

Yale Arab Alumni Association  
**Financial Policies and Procedures**

**These financial policies have been voted into effect by the Board of Directors as of  
3 October 2011.**

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## **I. BUDGET PROCESS:**

### **Fiscal Timeline:**

#### October:

- Board reviews program, management achievements and fiscal performance for past year
- Board discusses budgeting priorities + strategic planning
- Board agrees on a set of programs for the year (action plan)
- Board agrees on share of budget to be allocated to different programs by October 31st
- Board appoints “audit committee” to select independent and credible auditor.

#### November:

- Treasurer takes the recommendations of the board and leads the drafting of a budget (income and expenditures) and narrative (which should include budget assumptions)
- The treasurer may form a committee to assist him/her in drafting the budget
- Treasurer to consult with Director of Fundraising for revenue projections
- Based on total budget prepared, Treasurer to prepare monthly budgets reflecting expected timing of revenues and expenses (to address cash flow issues)
- Treasurer presents draft budget and narrative to the Board by November 30th

#### December:

- Board members review the budget individually and prepare comments / feedback, send to the President by email
- Board holds a meeting/call as early as possible in December to discuss the budget.
  - Meeting is to be led by the President, who sets the agenda based on emailed feedback
  - The goal of the meeting is to come up with a clear list of modifications to the budget
- Treasurer modifies budget accordingly, returns draft to Board for final approval  
Board votes on the budget by email; supramajority<sup>1</sup> of the Board is needed, budget should be approved by December 31<sup>st</sup>  
Board appoints transparent and independent auditor.

#### January:

- Treasurer consolidates accounts for previous year and prepares full financial reports (balance sheet, income statement, cash flow statement) and presents them to the Board (See also Section II - Reporting)
- Board reviews and approves account statements.
- Independent auditor reviews or undertakes audit of organization’s financials.<sup>2</sup>

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<sup>1</sup> Where mentioned, supramajority refers to a minimum of two-thirds of the Board of Directors.

<sup>2</sup> In 2011 and 2012 when expected revenues are expected to be less than US\$ 250,000 per year, a review is adequate. Once this threshold is surpassed, it is recommended that a full audit is

February:

- Treasurer prepares Federal and State tax forms, including IRS Form F990 and other state and federal required forms and documentation in consultation with YAAA's legal counsel.

March:

- Financial Audit or Review is wrapped up (when the Auditors have completed their work)
  - Auditor presents audited or reviewed financials to the Board of Directors (meeting or conference call).
  - Board of Directors approves audited or reviewed accounts for publishing in the Annual Report

April:

- Treasurer submits Federal and State tax forms in the first week of April

June:

- Board to undertake budget review
- Treasurer consolidates two quarterly Financial Return Packets (See Section II - Reporting Procedures) into a Half-Year Report
- Board holds a call to discuss Half-Year Report, led by the President
  - Treasurer clarifies financial situation: explains any significant new incomes / expenditures, highlights major variances from the budget to date
  - President leads discussion of any modifications required to budget
  - Outcome of the call is a clear list of budget modifications, if any
- Treasurer presents modified budget to the Board, if needed
- Board votes on modified budget (if needed), update requires Supramajority of the Board

**Some guidelines to follow in preparing the budget:**

- As YAAA grows as an organization and as the budget increases, it may need to undergo a budget review process more frequently than on a semi-annual basis: once a quarter and eventually up to once a month.
- Actual budget execution for the general budget should not differ by more than 10-15 percent from approved budget allocations. Changes within line-items can be made as long as the overall budget does not differ by this stated guideline.
- The budget should be comprehensive. Major events and activities (such as a conference) need to be accounted for in the general budget but can have a separate section in the overall budget.
- In-kind goods and services can be listed as footnotes in the budget as these do not constitute a transfer of cash. They will be recorded as both revenues and expenses in the profit and loss statement.
- In the budget allocated, a line item shall be included to estimate expected costs from transfer fees during the year.

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undertaken. Consultation with YAAA lawyers should ensue to determine the revenue threshold for the state in which YAAA is incorporated.

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- In line with the YAAA Strategic Plan 2010-2015, a minimum balance of \$10,000 should be ensured at all times.

## II. REPORTING PROCEDURE:

- On a monthly basis:
  - Treasurer to document cash flows in Statement of Accounts (expenditures and incomes, See Section VI - Accounting) on an ongoing basis
  - Treasurer to receive monthly bank statements
  - Treasurer to review bank statements and Statement of Accounts with President
  - Treasurer to provide a Statement of Accounts (spreadsheet) to the Board of Directors for review
- On a quarterly basis, the Treasurer shall present the Board of Directors with a Financial Return Packet, which should include:
  - A Statement of Accounts for the quarter, with details for each line item
  - A bank reconciliation - reconciling budgeted amounts with cash amounts in bank
  - A narrative report highlighting all the major variances (more than 10% variance from budgeted amount)
  - A salary sheet when applicable
  - A cash count sheet when applicable - a count of petty cash ensuring that it matches with documented cash balance
- On an annual basis (between January and March - See Section I - Budget Process), the Treasurer shall:
  - Prepare full financial statements (balance sheet, income statement, cash flow statement)
  - Undertake external audit or review
  - Complete required tax forms

### **III. PURCHASE PROCESS:**

#### **General guidelines for purchasing:**

Use of competitive bidding shall be a priority practice. In calling for offers, it is vital that all specifications are clearly stated including date of delivery, quality of deliverable etc. The first criterion in choosing a supplier shall be the lowest bid with the prerequisite that the supplier can meet all of the criteria and conditions set out in the specifications. This includes offers requested on travel arrangements that shall be economy class.

#### **For purchase of under \$250, REFUND**

1. YAAA Rep or Board Member (requestee) sends request form to Board. Request includes:
  - a. Objective
  - b. Details
  - c. Expected Cost
2. Treasurer reviews the request, ensures it is in line with budget allocation and that funds are available.
3. Treasurer approves purchase, notifies requestee and Board of approval.
4. Requestee undertakes purchase.
5. Requestee furnishes proof of purchase (receipt) to Treasurer.
6. Treasurer compares receipt with request, ensures that it is within 10% of original request
7. Treasurer disburses funds to requestee
8. Treasurer documents the receipt and transaction in accounting system

#### **For purchase of under \$250, ADVANCE**

1. YAAA Rep or Board Member (requestee) sends request form to Board. Request includes:
  - a. Objective
  - b. Details
  - c. Expected Cost
2. Treasurer reviews the request, ensures it is in line with budget allocation and that funds are available.
3. Treasurer approves purchase, notifies requestee and Board of approval.
4. Treasurer makes advance payment to requestee
5. Requestee undertakes purchase
6. Requestee furnishes proof of purchase (receipt) to Treasurer.
7. Treasurer compares receipt with request, ensures that it is within 10% of original request
8. Treasurer receives excess funds / disburses additional funds (up to 10%) to balance transaction
9. Treasurer documents the receipt and transaction in accounting system

**For purchase between \$250-\$1000**

1. YAAA Rep or Board Member (requestee) sends request form to Board. Request includes:
  - a. Objective
  - b. Details
  - c. Expected Cost
2. Treasurer and President review the request, ensure it is in line with budget allocation and that funds are available.
3. Requestee conducts a price survey (price survey by telephone/email of two suppliers will be sufficient for determining the supplier) and submits results.
4. Treasurer and President must both approve purchase, notify requestee and Board of approval.
5. Treasurer makes advance payment to requestee
6. Requestee undertakes purchase.
7. Requestee furnishes proof of purchase (receipt) to Treasurer.
8. Treasurer compares receipt with request, ensures that it is within 10% of original request
9. Treasurer receives excess funds / disburses additional funds (up to 10%) to balance transaction
10. Treasurer documents the receipt and transaction in accounting system

**For purchases over \$1000**

1. Board Member or Committee Director (requestee) sends request form to Board. Request includes:
  - a. Objective
  - b. Details
  - c. Expected Cost
2. Treasurer and President review the request, ensure it is in line with budget allocation and that funds are available.
3. Treasurer presents case to the Board for approval. Supermajority of the Board is required for approval.
4. Treasurer notifies requestee of success of request.
5. Requestee and Treasurer prepare request for offers
6. Board approves request of offers
7. A quotation/invoice shall be obtained from at least three local suppliers. (For purchases of goods or services above \$15,000, sealed bids must be requested. Bids must be kept sealed until the deadline for request of offers has passed and all bids are to be opened in the same session. Bids are to be opened by President and Treasurer, with the Board in attendance (conference call is considered attendance)s).
8. Board reviews all suppliers bids and based on the lowest price policy, a supplier is to be selected.

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9. Treasurer and President approve disbursement of payment to the supplier based on the agreed terms of payment, with balance of payment furnished after service fully delivered or goods delivered.
10. Requestee furnishes proof of purchase (receipt) to Treasurer.
11. Treasurer documents the receipt and transaction in accounting system

#### **IV. CASH MANAGEMENT & BANKING:**

##### **Petty Cash Policy:**

- YAAA's decentralized and transnational organization structure, and lack of physical headquarters, make it difficult to have physical petty cash disbursement
- Instead, YAAA's petty cash policy allows YAAA Reps and Board Members to spend up to \$50 on YAAA event-related expenses without prior approval of the Treasurer. These funds will be reimbursed post-facto by the organization, provided that receipts are presented and demonstrate that the expenditure is YAAA-related.
- There shall be a limit on the use of petty cash such that YAAA Reps and Board of Directors can only utilize this privilege twice a year. Beyond this amount, authorization must be granted by the Treasurer.
- Under any circumstance the Treasurer has the right to voice a complaint to the President if he/she suspects any misuse of funds. The Treasurer and President also have the authority to veto any purchase to deny reimbursement. A dispute resolution mechanism shall be put in effect in this situation.

##### **Banking Guidelines:**

YAAA shall have a bank account based in the United States.

For on site events outside the US where disbursement may be needed, the approved amount will be transferred to YAAA representative designated by the BoD or directly to the bank account of the contractor (if possible).

For large events such as a conference, having a local bank account may facilitate operations. In this case, YAAA must ensure that it maintains legal status in the country in which it is operating. YAAA forbids bank accounts being open in the name of individual(s). In the case where YAAA is not registered as a national non-profit outside the U.S. it should ensure it has legal status which could be through partnership with a local organization (such as through a joint venture agreement).

Policies regarding issuance of cheques and their sign-offs shall correspond with the thresholds of the purchasing policy. Any items under \$1000 can be signed solely by the Treasurer. Cheques above this amount must be signed by two parties: the President and Treasurer. Special attention shall be made on local money transactions. All transactions (other than petty cash authorizations) must have been approved in the budget and need sign-off from the Treasurer and/or President pending on the amount.

It is the President and Treasurer's responsibility to abide by relevant Executive Orders and other rules regulating financial transaction of non-profit associations in the United States and also discuss with the board any financial transactions which may conflict with the spirit of the organization.

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## **V. PROJECT FINANCES**

All projects shall be accounted for in the general budget. As YAAA grows as an organization running multiple large projects, the Board of Directors may opt to have separate committees managing the funds of particular projects, all overseen by the Treasurer.

## VI. ACCOUNTING SYSTEM:

### General Guidelines:

- YAAA will adopt a single entry ledger system
- Accounts will be recorded in a spreadsheet on Google Docs that the Board of Directors has access to but only the Treasurer can modify

### Procedure:

1. Treasurer receives receipt and assigns it a Transaction Number
2. Treasurer scans receipt and names the file the Transaction Number; all scans to be kept in a single folder for easy review (accessible in view only mode to BoD).
3. Treasurer records the receipt in the accounting system, including:
  - a. date of transaction
  - b. description of how the money was spent or received
  - c. Transaction Number
  - d. an “amount out” column representing income or expenditure
  - e. the current balance, calculated by simple adding or subtracting the total from the previous current balance
  - f. at the beginning of each new page, the balance carried forward is entered from the bottom of the previous page

## **VII. TRAVEL POLICY TO MEMBERS:**

- Board members are expected to fly themselves to and from the annual retreat and international events such as the YAAA conference. Given that the organization has young Board members, those members who may need financial support may submit a travel request by November ahead of the upcoming fiscal year. These travel requests will be reviewed by the President and Treasurer against a demonstration of need criteria. Should the President and/or Treasurer have submitted a request, other Board members shall assess the request such that no conflict of interest is incurred.
- It is authorized that the BoD allocate five percent of its budget to a "Travel Pool" which shall be a separate line item in the budget. These funds will be allocated on a need basis to BoD members with demonstrated need to attend the annual BoD retreat (the priority event for the BoD and only event which may be subsidized 100 percent). Should funds remain, it is suggested BoD who demonstrate need may be granted subsidies up to 50 percent of the cost of travel such as to participate in the YAAA conference. Criteria for "demonstration of need" should be developed by the Board of Directors.