A. Purpose
   1. To provide verification (by the Treasurer) that the dispersion of payments for services and material by RETA headquarters (HQ) in general and authorized by the Executive Director in particular is being done per budget and in the best interest of the organization.
   2. To work with the national office in setting up budgets for the organization including National Conferences.

B. Responsibilities
   1. Verify that all payments for services or material rendered to RETA are properly accounted for.
   2. Study the invoices and ascertain that purchases for material are legitimate, and proper.
   3. Check that refunds to chapters, or individuals, are proper and can be verified.
   4. Adhere to and enforce the RETA Financial Reserve Policy (Attachment 1100.1)
   5. Review RETA’s Income Tax form 990, when delegated by the Board of Directors, prior to it being signed by an officer of the Board.

C. Make up of committee
   1. The Executive Committee serves as the Finance Committee.

D. Board Responsibilities
   1. The Income Tax Form 990 prepared by the RETA CPA must be reviewed and approved by the Board of Directors prior to being signed and filed by an officer of the Board.

E. Capitalization
   Definition and Threshold:
   Capital purchases comprise furniture, fixtures, equipment, software, leasehold improvements, etc. that meet two criteria:
   1) a useful life of more than one year, and
   2) cost more than a certain amount.

   The RETA Board of Directors has established $2,000 as the threshold amount for capitalization.

   Competitive bid:
   For purchases in excess of $2,000, competitive bids (preferably three, minimum two) should be sought when appropriate. Where capital expenditures (i.e. expenditures above $2,000) are conducted with a single bid, the finance committee must approve the purchase.

   Approval:
   RETA’s Capital Budget is updated each year and should include proposed capital purchases that are anticipated to take place during the year. Those purchases itemized within the approved capital budget are considered approved.
Capital purchases not within the approved capital budget, must be specifically approved by RETA Board. To seek such approval, the Executive Director must provide the price and rationale for the purchase and assurance of availability of financial resources to support the purchase.

**Recordkeeping:**
RETA shall maintain a list of fixed assets showing the date of the acquisition, its cost, and a schedule for depreciation of the asset. RETA shall keep on file documentation for each purchase.

Annual depreciation expense will be included in RETA’s annual operating budget.

For each purchase, the Executive Director shall evaluate whether the acquisition will have an impact on insurance coverage, determine if present coverage valuations are adequate, and obtain additional coverage if necessary.

**F. Managing Bad Debt**
RETA processes invoices for new membership, membership renewal, publication materials, conference exhibitors/sponsors, conference attendees, advertising, etc. Invoices are typically due upon receipt unless otherwise noted; however, it is understood that it does take time for industry to process invoices for payment.

RETA’s financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities in accordance with generally accepted accounting principles. For those not aware of this method, the net result is that anytime an invoice is issued, the accounting method assumes it will be paid and is therefore an asset. If the invoice is not paid the debt must be written off. RETA reconciles its books monthly and closes the accounting period on the last day of each month. With this in mind, RETA has adopted the following Bad Debt – Write Off Policy:

At the end of each month when reconciling the financial statements, RETA will write-off 100% of all invoices that are at 180 days past the due date. If that receivable eventually becomes “collectable”, RETA will re-issue an invoice.

To track the “write-off”, RETA codes the write-off against the corresponding revenue. This ensures that for each revenue classification, RETA has an accurate reflection of actual revenue for the year for preparation of upcoming budgets.

**G. Collections**
RETA’s invoices are due upon receipt unless otherwise noted; however, it is understood that it does take time for industry to process invoices for payment.

RETA provides a 60-day grace period. Non-payment may result in cancellation of purchase, forfeiture of future participation in RETA events, and/or a 1.5% fee per month compounded monthly.

RETA clients are noticed of this policy by inclusion on every invoice.
ATTACHMENT 1100.1 - RETA FINANCIAL RESERVE POLICY

Maintaining an appropriate financial reserve for RETA is an extremely important responsibility of the Board of Directors.

Failure to maintain the necessary financial reserves could lead to insolvency during difficult economic times. RETA cannot serve its members and its mission if it ceases to exist. It would be unconscionable to allow RETA’s financial reserves to shrink to a level incapable of sustaining the organization through any foreseeable economic circumstance. Founded in 1910, this organization has survived two World Wars, the Great Depression and many other conflicts, recessions and economic setbacks. It is incumbent upon the Board of Directors to see that RETA remains alive and healthy as long as there are members to serve.

There are many opinions on what amount is needed in financial reserve. The normal rules of thumb would suggest that the reserves should never be less than 6 months of budgeted operating expenses to a maximum of one year of operating expenses. Beyond that amount, it could be argued that the organization is not just insuring its survival but also tying up funds that should be actively working in support of the Mission.

It shall be the responsibility of the Finance Committee (currently comprised of the Executive Committee members) when setting each annual budget to perform an analysis of the adequacy of current financial reserves.

There are various methods to review the financial health of the organization and it is the responsibility of the Finance Committee to document the methodology used for each budget preparation in the Treasurer’s report when the budget is presented to the board.

This analysis should include Worst Case Scenarios projecting what income could be lost in a major economic upheaval compared to what fixed expenses could not be readily shed and for what length of time. The result of this analysis should determine the financial reserve target amount. If the current financial reserve is less than the targeted amount, the budget must include income and expense adjustments specifically intended to balance the financial reserves in the shortest time possible or practical.

In the event of a Worst-Case Scenario, RETA’s Executive Director will institute RETA’s Brown-Out Plan which will outline various situations and operating expenses that could be eliminated during such a situation.

An exception to the six-month operating expense reserve would be for the Association to be able to use 25% of the reserve to re-invest into Association improvements or special projects. The Finance Committee would be responsible for outlining for Board approval the dollar amount, the type of improvement, and the pay-back schedule.

Use of the Association’s reserve fund for re-investment can be for activities that include but are not limited to projects such as infrastructure upgrades or new program development. Borrowing from the reserve fund should not be used to routinely support normal operational activities such as salaries, rent, utilities, etc.
Regardless, in no case should the Financial Reserves be allowed to remain at a level less than three months of calculated operating expenses without immediate action to correct this deficiency. If borrowing will drop the reserve to below the minimum three-month criteria, the “loan” shall not be approved.

Conversely, if Financial Reserves exceed one year of budgeted operating income the excess funds should be put to work in Mission related activities and/or dues and other income should be re-evaluated in light of such windfall unless a compelling case can be made before the Board of Directors as to why the excess Reserves are necessary at that time. One possible example would be building reserves for anticipated unusual and extraordinary expenses, however a separate fund specifically for that purpose would be more appropriate.
ATTACHMENT 1100.2 –
CAPITAL PURCHASES & CAPITALIZATION THRESHOLD POLICY

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1) a useful life of more than one year, and
2) cost more than a certain amount.

The RETA Board of Directors has established $2,000 as the threshold amount for capitalization.

Competitive bid:
For purchases in excess of $2,000, competitive bids (preferably three, minimum two) should be sought when appropriate.

Approval:
RETA’s Capital Budget is updated each year and should include proposed capital purchases that are anticipated to take place during the year. Those purchases itemized within the approved capital budget are considered approved.

Capital purchases not within the approved capital budget, must be specifically approved by RETA Board. To seek such approval, the Executive Director must provide the price and rationale for the purchase and assurance of availability of financial resources to support the purchase.

Recordkeeping:
RETA shall maintain a list of fixed assets showing the date of the acquisition, its cost, and a schedule for depreciation of the asset. RETA shall keep on file documentation for each purchase.

Annual depreciation expense will be included in RETA’s annual operating budget.

For each purchase, the Executive Director shall evaluate whether the acquisition will have an impact on insurance coverage, determine if present coverage valuations are adequate, and obtain additional coverage if necessary.