Key Employees*: Individuals who are not a chief employed executive or an officer of Clifton Springs Area YMCA, but who meet all of the following criteria:
 - **\$150,000 Threshold**. The individual receives reportable compensation* from Clifton Springs Area YMCA and all related organizations** in excess of \$150,000 for the calendar year ending with or within Clifton Springs Area YMCA's tax year
 - **Responsibility Criteria**. The individual:
 - has responsibilities, power or influence over Clifton Springs Area YMCA as a whole that is similar to those of officers, directors, or trustees
 - manages a discrete segment or activity of Clifton Springs Area YMCA that represents 10% or more of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole
 - has or shares authority to control or determine 10% or more of Clifton Springs Area YMCA's capital expenditures, operating budget, or compensation for employees.
 - **Top 20 Limitation**. In addition to meeting the \$150,000 Threshold and the Responsibility Criteria, the individual is one of the top 20 most highly compensated employees (including all income from and related organizations) for the calendar year ending with or within Clifton Springs Area YMCA's calendar year.

Procedure for Approving Compensation

In reviewing and approving the compensation of any covered Individuals, the Board of Directors, or a delegated committee of the board (referred to as the "Approval Body" below), will utilize the following process:

- *Impartial Decision Makers*. The compensation arrangement must be approved in advance (before any payment is made) by the Approval Body of Clifton Springs Area YMCA composed entirely of individuals who do not have a conflict of interest with respect to the compensation arrangement (example: neither the executive whose compensation is being determined nor any of his/her family members may be present during the discussion/debate or participate in the vote).
- *Comparability Data*. When the Approval Body is considering compensation to covered individuals, it must rely on comparability data that demonstrate the fair market value of the compensation in question. For example, when crafting compensation packages, the approval body must secure data that documents compensation levels for similarly qualified individuals in like positions at like organizations. This data may include the following:

- expert compensation studies by independent firms
- written job offers for positions at similar organizations
- documented telephone calls about similar positions at both nonprofit and for-profit organizations
- information obtained from the IRS Form 990 filings of similar organizations.
- *Concurrent Documentation*. The approval body must document how it reached its decisions, including the data on which it relied. To qualify as concurrent documentation, written, or electronic records of the approval body (such as meeting minutes) must note:
 - the terms of the compensation and the date it was approved
 - the members of the approval body who were present during the debate on the compensation that was approved and those who voted on it
 - the comparability data obtained and relied upon and how the data were obtained
 - any actions taken with respect to consideration of the compensation by anyone who is otherwise a member of the approval body but who had a conflict of interest with respect to the decision on the compensation.

* Compensation that is reported on Form W-2, Box 5, or in Box 1 if the employee's compensation is not reported in Box 5, or Form 1099-MISC, Box 7, filed for the calendar year ending with or within the organization's tax year.

** An organization that stands in one or more of the following relationships to the filing organization: (1) Parent – an organization that controls the filing organization; (2) Subsidiary – an organization controlled by the filing organization; (3) Supporting/Supported – an organization that is (or claims to be) at any time during the organization's tax year (i) a supporting organization of the filing organization within the meaning of Section 509(a)(3), if the filing organization is a supported organization within the meaning of Section 509(f)(3), or (ii) a supported organization, if the filing organization is a supporting organization.