



NJLA Finance Policies and Procedures

Approved February 20, 2024

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Introduction

The purpose of this manual is to describe the existing accounting and business policies and procedures that have been established for the New Jersey Library Association (NJLA), and to serve as a valuable reference guide for employees and members of the NJLA Executive Board. These policies and procedures have been designed to help safeguard NJLA's assets and to promote accuracy, efficiency, transparency, and consistency in the organization's financial operations. The manual shall be reviewed by the Finance Committee at least annually. The NJLA Executive Board must vote to approve any requested changes to this manual.

I. Financial Responsibilities

The NJLA Executive Board holds a fiduciary responsibility to formulate financial policies and review operations and activities on a regular basis. This responsibility is shared, through delegation, with the Executive Director who acts as the primary fiscal agent, implementing all financial policies and procedures. No Officer, Committee, or Member of the Association shall incur any expense in its name unless explicitly authorized by the Executive Board, nor shall the Executive Director make any payments except for expenditures so authorized through the NJLA annual budget. Expenditures in excess of \$5,000 must be presented to the Executive Board for prior approval. The President, the Treasurer, and the Executive Director shall have the power to sign checks of the Association. Payment of expenses for approved budget lines is the responsibility of the Executive Director upon receipt of duly authorized requests.

Members of the NJLA Executive Board and employees of NJLA are prohibited from activities that might present conflicts of interest or personally benefit them at the organization's expense. If a member of the NJLA Executive Board has a financial interest in a NJLA transaction, the Board member must fully disclose the interest and abstain from voting.

The Executive Director has custody of the ledgers, account books, checkbooks, deposit records, vouchers, passbooks, and other documents, whether physical or electronic, pertinent to the Association's fiscal matters. The Executive Director is responsible for meeting deposits and filing requirements of state, local, and federal agencies. The Executive Director administers all cash receipts and disbursements in accordance with policies established by the Executive Board. The Executive Director administers and signs all contracts for NJLA as directed by the NJLA

Executive Board. The Executive Director collects data for consideration in the budget process; works with the Treasurer in drafting a recommended budget; disseminates

budget information; and works with the Budget Committee, Finance Committee, Investment subcommittee, and the Executive Board to facilitate the functions of budget review and control. In consultation with the Treasurer, Investment subcommittee and Finance Committee, the Executive Director administers the Association's investments in savings certificates, treasury bills, and federally insured or other income producing investments when cash assets allow such investments, without jeopardizing the Association's ability to conduct current business. The Executive Director provides monthly statements of revenue and expenses and budget comparisons to the Executive Board.

The Executive Director assists the Treasurer in presenting financial reports to the Executive Board at each regularly scheduled Executive Board meeting.

II. General Ledger Accounting

A. Chart of Accounts

NJLA uses a Chart of Accounts reflecting the operating budget and other approved transactions in accordance with accounting best practices. The Executive Director and Treasurer must approve changes to the Chart of Accounts.

B. Maintenance and Distribution of General Ledger

The General Ledger is maintained by the Business Manager. Monthly reports are provided to the Executive Director and Executive Board as follows:

Executive Director

- Payroll detail reports
- Accounts Receivable Breakdown
- Reimbursement Revenue and Expenditure Report
- Investment reports

NJLA Executive Board and Executive Director

- Balance Sheet
- Bill List
- Budget vs. Actual

III. Revenues and Cash Receipts

A. Sources of Revenues

The majority of NJLA's revenue is derived from membership dues. Other revenues may also be received from NJLA annual conference, grants, donations, investments, and enterprise programs.

B. Cash Receipts

All revenue received by NJLA is handled by the Office Manager and documented by the Business Manager. They are entered into the accounting system (QuickBooks) at least once a week and logged into the deposit register. Bank deposits are made at least weekly but more often when large amounts of payments are being received. At the end of the month, a Cash Receipts Journal is generated.

IV. Cash Management

A. Petty Cash

NJLA does not maintain any petty cash funds.

B. NJLA Cash Reserve Strategy

NJLA will maintain a cash reserve equal to 40% of its annual budget available in liquid assets. A goal of the Association is to maintain cash reserves of at least 50%. Reserves in excess of 50% can be allocated for any organizational use approved by the finance committee.

C. Investment Strategy

NJLA's overall investment goal is to provide maximum income within the parameter of preserving capital.

1. The above should be achieved by following the recommendations of a qualified investment professional from a reputable financial services firm who invests in a diversified portfolio while making every effort to minimize fees.
2. The Investment subcommittee will receive quarterly reports from the investment professional, as well as meet with the investment professional annually, to manage the designated funds in a manner that is consistent with the Association's core values and strategic plan.

3. The Investment subcommittee will provide for the disbursement of funds at a rate that reflects the investment performance and the needs of NJLA.

D. Utilization of the NJLA Unrestricted Fund Balance

The Executive Board may only decide to use funds from the unrestricted fund balance during a regular or emergency meeting through a formal resolution. The Executive Board must approve the transfer of funds and specifically state for what those funds are being used.

E. Bank Reconciliations

Bank reconciliations are performed monthly by the Business Manager and reviewed by the Executive Director and Treasurer.

V. Purchasing, Accounts Payable, and Accounts Receivable

A. Purchase of Goods and Services

1. General

All purchases and expenditures must meet the ordinary business standard of reasonable and necessary, with prudent consideration of NJLA's financial resources. Purchases of goods and services must be authorized by the Executive Director and should not exceed budgeted amounts approved by the Executive Board.

Every reasonable effort should be made to obtain the best possible quality, service, and price. For larger non-routine purchases and contracts, competitive proposals should always be solicited and evaluated. Vendor prices of routine purchases and contracts should be checked periodically with those of reliable competitors.

2. Obtaining Quotes

Obtaining quotes is a best practice for purchases, leases, and contracts over \$5,000. A written statement detailing the goods or services required should be provided to vendors. It is recommended that at least three written quotes be obtained and evaluated. Awards should be made to the vendor whose quote or offer is most advantageous to NJLA, considering price, quality, service, vendor history, and conformance to specifications.

Formal quotes may not be appropriate in certain exceptional cases when the item is a highly specialized piece of equipment or service that is only available from one source or due to legitimate extenuating or emergency circumstances.

Documentation of quotes received will be included in requests to the Executive Board for approval of purchases that exceed \$5,000.

B. Accounts Payable

1. Invoices

In order to ensure that the goods or services purchased have been received or delivered in good order, all invoices received for payment must be reviewed and approved by the Executive Director.

2. Processing of Checks and Manual Checks

Non-payroll checks are processed twice monthly and are typically dated as the first business day of the month. Invoices received by the last business day of the month are processed in that payment cycle. Checks may be processed outside of the monthly timeline only in emergencies and require the approval of the Executive Director and the Treasurer.

C. Accounts Receivable

Invoices for NJLA services and goods purchased on behalf of members should be paid within 60 days, unless previous arrangements have been made. Such arrangements may include, but are not limited to, extended repayment terms or payment plans. Such special arrangements must be approved by both the Executive Director and Treasurer.

D. Sales and Use Taxes

As a 501(c)(3) non-profit organization, NJLA is exempt from sales and use taxes. NJLA will make every attempt to work with vendors who honor its tax-exempt status. Personal purchases made through NJLA to avoid the payment of sales tax are prohibited.

E. Credit/Debit Card Policy

NJLA Executive Board authorizes the use of a New Jersey Library Association business credit card for the purchase of goods and/or services solely for the official business of

NJLA under the following guidelines:

1. The Executive Director is designated as the responsible party for compliance with NJLA's credit card policy.
2. The Executive Director, and such others as deemed necessary by NJLA Executive Board, may be issued NJLA credit cards.
3. Anyone using an NJLA credit card shall submit appropriate documentation detailing the goods and services purchased, the cost of the goods and services, the date of purchase, and the official business reason for the purchase.
4. Holders of an NJLA credit card are responsible for the protection and custody of the card and shall report to the Executive Director immediately if the credit card is lost or stolen (or to the Treasurer if the Executive Director has lost the credit card).
5. Anyone issued a credit card shall return it to the Executive Director upon termination of his/her employment or service to NJLA (or to the Treasurer if it is the Executive Director that has been terminated).
6. Any violation of this policy by credit card holders will result in revocation of the credit card and the immediate reimbursement to NJLA for any unauthorized purchases. Persons violating this policy will be subject to disciplinary action up to and including termination.

VI. Payroll

NJLA's payroll is handled by NJLA's Business Manager . Paychecks to employees are issued biweekly. NJLA encourages employees to set up direct deposit if possible.

Monthly payroll expenses are verified by the Business Manager against payroll reports and reconciled with NJLA's checking account reports.

VII. Personal Expense Reimbursements

Employees must submit an Expense Report by the last business day of the month to the Executive Director for approval of any personal expenses incurred while working for NJLA. NJLA will pay reimbursements monthly.

VIII. Fixed Assets

A. Definition

Fixed assets are tangible property with a fixed usable life. Fixed assets include equipment, furniture, vehicles and property. NJLA considers any tangible property with a cost of \$5,000.00 or higher to be a fixed asset.

B. Insurance Records and Reporting of Thefts and Damage

All new purchases of fixed assets are required to be recorded in the fixed asset database and given an inventory tag. Equipment such as personal computers or other equipment that does not qualify as a fixed asset must still be tagged and put in the database for insurance purposes. Theft or damage of any NJLA property is to be immediately reported to the Executive Director.

The Executive Director will annually review NJLA's insurance coverage to assure it provides adequate protection.

C. Disposal of Fixed Assets

Disposal of fixed assets require authorization by the Executive Director. Disposed items should be removed from the inventory database.

IX. Insurance

Reasonable and adequate coverage will be maintained to protect NJLA's interests as well as the Executive Board and its employees. The following insurance policies shall be kept on a yearly basis:

- Nonprofit Business Owners Liability & Property
- Directors & Officers Professional Liability
- Employee's Dishonesty/Theft/ERISA Fidelity Bond
- Workers' Compensation
- Cyber liability

All insurance policies shall be carefully reviewed by the Executive Director before renewal each year. NJLA employees seeking information regarding health insurance and other employment benefits should refer to the NJLA Personnel Manual or contact the Executive Director.

X. Budgeting

NJLA operates on a July-to-June fiscal year. The Executive Director and Budget Committee work together to propose a budget(s) to the Executive Board for approval. The Executive Board shall adopt annually a budget providing for expenses to be incurred in the name of the Association.

Recommended Schedule:

1. The Budget Committee and the Executive Director start meeting in February about the upcoming budget
2. Introduce proposed budget to the Executive Board in April
3. Executive Board approves the budget in May

XI. Year End Close and Audit

A. Fiscal Year Closing Procedures

NJLA's fiscal year ends on June 30. Invoices for goods and services received by June 30 will be paid in July of the new calendar year and will be included in the previous fiscal year's financial statement. NJLA will close the books (with the exception of any entries required by the auditors) no later than July 31 of the new fiscal year.

B. Annual Audit/Financial Review

A financial professional shall be retained annually and shall review or audit the accounts of the Association in accordance with state and federal statutes. Generally, the audit/financial review takes place as soon as possible to the close of the fiscal year. The final audit/financial review report is then distributed to the Executive Board for review and discussion. The audit/financial review report is presented to the Executive Board by the audit firm for ratification.

XII. Receipts to Donors

The Executive Director shall ensure that all monetary contributors to NJLA shall receive proper acknowledgement of their contributions in accordance with IRS Guidelines for contributions to 501(c)(3) organizations.

NJLA is registered with the State of New Jersey as a charitable organization. Donated materials and equipment will also be acknowledged at their estimated values measured on the date of receipt. Volunteer services should also be acknowledged, if requested by the volunteer, but generally not given an estimated value.

XIII. Confidentiality of Records Security

Financial records are restricted materials with limited access. Only the members of the Executive Board, Executive Director, Business Manager, or others so authorized shall have access to financial records such as vendor files, checks, journals, and payroll documentation.

XIV. Document Retention

Financial documents are retained for a period of time in accordance with State and Federal regulations.

XV. Bank Account Signatories

The following people shall be listed as signatories on NJLA bank accounts:

- President of NJLA Executive Board
- 1st Vice President/President-Elect of NJLA Executive Board
- Treasurer of NJLA Executive Board
- Executive Director of NJLA

The signatories listed on NJLA bank accounts shall be audited annually by September 30.

XVI. Tax Reporting

NJLA is exempt from federal income taxes under Section 501(c)(3) of the IRS Code as amended. In order to maintain this exempt status, IRS Form 990 is required to be filed annually with the IRS. In addition, IRS Form 1099 will be sent to vendors pursuant to IRS requirements.

It is the responsibility of the Executive Director to ensure NJLA remains compliant with all Federal and State reporting requirements. This includes but is not limited to payroll and tax withholding and reporting and the following reports:

- IRS Form 990: Income Tax Return of Organizations Exempt from Income Tax
- IRS Form 5500: Annual Returns/Reports of Employee Benefit Plan
- IRS Form 1099: Report of Non Employment Income
- NJ Charities Registration

Preparation and filing of some reports may be outsourced to the auditor as appropriate.

XVII. NJLA Annuity Plan Document

The Executive Director shall work with the Employee Relations Committee to develop and maintain an NJLA Annuity Plan Document that will guide contributions to the

employee retirement plan. The Plan Document should be reviewed every two years to ensure that it is up to date. Any changes to the NJLA Annuity Plan Document must be approved by the Executive Board.