



## **FINANCIAL MANAGEMENT POLICY**

### **1. INTRODUCTION**

The Minerals, Metals, & Materials Society, Inc. (TMS) recognizes that it has many characteristics of a business and operates in a competitive environment. Thus, TMS must continually strive to improve and enhance its services to retain and attract members, as well as to keep its products reasonably priced. TMS also has responsibilities in its role as the professional society serving the minerals, metals and materials community that require financial resources to accomplish. The Board of Directors will define services to be rendered by TMS and the methods for implementation of these services. The Board directs the Financial Planning Committee (FPC) to furnish custodianship of TMS's financial resources in providing these services.

### **2. PURPOSE**

The TMS Financial Management Policy establishes the methods and guidelines by which the FPC maintains the fiscal stability and viability of Society operations. It is based on principles of sound financial management and control, intended to meet service obligations to TMS members through periods of economic change. It specifically addresses the aspects of budgeting and investment as well as accounting and fiscal policies. The Financial Planning Committee of TMS maintains governance oversight of the implementation of this policy.

### **3. OVERSIGHT**

The Financial Planning Committee is responsible for oversight of the financial aspects of the Society, including:

- administration and reporting on this policy;
- recommendation of new financial policies and/or revisions or exceptions to existing financial policies to the TMS Board of Directors;
- monitoring fiscal results of all TMS activities and programs and providing status reports to the Board of Directors; and,
- alerting the Board of Directors to significant changes from planned results and recommending fiscal corrections where deemed necessary.

TMS Management will prepare periodic financial reports and will report on the status of compliance with financial policies to the FPC.

The Audit Committee, chaired by the Financial Planning Officer, shall arrange for a complete financial audit to be made every year. Such audit shall be presented to the Board of Directors at the next regularly scheduled meeting after the completion of the annual audit, the results of which will be reported to the FPC.

#### **4. OPERATING RESERVES**

It will be the objective of the society to maintain Operating Reserves, defined as the Society's unrestricted net assets less its equity in fixed assets less Board-designated unrestricted net assets, equal to an amount not less than 25% of annual operating expenses. The general purpose of the Operating Reserves is to help ensure the long-term stability of TMS and to provide funds for use:

- against severe economic conditions and other unanticipated events;
- for development of new products and services for TMS members; and,
- to support special initiatives approved by the Board of Directors.

The Financial Planning Committee will review the status of the Operating Reserves as part of the annual budgeting process, or at other times if conditions warrant.

#### **5. INVESTMENT POLICIES AND PROCEDURES**

**5.1** The General Fund investment portfolio of TMS provides the Society with both income and capital appreciation to support operations, development opportunities, operating reserves, capital projections, special projects, and other uses as directed by the Board of Directors.

**5.2** The TMS Foundation Fund investment portfolio provides the TMS Foundation with both income and capital appreciation to support TMS Foundation operations and programs, development opportunities, endowment preservation, and other uses as directed by the Foundation Board of Trustees.

**5.3** Increases in net assets must be put into investments which are managed in accordance with the TMS *Statement of Investment Policy, Objectives and Guidelines*.

#### **6. DEBT POLICIES AND PROCEDURES**

##### **6.1 Line of Credit**

6.1.1 The Society recognizes there may be short-term cash needs periodically which cannot be prudently met from current operations or the General Fund. The Society has a \$500,000 line of credit that may be used for temporary cash flow shortages in lieu of selling investments from the General Fund. If accessed, the Society should attempt to repay the Line of Credit as soon as practical, to minimize interest charges.

6.1.2 Borrowing against the line of credit requires the approval of the Executive Director.

6.1.3 The Executive Director must notify the Financial Planning Officer within 48 hours of any use of the line of credit.

6.1.4 TMS Management will report on the repayment status of the Line of Credit as part of its regular financial report to the FPC anytime the Line of Credit is in use.

##### **6.2 Credit Cards**

6.2.1 The Society may issue credit cards to staff for use in the conduct of business. The Society should attempt to pay outstanding balances in full each month to minimize interest charges.

### **6.3 Other Forms of Debt**

- 6.3.1 The Society may incur other forms of debt in special circumstances (e.g., mortgage) provided that such debt is approved by the Board of Directors at the recommendation of the FPC.

## **7. FINANCIAL POLICIES AND PROCEDURES**

### **7.1 Signatory authority and fund disbursement authority shall be vested as follows:**

- 7.1.1** The Executive Director is authorized to perform and to direct the performance by others of all acts on behalf of and binding upon the Society, including, but not limited to the following:

- 7.1.1.1** The execution of all contracts, agreements, encumbrances, leases, deeds, mortgages and other documents in regard to the Society's business and property which, in the judgment of the Executive Director, are necessary in order to conduct the affairs of the Society; and,

- 7.1.1.2** The execution of all contracts, agreements, encumbrances, leases, deeds, mortgages and other documents specifically authorized by resolution, approval, direction or consent of the Board of Directors.

- 7.1.2** Fund disbursement authority resides with the Executive Director, the Deputy Executive Director, the chief financial executive, and the lead accountant.

- 7.1.2.1** Two signatures are required for all checks equaling or exceeding \$2,500.

- 7.1.2.2** A disbursement authorization is required for non-payroll Electronic Fund Transfer (EFT) transactions. User roles are established with the banking institution such that the initiator of an EFT transaction cannot authorize the transaction.

- 7.1.3** All signatories/disbursement authorizers shall be properly bonded by TMS.

### **7.2 Significant Accounting Policies and Procedures.**

- 7.2.1** TMS uses the accrual basis of accounting.

- 7.2.2** Financial statements will be prepared following generally accepted accounting principles.

- 7.2.3** Dues and subscription revenues will be recorded as revenue in the period which it pertains. Fees for events and related direct costs are recognized as revenue and expense in the period in which the event is held.

- 7.2.4** TMS will capitalize assets in the period purchased if the individual or aggregate expense is greater than \$1,000 and the property has an estimated useful life greater than one year. Depreciation will be by the straight line method and the IRS guidelines will be referred to for basis in determining the life of an asset. Fully depreciated fixed assets will remain on the TMS Fixed Asset Records until disposed of or otherwise deemed worthless.

- 7.2.5** Non-recurring professional services exceeding \$25,000 in total expense should be subject to a bidding process in which formal requests for proposals shall be prepared and sent to qualified vendors.

- 7.2.6 Recurring professional services, including audit and legal, should be evaluated periodically and requests for proposals should be prepared and sent to qualified firms in the same field.
- 7.2.7 The accounting and finances of the TMS Foundation will be reported in a manner of a separate fund and not commingled with the TMS “operations” accounting and finances.

## **8. BUDGETING**

### **8.1 Three Year Budget Plan and Projection**

TMS financial planning strategy utilizes the Three Year Budget Plan and Projection.

- 8.1.1 The Three Year Budget Plan and Projection is defined as a fully developed budget plan for the next fiscal year plus summary level projections for the two subsequent fiscal years.
- 8.1.2 The Three Year Budget and Plan Projection will provide a projection of revenues, expenses, excess operating revenues, development expenses, net investment earnings, and capital expenditures.
- 8.1.3 The Three Year Budget and Plan Projection will include a projection of Operating Reserves for each year.

### **8.2 Annual Operating Budget**

- 8.2.1 TMS operations must be self-sustaining, with financial planning designed to produce annual excess operations revenues. . The annual operating budget is expected to provide a return on revenue (defined as excess revenue divided by operating revenue). In developing the annual operating budget, a minimum basis of attaining a 1% return on revenue should be employed.
- 8.2.2 A capital expenditure budget delineating the type of and amounts for capital expenditures in the operating year will be incorporated within the annual operating budget.
- 8.2.3 The Membership and Student Development Committee will review the dues rates annually and recommend retention or changes to current rates to the Board of Directors by the end of the second quarter each year. The Board-approved dues levels will be used in the preparation of the annual operating budget for the next fiscal year.
- 8.2.4 Technical Divisions budgets will be developed in accordance with the Technical Divisions Funding Policy.

### **8.3 Development Budget**

- 8.3.1 A Development Budget will be prepared that provides for support of strategic initiatives, the development of new products and services that serve TMS members, and that facilitates the growth and financial stability of the Society.

**8.3.2** The source of funds for the Development Budget is from the Operating Reserves.

#### **8.4 Process for Three Year Budget Plan and Projection Development and Approval**

**8.4.1** The TMS staff will prepare a fully developed budget plan for the following fiscal year and summary level projections for the next two subsequent fiscal years by the end of the current fiscal year.

**8.4.2** The FPC will review the budget plan for the following fiscal year, revise as necessary, and recommend approval to the Board of Directors.

**8.4.3** The FPC will review the summary level projections and operating reserve projections for the two subsequent fiscal years and approve as a guideline for future planning.

#### **8.5 Event Budgeting**

The threshold for specialty meetings and stand-alone short courses is a 15% return on revenue (defined as excess event revenue divided by the event total revenue).

The organizers of standalone short courses may specify within the event expense budget a line-item contribution to a Technical Division Endowment within the TMS Foundation. If approved, this will be considered a contribution to the TMS Foundation from TMS and not a contribution from the course organizers, registrants, or exhibitors/sponsors. Adding the TMS Foundation contribution to a course expense budget does not alter the requirement for the course to satisfy the minimum 15% return on revenue threshold. If the event fails to achieve a 15% return on revenue in performance, no contribution to the TMS Foundation from the event will be made.