APPA FINANCIAL POLICIES

I. PURPOSE

This Financial Policies document establishes the framework for financial management and fiscal responsibility at APPA. These policies ensure:

- Sound stewardship of the Association's financial resources
- Compliance with legal and regulatory requirements
- Transparency and accountability in financial operations
- Efficient use of resources aligned with strategic priorities
- Protection of assets and mitigation of financial risks

These policies support APPA's mission by establishing clear financial management standards while providing the operational flexibility necessary for effective leadership.

Policy Governance

These policies are established and maintained by the Board of Directors, with oversight by the Finance Committee. The CEO has authority to interpret and administer these policies in day-to-day operations.

These policies work in conjunction with other Board-approved financial documents, including the Investment Policy, Gift Acceptance Policy, and annual operating budget.

Policy Review

This policy shall be reviewed annually by the Finance Committee, with substantive changes requiring Board approval. Administrative updates may be made by the CEO in consultation with the Finance Committee.

II. AUTHORITY AND ADMINISTRATION

Board of Directors

The Board of Directors has ultimate fiduciary responsibility for the Association's financial affairs, including:

- Approving the annual operating budget
- Reviewing and approving audited financial statements
- Establishing and maintaining financial policies
- Overseeing investment policies and performance
- Approving major capital expenditures over $500k and real estate transactions
- Approving dues structures for all membership categories
- Exercising fiduciary duties of care, loyalty, and obedience

Finance Committee

The Finance Committee, as established in the APPA Bylaws, shall:

- Review and recommend the annual budget to the Board
- Monitor financial performance against budget throughout the year
- Review monthly and quarterly financial statements
- Oversee the annual audit process and review audit results
- Review and recommend updates to financial policies
- Monitor compliance with investment policy and review investment performance
- Provide guidance on significant financial matters
- Conduct annual review of this Financial Policies document

Chief Executive Officer and Staff

The CEO has operational authority for day-to-day financial management, including:

- Developing and proposing the annual budget to the Board
- Managing organizational operations within the approved budget
- Executing financial transactions in accordance with these policies
- Exercising signature authority for expenditures within approved budget
- Overseeing accounting systems and internal controls
- Ensuring timely and accurate financial reporting
- Managing cash flow and working capital
- Implementing approved financial policies and procedures
- Interpreting policy provisions in consultation with the Board when needed

The CEO may delegate specific financial responsibilities to the COO and other staff members as appropriate.

III. BUDGET DEVELOPMENT AND APPROVAL

Annual Budget Process

The Association operates on a calendar year fiscal year (January 1 - December 31). The budget development process shall proceed as follows:

- CEO develops draft budget in consultation with senior staff (typically September-October)
- Finance Committee reviews and provides recommendations (typically November)
- Board of Directors reviews and approves final budget (typically December meeting)
- Approved budget takes effect January 1

Budget Components

The annual budget shall include:

- Operating revenues by source (membership dues, conference registrations, sponsorships, program fees, publications, etc.)
- Operating expenses by category and program
- Capital expenditures

- Cash flow projections
- Strategic assumptions and priorities driving budget decisions

Budget Modifications

Budget Increases Requiring Board Approval

The following budget changes require Board approval:

- Increases to total operating budget
- New capital expenditures not included in approved budget
- Use of operating reserves beyond planned allocations
- Budget modifications that materially change strategic priorities

Budget Monitoring and Reporting

Financial performance shall be monitored regularly:

- Monthly financial statements comparing actual to budget provided to Finance Committee
- Quarterly financial summary provided to full Board
- Significant variances from budget explained in writing
- Mid-year forecast provided to Board (typically June)
- Other reports as requested by the Finance Committee

IV. SIGNATURE AUTHORITY AND CHECK SIGNING

CEO Signature Authority

The CEO has signature authority for all expenditures and business transactions within the approved annual operating budget. This authority includes:

- Operating expenses consistent with approved budget
- Vendor contracts and service agreements
- Employment agreements and compensation within approved budget
- Routine banking transactions
- Grant applications and agreements
- Program expenditures authorized in the budget

Board Approval Required

The following transactions require Board of Directors approval regardless of amount:

- Expenditures exceeding the approved total operating budget
- Real estate transactions (purchase, sale, or lease of property)
- Borrowing or incurring debt
- Multi-year contracts or commitments where the total obligation exceeds the current year's approved budget allocation for that purpose
- Material changes to benefit plans or compensation structures not included in approved budget

Authorized Signers

Banking relationships and payment authorization:

- CEO is authorized as primary signer for checks and electronic payments
- COO is authorized as secondary signer when delegated by CEO
- Board Chair is authorized as backup signer for emergency situations
- Authorized signers are documented with all financial institutions
- Electronic payment systems require appropriate security controls and approval workflows

V. EXPENSE REIMBURSEMENT

General Principles

The Association reimburses reasonable and necessary business expenses incurred by employees, Board members, and volunteers in conducting Association business. All reimbursements must:

- Be directly related to Association business
- Be supported by appropriate documentation
- Comply with IRS requirements for accountable plans
- Be submitted in a timely manner

Detailed Policies

Specific expense reimbursement procedures, rates, documentation requirements, and approval processes are established in:

- **APPA Staff Travel and Business Expense Policy** (for employees)
- **APPA Non-Staff Travel and Business Expense Policy** (for Board members, volunteers, and other non-staff)

These policies are maintained separately to allow for operational updates without requiring Board approval of this Financial Policies document. The CEO has authority to approve administrative updates to the detailed travel and expense policies.

VI. INTERNAL CONTROLS

General Principles

The Association maintains internal controls to protect assets, ensure accuracy of financial records, promote operational efficiency, and encourage adherence to policies. These controls are designed to provide reasonable assurance while recognizing practical limitations based on organizational size.

Segregation of Duties

To the extent practical given organizational size, different individuals should be responsible for:

- Transaction authorization

- Transaction execution
- Transaction recording
- Reconciliation and review

When complete segregation is not feasible, compensating controls such as management review and oversight shall be implemented.

Check and Payment Controls

- All checks and electronic payments have at least two staff members involved. One that enters the bill and other that processes it. Payments more than $20,000 require additional approvals as documented below
- Checks and electronic payments are subject to defined approval thresholds. Payments more than $20,000 require two authorized approvals, while payments more than $100,000 require three authorized approvals, in accordance with established authorization controls. Wire transfers require CEO approval and secondary verification by COO or designated staff
- All payments require supporting documentation (invoices, receipts, contracts, etc.)
- Payment authorization is separate from check signing when feasible

Corporate Credit Card Controls

Corporate credit cards may be issued to authorized personnel for Association business expenses. Controls include:

- Cards issued only to personnel with regular business expense needs
- Clear policies on authorized and unauthorized uses
- Corporate credit card limits are established by the CEO in accordance with internal control requirements.
- Monthly reconciliation of charges
- Prompt submission of receipts and business purpose documentation
- Immediate card cancellation upon termination of employment or authorization

Cash Handling Policy

The Association does not conduct cash transactions in its normal course of business. All payments and receipts should be made through electronic means, checks, or credit cards.

In extenuating circumstances or emergencies where cash handling is unavoidable, the following controls must be implemented:

- CEO or COO approval required in advance
- Cash receipts documented with numbered receipts or other documentation
- Dual custody when practical
- Secure storage until deposit or disbursement
- Immediate deposit (next business day) for cash receipts
- Full documentation of business purpose and reconciliation

Bank Reconciliation

- Bank accounts reconciled monthly
- Reconciliations reviewed by individual other than check signer when feasible
- Discrepancies investigated and resolved promptly by CEO or COO or Board Chair

Access Controls

- Accounting system access limited to authorized personnel
- Passwords changed regularly and kept confidential
- Access levels appropriate to job responsibilities
- Regular review of user access rights

VII. PAYROLL AND TAX COMPLIANCE

Payroll

The Association shall process payroll through an approved payroll management system to ensure accurate, timely, and compliant payment of employee compensation. All payroll changes, including new hires, pay rate adjustments, bonuses, and stipends, must be properly authorized in advance. Segregation of duties shall be maintained, to the extent practicable, between payroll data entry, payroll approval, and payroll disbursement.

Taxes

The Association shall comply with all applicable federal, state, and local tax laws and filing requirements. Payroll tax filings and information returns, including but not limited to Forms W-2 and 1099, shall be prepared and submitted in a timely manner. Tax filings shall be reviewed prior to submission to ensure accuracy and compliance. Appropriate payroll and tax records shall be retained in accordance with the Association's record retention policy.

VIII. PROCUREMENT, CONTRACTING, AND ASSET MANAGEMENT

Procurement Principles

The Association seeks to obtain quality goods and services at competitive prices while maintaining fiscal responsibility and avoiding conflicts of interest. Procurement decisions should consider:

- Value and total cost of ownership
- Quality and reliability
- Vendor reputation and references
- Alignment with organizational needs and values

Contracting Authority

The CEO or COO has authority to execute contracts within the approved budget. Contracts requiring Board approval are specified in Section IV of this policy.

Detailed procurement procedures, approval thresholds, competitive bidding requirements, and vendor management processes are maintained in operational procedures documents.

Accounts Receivable

The Association maintains policies and procedures to:

- Issue invoices promptly and accurately
- Monitor outstanding receivables
- Follow up on delinquent accounts in a timely manner
- Write off uncollectible accounts when appropriate

Accounts Payable

The Association maintains policies and procedures to:

- Pay vendors and suppliers in a timely manner
- Take advantage of available discounts
- Verify accuracy of invoices before payment
- Maintain appropriate documentation for all payments

Capital Assets

Capital assets (generally items with individual cost exceeding $5,000 and useful life exceeding one year) shall be:

- Recorded and tracked in the accounting system
- Depreciated in accordance with generally accepted accounting principles
- Maintained through appropriate preventive and corrective measures
- Disposed of properly when no longer useful, with Board approval for significant (as defined earlier in the document for value) disposals

Inventory Management

Inventory of publications, materials, and other items held for sale or distribution shall be:

- Tracked and valued in accordance with generally accepted accounting principles
- Subject to periodic physical counts and reconciliation
- Evaluated regularly for obsolescence or impairment
- Managed to optimize turnover and minimize carrying costs

Detailed Procedures

Specific operational procedures for procurement, accounts receivable and payable, asset management, and inventory control are maintained separately to allow for administrative updates without requiring Board approval of this policy document.

IX. FINANCIAL REPORTING AND AUDIT

Accounting Standards

The Association maintains its accounting records and prepares financial statements in accordance with modified generally accepted accounting principles (GAAP) applicable to nonprofit organizations.

Internal Financial Reports

Monthly Reports

- Prepared by staff and provided to Finance Committee
- Statement of financial position (balance sheet)
- Statement of activities (income statement)
- Budget-to-actual comparison by major category
- Cash flow analysis
- Narrative explanation of significant variances

Quarterly Reports

- Summary financial statements provided to full Board
- Highlights of financial performance and key metrics
- Year-to-date comparison to budget
- Forecast updates when material changes occur

Annual Reports

- Comprehensive financial statements for fiscal year
- Annual report to membership
- Summary published in association communications

Independent Financial Audit

The Association shall obtain an annual independent financial audit conducted by a qualified certified public accounting firm.

Audit Firm Selection

- CEO recommends audit firm selection to Finance Committee
- Finance Committee approves engagement of audit firm
- Audit firm evaluated periodically; consideration given to rotating firms every 5-7 years

Audit Process

- Audit firm works directly with CEO and staff to access all information needed to perform the audit
- Management prepares financial statements and supporting documentation
- Management letter addressing internal control recommendations reviewed by Finance Committee and CEO

Audit Results

- Audited financial statements and audit recommendations presented to Finance Committee
- Audited financial statements and audit recommendations presented to Board

- Board reviews and approves audited financial statements
- Audited statements made available to membership and public as required by law

IRS Form 990

The Association's annual IRS Form 990 (Return of Organization Exempt from Income Tax) shall be:

- Prepared in accordance with IRS requirements
- Reviewed by Finance Committee and CEO
- Approved by Board or Executive Committee
- Filed timely with IRS
- Made available for public inspection as required by law

Records Retention

Financial records shall be retained in accordance with the Association's Document Retention Policy and applicable legal requirements. At minimum:

- Accounting records: 7 years
- Audit reports: Permanently
- Tax returns and supporting documentation: Permanently
- Contracts and agreements: 7 years after expiration
- Bank statements and reconciliations: 7 years

X. POLICY ADMINISTRATION

Authority

The Board of Directors establishes and maintains these Financial Policies. The CEO has authority to interpret and administer these policies in day-to-day operations. The CEO may confer with the Finance Committee or Board when guidance is needed on interpretation or application of policy provisions.

Amendments

Minor and Administrative Changes: The CEO may make minor or administrative changes to this policy (such as updating titles, clarifying language, or adjusting operational procedures) without Board approval, provided such changes do not materially alter financial authority, control structures, or fiduciary responsibilities.

Substantive Changes: Substantive changes to financial authority, approval thresholds, control requirements, or Board oversight responsibilities require approval by the Board of Directors following recommendation by the Finance Committee.

All amendments shall be communicated to the Board and staff in a timely manner.

Policy Review

This policy shall be reviewed annually by the Finance Committee to ensure alignment with:

- APPA's strategic priorities and operational needs
- Current financial management best practices
- Legal and regulatory requirements
- Changes in organizational structure or operations

The Finance Committee shall recommend updates to the Board as needed.

Effective Date

This Financial Policies document was adopted by the APPA Board of Directors on March 17, 2026 and supersedes all previous financial policies and procedures.

Questions

Questions regarding this policy should be directed to:

- Chief Executive Officer
- Email: [contact information]
- Phone: (703) 684-1446

Approved by:

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Board Chair

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March 17, 2026

Last Reviewed: March 17, 2026

Next Review Due: March 2027

END OF POLICY