FINANCE COMMITTEE CHARTER

I. PURPOSE

The Finance Committee is established by the APPA Board of Directors to provide oversight of the Association's financial resources and operations. The committee ensures sound fiscal management, strategic financial planning, and transparent financial reporting that supports APPA's mission and strategic priorities.

The Finance Committee serves as a critical governance mechanism to:

- Ensure responsible stewardship of the Association's financial resources
- Provide independent oversight of financial policies and practices
- Recommend the annual budget aligned with strategic priorities
- Review financial performance and identify emerging risks or opportunities
- Oversee audit and financial reporting processes
- Provide guidance on investment management within approved policy parameters

II. AUTHORITY

This charter is established under the authority granted in the APPA Bylaws (Article V, Section 1). The Finance Committee operates as a standing Board committee with ongoing responsibilities throughout the year.

The committee exercises oversight authority but does not have independent decision-making power. All substantive financial decisions, policies, and budget approvals require action by the full Board of Directors.

III. COMMITTEE COMPOSITION

Leadership

- Chair: Board Treasurer (automatic appointment)
- Vice-Chair: Board Treasurer-Elect (automatic appointment)

Members

- Board Members: Minimum of two (2) and maximum of three (3) additional Board members
- Committee Size: Total of four (4) to five (5) Board members
- Required Financial Expertise: The committee must include at least one member with professional accounting, finance, or investment management credentials (CPA, CFA, CFP, or equivalent financial professional)

Selection Process

1. Board members may self-nominate for Finance Committee service
2. Treasurer reviews self-nominations and selects additional committee members based on:
    - **Financial literacy and expertise** (must include at least one financial professional)
    - Professional experience with budgeting, financial analysis, or investment management
    - Diversity of perspectives and experiences
    - Availability to attend regular meetings and fulfill committee responsibilities
    - **Independence** from financial relationships with APPA vendors or service providers
3. Committee membership presented to Board annually for information following the Annual Meeting
4. Board members serve on committee until the next Annual Meeting or until they leave the Board

Term

Committee members serve annual terms aligned with the fiscal year. Members may be reappointed for multiple consecutive terms to maintain continuity and expertise.

Ex-Officio Members

The CEO and COO participate as ex-officio non-voting members of the committee. The CEO or COO may designate other staff members (such as accounting or finance personnel) to attend meetings as appropriate for specific agenda items.

IV. DUTIES AND RESPONSIBILITIES

The Finance Committee shall:

Budget Oversight

5. **Review and Recommend Annual Budget**

Review the draft annual budget prepared by the CEO and staff, discuss budget alignment with strategic priorities and operational needs, review revenue assumptions and expense projections for reasonableness, ask questions about assumptions and potential risks, recommend the annual budget to the Board for approval, and present the budget to the Board with rationale for key recommendations.

6. **Review Budget Performance and Financial Health**

Review monthly financial reports comparing actual performance to budget, discuss significant variances with management to understand their causes, receive reports on financial concerns including declining cash balances, negative operating margins, revenue shortfalls, or unusual expense patterns, discuss trends and their implications for financial sustainability, recommend budget modifications to the Board when necessary, and ensure operating reserves remain adequate.

Financial Reporting and Oversight

7. **Review Financial Reports**

Review monthly financial reports prepared by staff, focusing on liquidity (cash on hand, months of reserves, current ratio), financial health (operating margin, revenue diversification, year-over-year trends), performance (actual vs budget variance by major category), and mission alignment (program expense ratio). Review narrative explanations for significant variances prepared by staff, discuss whether financial trends align with strategic priorities, and ask questions and request additional information as needed.

8. **Review Comprehensive Financial Statements**

Review quarterly statement of financial position (balance sheet), statement of activities (income statement), cash flow statement, accounts receivable aging and collection trends, restricted fund compliance and donor restrictions, and ensure financial statements are prepared in accordance with GAAP.

Financial Policies and Risk Management

9. **Oversee Financial Policies**

Conduct annual comprehensive review of Financial Policies document, recommend substantive policy changes to the Board, receive reports on compliance with approved financial policies, review and recommend signature authority thresholds, and ensure policies reflect current best practices and legal requirements.

10. **Receive Reports on Financial Risks and Internal Controls**

Receive reports on financial risks including revenue concentration or dependency on single sources, economic or industry trends affecting APPA, cybersecurity and fraud risks, and major contractual or legal exposures. Review adequacy of internal controls and segregation of duties, review insurance coverage for adequacy (D&O, fiduciary, cyber, general liability), receive reports on corrective actions for any control deficiencies, and ensure adequate reserves and contingency planning.

Audit Oversight

11. **Oversee Annual Independent Audit**

Recommend selection of independent audit firm to the Board, review audit engagement letter and scope before audit begins, meet with auditors in executive session without management present (at least annually), serve as direct communication channel for auditors to raise concerns, review audited financial statements and auditor's opinion, and review management letter detailing internal control recommendations and findings.

Discuss with auditors any material misstatements (corrected or uncorrected), internal control deficiencies (material weaknesses or significant deficiencies), significant accounting estimates and judgments, any difficulties encountered during audit, and any disagreements with management.

Present audited financial statements to the Board for approval, receive reports on implementation of audit recommendations, review auditor independence and performance annually, and consider recommending auditor rotation every 5-7 years.

12. **Review IRS Form 990**

Review draft Form 990 for accuracy and completeness, ensure appropriate disclosures and transparency in governance responses, verify executive compensation disclosure and reasonableness, and recommend Form 990 approval to the Board or Executive Committee.

Investment Oversight

13. **Review Investment Performance**

Review quarterly investment performance reports prepared by investment advisor, including portfolio market value and changes, asset allocation versus policy targets, performance versus benchmarks (1-year, 3-year, 5-year), contributions and distributions, fee analysis, and compliance with Investment Policy. Discuss performance against benchmarks and investment objectives, review asset allocation and rebalancing recommendations, and review investment fees and expenses for reasonableness compared to industry standards.

14. **Conduct Annual Investment Policy Review**

Review Investment Policy annually for continued appropriateness, discuss whether return objectives, spending policy, and asset allocation remain aligned with organizational needs, review reserve funding levels and adequacy, recommend updates to investment objectives, asset allocation ranges, or guidelines, review and recommend changes to investment advisors when appropriate, and ensure investment approach aligns with organizational risk tolerance and time horizons.

Strategic Financial Guidance

15. **Provide Financial Input for Strategic Decisions**

Review financial analysis of major strategic initiatives prepared by staff, provide input on major financial decisions (capital expenditures, real estate, borrowing), discuss long-term financial sustainability and scenario planning, recommend dues structures and pricing strategies for Board consideration, review financial feasibility analysis of new programs or services, and review significant contracts or partnerships with financial implications.

16. **Oversee Reserve Policy**

Ensure reserves remain adequate, review reserve composition (operating, strategic/capital, long-term), recommend reserve contribution levels in annual budget, receive periodic reserve studies (every 3-5 years), recommend reserve draws for strategic investments when appropriate, and ensure reserve policies are documented and communicated to membership.

V. MEETING REQUIREMENTS

Frequency

The Finance Committee shall meet at least quarterly, with a recommended schedule of:

- January/February: Year-end preliminary results, audit planning
- April/May: Audited financial statements review, Form 990 review
- September/October: Draft budget review, investment policy review
- November/December: Final budget recommendation, year-end planning

Additional meetings may be scheduled as needed for significant financial matters.

Meeting Format

Meetings may be conducted in person, by videoconference, by teleconference, or through other electronic means that permit real-time communication among all participants.

Quorum

A majority of voting committee members (Board members only) shall constitute a quorum for the transaction of business.

Decision-Making

- Committee recommendations to the Board require a majority vote of voting members present
- The Committee Chair may make procedural decisions between meetings, subject to committee ratification
- All substantive decisions and recommendations shall be documented in meeting minutes

Minutes and Records

The committee shall maintain:

- Minutes of all committee meetings
- Documentation of budget reviews and recommendations
- Audit correspondence and reports
- Investment performance reports
- Financial analysis and recommendations

Committee minutes shall be distributed to the full Board and maintained by APPA staff in accordance with the Association's document retention policy.

VI. REPORTING REQUIREMENTS

Reports to the Board of Directors

The Finance Committee shall provide the following reports to the Board:

- **Quarterly Financial Summary:** Summary of financial performance, key metrics, significant variances, and any concerns or recommendations

- **Annual Budget Recommendation:** Presentation of recommended annual budget with rationale, key assumptions, strategic alignment, and financial projections
- **Audited Financial Statements:** Presentation of audited financial statements, audit findings, management letter items, and recommendation for Board approval
- **Investment Policy Review (Annually):** Annual review of investment policy, performance summary, and recommendations for any policy updates
- **Ad Hoc Reports:** Additional reports on significant financial matters, major expenditures, financial risks, or strategic financial decisions as needed

Transparency and Communication

- Committee minutes shall be available to all Board members
- Significant financial concerns shall be promptly communicated to the Board Chair and full Board
- Committee recommendations presented to the Board shall include supporting rationale

VII. RELATIONSHIP WITH STAFF

Partnership Approach

The Finance Committee works in partnership with the CEO and staff to fulfill its oversight responsibilities. The committee:

- Relies on staff for preparation of financial materials and analysis
- Provides guidance and perspective to support sound financial management
- Respects the CEO's operational authority while exercising appropriate oversight
- Maintains open communication with staff on financial matters

Staff Responsibilities

APPA staff (CEO, COO, and finance staff) shall:

- Prepare monthly financial statements and reports for committee review
- Develop draft annual budget and supporting materials
- Coordinate audit process and serve as primary contact with auditors
- Prepare investment performance reports and analysis
- Provide financial analysis and recommendations as requested
- Implement committee and Board decisions regarding financial matters
- Alert the committee to emerging financial concerns or opportunities

Access to Information

Committee members shall have access to financial records, reports, and information necessary to fulfill their oversight responsibilities. Requests for information should be directed to the CEO or COO.

VIII. CONFLICTS OF INTEREST

Committee members must:

- Comply with APPA's Conflict of Interest Policy
- Disclose any financial interests that could present conflicts
- Recuse themselves from discussions and votes where conflicts exist
- Maintain confidentiality of financial information and committee deliberations

Committee members with expertise in financial services, investment management, or related fields may provide general guidance without creating conflicts, but must recuse themselves from decisions involving their own firms or direct competitors.

IX. AMENDMENTS

This charter may be amended by:

- Recommendation of the Committee Chair, OR
- Action of the APPA Board of Directors

All amendments must be approved by the APPA Board of Directors.

The charter shall be reviewed annually by the Finance Committee and updated as needed to reflect best practices, regulatory changes, and organizational needs.

X. ADOPTION AND EFFECTIVE DATE

This charter was adopted by the APPA Board of Directors on [DATE].

Approved by:

Gabe Hampton (Bobby Aldrich presiding in Gabe's absence as Chair-Elect)

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Board Chair

5/29/2026

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Date

Last Reviewed: [DATE]

Next Review Due: [DATE]

END OF CHARTER