

SOUTHERN PACIFIC MASTERS SWIMMING, INC.
Financial Operating Policies (FOP)
Version January 17, 2019

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I. PURPOSE

Southern Pacific Masters Swimming, Inc. (“SPMS”) is dedicated to ensuring that all financial operations are conducted under the highest standards of integrity and ethics and in compliance with strict internal controls to safeguard the organization’s assets and provide a strong financial foundation. SPMS has established Financial Operating Policies (“FOP”) for the purpose of maintaining in one place for all its members the policies and procedures currently in existence in our non-profit organization.

II. SCOPE

FOP applies to all SPMS individual members that volunteer to serve in leadership positions at various levels in the organization. This includes all SPMS officers as well as all members of SPMS committees. FOP also applies to all employees, as well as contractors, who work for SPMS.

III. ROLE AND RESPONSIBILITIES

In order to meet the expectations outlined above, there are a number of specific roles and responsibilities enumerated below:

- A. The Finance Committee is responsible for reviewing and recommending the annual operating budget to the Southern Pacific Local Masters Swim Committee (“SPLMSC, regularly monitoring the financial performance of SPMS operations, and maintaining an up-to-date version of FOG.
- B. An Independent Third Party approved by the SPLMSC is responsible for the preparation of the IRS Form 990 filing.
- C. The Treasurer is responsible for maintaining the financial records for SPMS; ensuring internal controls are in place to protect receipts and disbursements of money; monitoring other assets such as buildings, software & equipment; and preparing financial statements. The Treasurer is also responsible for controlling and managing the budget process as outlined in FOG section VII.
- D. The Treasurer is the functional liaison between the SPMS Chair, Executive Committee, SPLMSC, and Finance Committee.
- E. SPLMSC officers are responsible for overseeing the activities within the boundaries of SPMS as defined in the United States Masters Swimming, Inc. (“USMS”) Rule Book, and complying with the requirements enumerated in Articles 502.4, 502.8, 502.9, and 502.11.
- F. The SPLMSC has the ultimate fiduciary responsibility for SPMS.
- G. The SPLMSC reviews and approves the annual budget and the annual members' dues for the year following budget year and shall receive any modifications to FOG made in the current year.

IV. FINANCIAL REPORTING

The primary objective of financial reporting is to provide support for informed decision making.

- A. The Treasurer shall:
 - 1. Utilize a commercially available general ledger accounting software package;
 - 2. Provide to all Committee Chairs a year-to-date listing of all items charged to his or her budget twice a year;
 - 3. Prepare monthly financial statements; prepare monthly, and annual, forecasts; and prepare budget work papers.
- B. Miscellaneous Reporting shall include:
 - 1. The draft financial statements of SPMS shall be submitted to the SPLMSC within 120 days after the close of SPMS' fiscal year-end;

V. REIMBURSEMENTS AND DISBURSEMENTS

- A. Reimbursement Policy
 - 1. Employees and contractors of SPMS and SPMS volunteers shall be reimbursed for reasonable expenses, including approved travel, incurred in the performance of their duties, subject to limitations contained in this section;
 - 2. All expenses should be budgeted in advance and are subject to Section VII of FOG;
 - 3. All requests to the Treasurer for disbursements of SPMS funds, including reimbursement of travel expenses, shall be made utilizing the SPMS online Reimbursement System (or a paper or email based process should an online system not be available), include a detailed description of the item, appropriate receipts, and provide the proper budget code. The request shall be submitted within 30 days after incurring the expense;
 - 4. All travel for SPMS employees, volunteers and contractors shall be at the discretion and prior approval of the SPLMSC. Employees, volunteers and contractors shall submit the Reimbursement Voucher, with appropriate detail and receipts, to the Treasurer for review, who shall forward to the Chair for approval prior to reimbursement. The Chair shall submit his/her Reimbursement Voucher, with receipts, to the Vice Chair or Treasurer (or designee) for approval;
 - 5. All travel for Volunteer members, not budgeted, shall require prior authorization by the Chair or SPLMSC designee. Volunteers shall submit the Reimbursement Voucher, with receipts for approval prior to reimbursement.
 - 6. A completed IRS Form W-9 must be completed prior to services , or one must already be on file with the Treasurer
- B. Travel Expenses Policy
 - 1. Acceptable (appropriate) travel expenses include:
 - a. Annual USMS Convention
 - i. SPMS members who are also officers and/or members of the Board of Directors ("BOD") of USMS, or who are members of the USMS committees or positions within USMS which have an automatic vote at all House of Delegates ("HOD") meetings, and designated staff including the SPMS Chair and SPMS registrar shall be advanced funds or be reimbursed by SPMS for their registration fees, travel and lodging expenses, and a per diem for meals covering the duration of official business at the USMS Convention. The Chair or designee shall provide an approved list of Volunteer attendees to the Treasurer for reimbursement.
 - ii. The duration of the Annual USMS Convention shall include up to four

nights ending with Friday or Saturday night. SPMS members who are required to attend the Wednesday meetings, shall be reimbursed for up to five nights ending with the night prior to the last meeting. Exceptions to the four-night policy may be made at the discretion of the Executive Committee.

- b. Nationals - Travel expenses by SPMS officers, SPLMSC members and/or volunteers shall not be reimbursed by SPMS.
 - c. International - Travel expenses by SPMS officers, SPLMSC members and/or volunteers shall not be reimbursed by SPMS.
 - d. Any individual incurring permissible travel expenses shall be reimbursed by SPMS only to the extent not reimbursed by other parties, including, but not limited to, USMS, grants, and travel agents.
2. Transportation - SPMS shall reimburse actual expenses for transportation (limited to economy airfare) to and from the travel destination, including reasonable checked bag charges and costs for transportation to and from airports (including parking).;
 3. Lodging - SPMS shall reimburse for actual lodging expenses at the lowest available room rate, at ½ of the rate for a double occupancy room.
 4. Meals for employees, contractors and volunteers (except volunteers at the Annual USMS Convention) are reimbursable only if an overnight stay is required and is limited to personal use and the lesser of actual or GRA per diem.
 5. Whenever FOG allows for payment of airfare, alternative methods of transportation are allowed, not to exceed the cost of economy airfare between the person's home city and the approved destination, plus airport shuttle bus or cab transfer expenses;
 6. Reimbursement for personal auto use shall be at the IRS standard non-profit mileage rate or the actual gas expense plus, tolls and parking for the trip;
 7. Volunteer reimbursement for rental cars is not permitted without the prior approval of the Treasurer. Such approval shall be based on a comparison of costs for such rental car compared to other means of transportation as well as other factors deemed appropriate by the Treasurer and SPMS Chair. SPMS shall not reimburse for rental car insurance;
 8. Expenses for meals incurred by the Chair, SPMS staff, or SPMS contractors in business dealings on behalf of SPMS shall be reimbursed up to an amount not to exceed \$50.00 per guest per social event.
- C. Disbursements
1. The Treasurer shall follow procedures specified in FOP in processing all disbursement requests, preparing checks or online payments, and maintaining supporting documents. No checks or online payments shall be issued without approval by the Treasurer, or in the Treasurer's absence, by the Chair; and
 2. The Executive Committee may pre-approve preparation of checks or online payments for recurring monthly bills under the dollar limits set in FOP and the Budget including Contractor Fees. Required signatures and authorities shall be determined from time to time by Executive Committee resolution.

VI. INSURANCE

At a minimum, SPMS shall carry the following types of insurance coverage:

- A. All members are required to have current USMS membership. Purchase of additional insurance policies are at the discretion of the SPLMSC.

VII. BUDGETING PROCESS AND CONTROLS

- A. Dates for the budgeting process shall be as follows:
1. July 1 – A production schedule for the current year’s budget process shall be submitted by the Treasurer to the Finance Committee and SPLMSC;
 2. Early August – All individuals responsible for a Cost or Revenue Center with budgets greater than \$500 shall submit written requests for budget allocations for the coming year and a forecast for the current year to the Treasurer. All individuals responsible for a Cost or Revenue Center with budgets less than \$500 need to notify the Treasurer if their budget shall change from the previous year, otherwise the budget shall be renewed using the previous year’s budget amount. Each budget request greater than \$500 shall include appropriate detail in support of the request, as prescribed by the Treasurer. The Compensation and Benefits Committee must provide the salary range for any new position prior to the SPLMSC budgeting and hiring personnel to fill the position;
 3. September SPLMSC Meeting – The Treasurer shall present the assumptions used in compiling the annual budget and a brief summary of the reasoning behind the assumptions to the SPLMSC, including percentage (%) changes in all areas and new programs;
 4. Late September – Incorporating the SPLMSC comments/proposals, the Treasurer and Chair shall compile a forecast for the remainder of the year and a detailed annual budget, and review with the Finance Committee;
 5. Last Monday in September - The Treasurer shall submit the following to the Finance Committee and the SPLMSC: business plan; organizational goals; summary financial plan; funding priorities; and related detailed annual budget. The Finance Committee shall also receive a summary of all travel for the current calendar year-to-date. The Finance Committee is required to submit a no deficit Net Ordinary Income Budget, unless otherwise authorized by the SPLMSC;
 6. The Finance Committee shall review the budget to ensure that the annual budget’s allocation of resources is appropriate to achieving the organizational goals and funding priorities set forth by the SPLMSC. The Finance Committee shall also make any necessary changes to reach a budget with a zero or positive Net Ordinary Income, unless otherwise authorized by the SPLMSC;
 7. Prior to the Annual SPLMSC Meeting - The Treasurer shall enter the budget into accounting software, and provide copies to the EC, Board and Finance Committee. The proposed budget shall be approved at the October SPLMSC monthly meeting. Either the Chair or Treasurer shall present the approved budget to the SPLMSC during the Annual meeting.
- B. Following the approval of the budget by the SPLMSC, the Treasurer has the responsibility to manage SPMS finances to achieve budgeted Net Ordinary Income – including unbudgeted, over budget, and under budget extraordinary revenues and expenditures. This includes reallocation of funds between different line items under his/her budget responsibility. The Treasurer shall issue financial reports on a monthly basis to the SPLMSC and Finance Committee, with explanations of all deviations versus budget.
- C. Notwithstanding the above, any reallocation and extraordinary expenditures greater than \$500, as well as unbudgeted expenditures that will result in overspending budgeted SPLMSC expenditures, or over budget requests up to a cumulative total amount of \$500 per line item in any one year, shall require, prior to the disbursement of funds, approval by a majority vote of the Finance Committee and a majority vote of the Executive Committee, in that order. The Executive Committee, with a two-thirds (2/3) vote, may override the approval or disapproval of the Finance Committee.

- D. Any reallocation and extraordinary expenditures greater than \$1,000, as well as unbudgeted expenditures that will result in overspending budgeted SPLMSC expenditures, or over budget requests up to a cumulative total amount of \$1,000 per line item in any one year, shall require, prior to the disbursement of funds, approval by a majority vote of the Finance Committee, a majority vote of the Executive Committee, and a majority vote of the SPLMSC, in that order. The Executive Committee, with a two-thirds (2/3) vote, may override the approval or disapproval of the Finance Committee.
- E. Over-budget (“OB”) requests shall be made in writing and include an explanation for the OB request, including how the expenditure furthers the SPMS Action Plan for the fiscal year. The request shall include the following:
 - 1. A written explanation for the OB request, including how the expenditure furthers the SPMS Action Plan for the fiscal year;
 - 2. Appropriate mathematical calculations supporting the request;
 - 3. Identification and calculation of any expected benefits, including number of members directly impacted;
 - 4. Savings or potential reductions or reallocations in other expenditure line items;
 - 5. Dollar itemization of major components of the OB request; and
 - 6. An explanation why the unauthorized expenditures were made if the OB request for reimbursement is after the fact or an expenditure contrary to FOG.
- F. Proportional expense overruns directly attributable to actual volume exceeding assumptions made for budgeting purposes are exempt from the requirements of FOG.
- G. The Treasurer shall maintain a list of all over-budget requests indicating which are approved and not approved. All new funding and over-budget spending since the last Annual meeting shall be presented to the Finance Committee at the Annual meeting and included in the Treasurer’s Annual Report.

VIII. SOUTHERN PACIFIC LOCAL MASTERS SWIM COMMITTEE FUNCTIONS

The goal is for SPLMSC is to provide consistent financial reporting, follow sound accounting principles and remain in compliance with IRS requirements.

- A. LMSC reporting shall include the following:
 - 1. SPLMSC shall prepare annual financial statements consisting of at least an income statement and balance sheet based on sound accounting practices.
 - a. The financial statements may be prepared as often as monthly or quarterly;
 - b. SPLMSC shall use the same fiscal year-end as USMS, which is a calendar year; and
 - c. A copy of the year-end financial statements shall be sent to the USMS National Office within 4 months after year-end or as requested by the USMS National Office
 - 2. SPLMSC must file an annual tax return, per IRS guidelines.
 - a. Depending upon the annual receipts and expenses, SPLMSC shall file Form 990, 990-EZ or 990-N (e-postcard). SPLMSC shall consult with a tax advisor regarding filing requirements or contract with a tax advisor to prepare the required forms;
 - b. If SPLMSC files Form 990 or Form 990-EZ, a physical or electronic copy of the return shall be sent to the USMS National Office within 10 days after filing and acceptance of the return with the IRS;
 - c. Any income unrelated to exempt activities may be taxable. Consult with a tax advisor.

3. A Form 1099-MISC shall be issued to any individual or business not operating as a corporation that SPLMSC pays \$600 or more in any one fiscal year for services rendered. Reimbursement of out-of-pocket expenses is not included on Form 1099-MISC.
- B. The SPLMSC Treasurer and Registrar shall not be the same person.
- C. Someone in the SPLMSC other than the Treasurer and the person reconciling the bank statements shall perform periodic reviews of accounting records.
- D. All LMSCs are subordinate organizations of USMS and derive their 501(c)(3) exempt status as members of USMS's group exemption. Therefore, USMS reserves the right to inspect all financial records of SPLMSC upon reasonable notice to the SPLMSC.
- E. If SPLMSC leadership finds it difficult to comply with any of these defined functions, they shall contact the USMS VP of Local Operations to arrange for assistance from USMS.

IX. INVESTMENTS AND RESERVES

- A. Equity Reserves ("Reserves") shall be maintained such that SPMS has \$10,000 in an insurance reserve and a \$25,000 general reserve in cash or cash equivalents. In addition to these Reserves, adequate cash reserves must be available to cover at least four (4) months of the current year budgeted expenses (which includes USAS convention-related expenses). These reserve requirements shall be tested each calendar quarter by the Treasurer to insure compliance. If the reserve is out of compliance, the required reserve amount shall be met by the end of the next calendar quarter.
 1. In addition, the Treasurer is hereby granted specific authority to maintain funds of SPMS in an amount not to exceed \$5,000 in financial institutions which do not meet the requirements set forth in IX.B.1.e.(i) and IX.B.1.e.(ii). This exception is granted to facilitate the transfer of funds between the operating disbursement accounts and the longer-term investments;
 2. On an annual basis, the Finance Committee shall review the list of investments in IX.B.1.a. and b. for continued inclusion or replacement; and
 3. SPMS may own obligations consisting of U.S. dollar-denominated investments meeting any of the following criteria:
 - a. Marketable, direct obligations of the United States of America maturing within two years from the date of acquisition thereof;
 - b. Prime commercial paper maturing within four (4) days from the date of acquisition thereof, and at the time of acquisition, having a rating of A-1 or higher by Moody's Investors Service, Inc., or F-1 or higher by Fitch Ratings; and
 - c. Interest-bearing certificates of deposit maturing within one year from the date of acquisition thereof issued by a commercial bank organized under the laws of the United States of America or any State thereof, issued by a commercial bank that is FDIC insured. Such certificates of deposit shall not exceed current FDIC insurance limits from any one bank.
- B. Long-Term Investments - A portion not to exceed \$25,000 of the investment balances of SPMS may be invested in a different fashion in accordance with the SPLMSC Investment Policy. To achieve SPLMSC investment objectives, a long-term strategic asset allocation among several asset classes shall be determined by the SPLMSC Executive and Finance Committees. Since long-term higher returns are very important in meeting the objectives of the SPLMSC investments, the asset allocation shall contain a mixture of equities and fixed income that subject the portfolio to the potential of moderate, but not devastatingly large short-term losses, and provide the potential for higher long-term returns. Equity investments shall be diversified among international

and domestic, as well as large, mid and small cap investments. The fixed income funds shall be in domestic, investment grade securities (generally considered to be rated A or better by a nationally recognized statistical rating organization). In implementing the asset allocation only readily marketable mutual funds and money market funds shall be utilized.

- C. All authorized signers on all SPMS' bank and investment accounts shall prepare and sign one letter directing each such institution where SPMS has an account to send the original of each statement or statements for such accounts, together with all checks and/or records of trades and/or transfers made, to the Treasurer. A copy of all statements and/or records of trades and/or transfers made shall be provided to the Treasurer.

X. PURCHASING PRACTICES

The goal is to obtain quality goods, services and materials for SPMS at a competitive price.

- A. At least three (3) quotes/bids be obtained for any single expenditure in excess of \$500 but less than \$1,000. Such quotes may be in writing from the vendors, or may be in the form of printouts from vendors' websites.
- B. For purchases in excess of \$1,000, formal bids by submitting a Request for Proposal (RFP) to a minimum of three (3) vendors unless there are fewer than three (3) vendors offering the service, goods, or materials.
 - 1. RFPs shall be submitted to vendors by the Committee Chair, Treasurer, Chair or other designee; and
 - 2. Bids shall be reviewed based on cost and what best meets the needs of SPMS. While cost is not the deciding factor, if the lowest bid is not selected, then the rationale supporting the choice of a higher bid shall be presented in writing to the Chair and Treasurer, along with the requesting party's recommendation for approval.
- C. If fewer than three (3) vendors are available or suitable to bid, the requesting party must present the reasons supporting the bid process used to the Chair, along with recommendations for approval. Such approval shall be submitted in writing to the Treasurer prior to the disbursement of any funds. Nothing in this guideline shall be construed as precluding negotiations between SPMS and a successful bidder in an attempt to improve a contract to the benefit of SPMS.
- D. Exceptions to this policy may be granted for the following providers to ensure continuity of service to the organization:
 - 1. Service providers – Contracts for the services of the Registrar, Newsletter Editor, and Top 10 Recorder open for bidding every two (2) years, in even-numbered years. A Contractor Subcommittee shall review the contractor job descriptions and make updates as required prior to posting and opening the bid process. These bids shall be reviewed by the Contractors Subcommittee, and a selection of vendor made, by the eligible voting members of the SPLMSC.
- E. The Chair and Treasurer shall approve such exceptions, with notification to the Finance Committee Chair.

XI. FIXED ASSETS

The purpose is to provide a framework for the effective management of SPMS's fixed assets.

- A. Property and equipment purchases in excess of \$5,000 shall be capitalized. This includes buildings, building improvements, equipment, office furniture, and computers.
- B. Both capitalized and expensed items shall be properly tagged with two separate records maintained by the Treasurer. The records shall include the tag number/serial number; purchase date; description of fixed asset; original cost, including freight, installation, labor, etc.; date of sale/obsolescence; and depreciation schedule for capitalized items.
- C. Assets capitalized shall be depreciated based on Generally Accepted Accounting Principles and IRS guidelines, as appropriate.
- D. All property and equipment of SPMS, including software licenses, shall be retained by the person into whose custody it is given for the purpose of facilitating the work of SPMS. If the person's assignment within SPMS changes or he/she no longer has use for the equipment, it shall be made available to his/her successor or others in SPMS who may have a need for the equipment.
- E. SPMS equipment that is obsolete and not needed by any SPLMSC member or other SPMS position may be sold. The priority is to make productive use of the property within SPMS. However, consideration may be given to the age of the equipment, its replacement value, its maintenance cost and cost of shipping.
- F. Equipment sales are also subject to the following conditions:
 - 1. All equipment sales must be approved by the Chair and billed by the Treasurer; and
 - 2. When SPMS equipment is to be sold, the sales price shall be the greater of the fair market value of the equipment or \$25.

XII. MISCELLANEOUS

- A. The giving of gifts and awards is appropriate and consistent with the purposes of SPMS and shall be encouraged. The making of grants to individuals and/or other not-for-profit 501(c)(3) organizations shall be made only after legal review to ensure compliance with IRS tax-exempt guidelines.
- B. The price of items sold to individuals, not for resale, shall be established at the lesser of Fair Market Value or cost of the items, plus mailing costs, rounded up to the nearest dollar.
- C. The Chair or designee, or the Treasurer shall negotiate contracts or agreements between SPMS and sponsors, vendors, independent contractors and employees for goods and/or services for which budget approval has been obtained. Proposed contracts or agreements greater than \$1,000 shall be reviewed by a representative of the Finance Committee, appointed by the Finance Committee Chair. Legal counsel shall also review.
- D. Unless specifically disclosed as part of a previously signed conflict of interest statement, no Officer, SPLMSC member, Committee Chair, subcontractor, employee or other official of SPMS shall accept any gift of more than \$25 (annual cumulative total of \$200) and or any meal with a value of more than \$75 from any SPMS vendor, bidder, or sponsor. This policy does not preclude participation in large, sponsored events or acceptance of items made widely available.
- E. Emergency/Disaster Over-Budget Procedure - In the event of an unanticipated occurrence which substantially inhibits or prevents the performance or maintenance of a necessary function of SPMS, whether such occurrence relates to personnel or equipment, and delay in responding to such unanticipated occurrence shall be damaging to the best interests of SPMS and its members, then any two (2) members of the

Executive Committee may authorize the expenditure of such funds as may reasonably be necessary to address the unanticipated occurrence. As soon as practical thereafter, such officers shall communicate in writing the substance of the unanticipated occurrence and their reasons for proceeding. Such report shall be provided to the full Executive Director, the Treasurer, the Finance Committee, and the SPLMSC.

XIII. FOP UPDATES AND CLARIFICATIONS

Any updates to FOP shall be developed by the Finance Committee in conjunction with the Treasurer and Chair on an annual basis and shall incorporate any financial policy or procedural change adopted by the SPLMSC during the course of the year. All recommended changes to FOP shall be presented by the Treasurer to the Executive Committee for approval. All Executive Committee approved FOP changes shall be presented to the SPLMSC prior to conclusion of the next Annual meeting. The most current version of FOP shall be posted on the SPMS website. Clarifications of any elements of FOP are available from the Treasurer, Chair, or Finance Committee Chair.