

**THE HERB SOCIETY OF AMERICA, INC.**  
**FINANCIAL PROCEDURES**  
**Approved 2/26/2011**

Financial management in the operation of all HSA activities supports fulfillment of the organization's mission in the most effective and efficient manner and with full accountability to stakeholders, including members, funders, employees, and the community. In order to accomplish this, HSA commits to provide accurate and complete financial data for internal and external use by the executive director and the board of directors.

**Financial Authority**

- The board of directors is ultimately responsible for the financial management of all activities.
- The executive director (ED) is responsible for the day-to-day financial management of the organization. To this end, the board authorizes the executive director to hire and supervise staff and independent consultants, pay bills, receive funds, and maintain bank accounts.
- The executive director is authorized to sign checks up to \$5,000. Checks for amounts greater than \$5,000 need the approval of the treasurer or board president, evidence of which must be attached to the record of the payment.
- The executive director is authorized to enter into contracts for activities that have been approved by the board as a part of budgets or plans. The board of directors must authorize any contracts outside these parameters and all contracts with a financial value greater than \$5,000.
- The executive director is authorized to manage expenses within the parameters of the overall approved budget, reporting to the finance & operations committee on variances and the reason for these variances.
- The board of directors must approve any use of the investment funds.

**Responsibilities**

The Executive Director will:

- Account for investment funds separately from general operating funds, and clearly adhere to the restrictions applicable to these funds. Report the financial results of HSA operations on the schedule established by the finance & operations committee, but at least quarterly.
- Pay all obligations and file required reports in a timely manner.
- Make no contractual commitment for bank loans, corporate credit cards, or for real estate lease or purchase without specific approval of the board.
- Record fixed assets with a purchase price of \$500 and above in accounting records as capital assets. Depreciation of capital assets will not exceed five years for furniture and equipment or three years for computer and other technology equipment.
- Limit vendor credit accounts to prudent and necessary levels.
- Obtain competitive bids for items or services costing in excess of \$5,000 per unit. Selection will be based on cost, service and other elements of the contract. HSA may award the bid to any provider and is not required to accept the lowest cost proposal.

The Board of Directors will:

- Review financial reports at each board meeting.
- Provide adequate training to members to enable each member to fulfill their financial oversight role.

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**I. GENERAL**

1. The board of directors formulates financial policies, delegates administration of the financial policies to the executive director, and reviews operations and activities.
2. The board of directors reviews and approves the annual budget, based on HSA's fiscal year (April through March), to direct how funds are spent.
3. The board must approve expenditures over \$5,000 or financial commitments to projects that have not already been incorporated into the approved budget.
4. The treasurer chairs the finance and operations committee composed of the president, vice president, development chair, immediate past president and the executive director (*ex officio*). (Reference *HSA Operating Manual* for the committee's job description and responsibilities.)
5. The executive director maintains a calendar of report deadlines and notifies the board of directors as the required financial reports and information returns are filed.
6. The executive director has management responsibility including financial management.
7. The executive director ensures that all employee job descriptions delineate any financial duties and responsibilities.
8. Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, disbursements, payroll, reconciliation of bank accounts, etc.
9. The Society maintains a blanket employee - dishonesty coverage in the amount of \$30,000 per occurrence.
10. The executive director, bookkeeper and/or treasurer will review the professional financial service providers annually. These include accounting software, payroll services, insurance, banking, investment management, retirement services, and auditors.
11. The bookkeeper maintains a current and accurate log of the chart of accounts and accounting classes.
12. The finance & operations committee reviews these policies and procedures tri-annually, in the last six months of the treasurer's term.

**II. BANKING INSTITUTIONS AND ACCOUNTS**

In order to minimize risk and maximize benefit, HSA utilizes only federally insured local banking and savings institutions. In the usual course of business the amount on deposit with any one institution may not exceed the FDIC insured limit. The finance & operations committee will review all banking relationships annually.

**III. CASH RECEIPTS** (includes checks)

All income intended for HSA will be properly received, deposited, recorded, reconciled, and kept under adequate security. Any cash received must be promptly and fully deposited.

1. The executive director or staff designee opens any mail addressed to HSA or without specific addressee. The receipt of checks or cash will be recorded in the accounting system
2. The executive director designee will endorse all checks by rubber stamp to read as follows:

PAY TO THE ORDER OF  
\_\_\_\_\_ Bank

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**FOR DEPOSIT ONLY**

*The Herb Society of America, Inc.*

*HSA Account Number*

The endorsement stamp will specify into which corporate account (savings, checking) the deposit will be made.

3. A report will be printed that includes the source and amount of the receipt as well as the total daily deposit.
4. The executive director designee will complete deposit slips in duplicate. Receipts and deposit slip will be placed in an envelope for the current HSA bank.
5. If no cash is present, the envelope may be sealed and sent through the US mail. If cash is present, the executive director designee will verify deposited funds prior to sealing the envelope and making the deposit in person.
6. Documentation for all receipts (a copy of check, letter, etc.) will be attached to the duplicate slip and filed chronologically.
7. All receipts will be deposited intact. No disbursements will be made from cash or check receipts prior to deposit.
8. The executive director designee will record each cash payment received in a numbered receipt book with a duplicate for the payer. Cash will be locked in a secure location until taken to the bank.
9. The executive director will receive a copy of all deposit reports for review.
10. Checks received at alternate locations (e.g. units, events, symposia, or gatherings) will be endorsed as in #2 above and mailed to headquarters within 2 weeks. Receipts will be given for cash as in #8 above.
11. Cash received at alternate locations will be handled as follows:
  - a) If a staff member is present, the cash will be brought to headquarters by that staff member. Two people will count the cash and prepare a signed receipt. The original receipt will be retained by the person who originally received the cash OR the person coordinating the offsite event. One copy will remain with the staff member receiving the cash.
  - b) If no staff member is present at alternate location, the cash will be counted by two people and a written accounting prepared with each person retaining a copy of the receipt. A cashier's check or a money order will be purchased and forwarded to headquarters with the written accounting. The fee for the cashier's check or money order will be considered a valid expense of the activity.
12. Credit card transactions will be processed by the executive director designee. The original credit slip is sent to the member or customer and a copy is stapled to the original sales slip, membership request or order. The executive director designee will verify that the transaction was processed and settled by the bank at least bi-weekly.

**IV. CASH DISBURSEMENTS**

**A. CHECK AUTHORIZATION**

1. All invoices will be immediately forwarded to the executive director designee who will review the invoices for mathematical accuracy, validity, conformity to the budget (or other board authorization) and compliance with bid requirements.
2. Prior to payment, all invoices will be approved (indicated by initialing) by the executive director or designee who will code the invoice with an appropriate expense or other chart of accounts line item number, class and job number (where applicable).
  - a. The executive director designee will ensure that all conditions and specifications on a contract or order have been satisfactorily fulfilled, including verifying items

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received against packing slip counts. The executive director designee is responsible for timely follow-up on discrepancies and payment.

- b. By approving an invoice, the executive director designee verifies that it has been reviewed and a check has been authorized.
3. Approved invoices will be entered into the accounting system using the appropriate screen or module.
4. The executive director designee will prepare checks on a weekly basis.
5. Authorized signers on HSA's accounts include the executive director, board president and treasurer.

**B. CHECKS**

1. The executive director designee will be responsible for all blank checks.
2. All checks, including payroll checks (with the exception of direct deposit payroll items) will be signed by the executive director, board president or treasurer.
3. The executive director designee will generate checks for approved invoices through the accounting system screens where appropriate.
4. Voided checks will have "VOID" written boldly in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file.
5. In no event will:
  - a. Invoices be paid unless approved by an authorized signer;
  - b. Blank checks (checks without a date or payee designated) be signed in advance;
  - c. Checks be made out to "cash", "bearer", etc., except for petty cash;
  - d. Checks be prepared on verbal authorization, unless approved by the executive director.
6. In the event that it is necessary to issue a duplicate check for checks in an amount greater than the stop-pay fee, a stop payment will be ordered at the bank on the original check.

**C. BANK RECONCILIATIONS**

1. Bank statements will be received directly and opened by the bookkeeper.
2. The bookkeeper will reconcile the bank statement monthly.
3. The treasurer will receive monthly statements of checks paid on all accounts.
4. The executive director will verify the reconciliation of the bank accounts on at least a quarterly basis.
5. On all checks outstanding over 90 days, the bookkeeper should take appropriate action.

**V. LINE OF CREDIT**

Currently HSA does not maintain a line of credit.

**VI. CREDIT CARDS**

HSA may maintain credit card accounts to facilitate efficient operations. Credit cards will only be issued in the name of specific employees with specific credit limits. All credit card transactions will be only for proper purposes and will be properly recorded.

**VII. PETTY CASH**

A petty cash fund may be maintained by staff to facilitate efficient operations. Such petty cash funds will be disbursed only for proper purposes, will be properly recorded, and will be adequately safeguarded at all times. Petty cash will be reconciled at least quarterly and reviewed by the executive director.

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Prior to the annual Educational Conference and Annual Meeting of Members a check may be written for cash while on site. The executive director will ensure that the check is cashed and will oversee the disbursement and accounting of these funds.

**VIII. PURCHASING**

**A. PURCHASES UNDER \$5,000**

1. All purchases must be approved in advance by the executive director.
2. If purchase is less than \$150, persons authorized by the executive director can make the purchase. When this is done, invoice copies are given to the executive director.

**B. PURCHASES OVER \$5,000**

1. All purchases including services must be reviewed by the executive director and approved in advance by the treasurer and the board president.
2. Purchases over \$5,000 will be required to undergo a competitive bid procedure.
3. All bid requests will contain clear specifications and will not contain features which unduly restrict competition.
4. The executive director will ensure that all conditions and specifications of a contract, bid, or order have been satisfactorily fulfilled and will be responsible for timely follow-up of these purchases.
5. The executive director will obtain at least 3 bids wherever possible or as previously approved by executive committee.
6. Purchases over \$5,000 will not be fragmented or reduced to components of less than \$5,000 to avoid the bid process.

**IX. PAYROLL**

**A. TIME SHEETS**

1. Each hourly employee will be responsible for completing a time sheet on a biweekly basis
2. Completed time sheets will be dated and signed by the employee and will be submitted to the executive director at the end of the last working day of each pay period.
3. No payroll checks will be issued without a completed time sheet and time card if required.
4. Incomplete time sheets and cards will be returned to the employee for correction.
5. The executive director will verify the accuracy of the time sheets and addition.
6. Employees will be paid every two weeks, in arrears; deductions are itemized on each paycheck.

**B. PAYROLL**

1. The bookkeeper will enter payroll, print payroll checks, make direct deposit transfers, print payroll reports, ensure payment of tax liabilities and send reports to the executive director.
2. The executive director distributes payroll stubs to all employees.
3. The bookkeeper is responsible for entering payroll reports into the accounting system.
4. Voluntary terminations will be paid at regular pay date. Involuntary terminations will be mailed their final payroll check on the regular payday.

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**C. PAYROLL TAXES**

1. The bookkeeper will prepare and transmit the payroll tax reports and payment, W-2 forms, and 1099 forms.
2. The executive director will verify payroll tax preparation and payment on a quarterly basis.

**D. BENEFITS**

1. Payroll will be prepared in accordance with the personnel policies and benefit plan.

**X. TRAVEL & EXPENSES**

Travel and expense reimbursement will be handled in accordance with the 'HSA Expense Reimbursement Policy in effect at the time of occurrence (reference *HSA Operating Manual*).

**XI. CONSULTANTS**

1. Before contracting for services, the executive director will evaluate internal staff and resources.
2. Written contracts clearly defining work to be performed, terms and conditions will be maintained for all consultant and contract services.
3. The qualifications of the consultant and reasonableness of fees will be considered in hiring consultants.
4. Consultant services will be paid for as work is performed or as delineated in the contract.
5. The board of directors will approve audit and other significant contracts.
6. The bookkeeper will prepare 1099 reports as needed at year end.

**XII. PROPERTY**

**A. EQUIPMENT**

1. Equipment is defined as all items (purchased or donated) with a unit cost of \$500 or more and a useful life of more than one year.
2. The executive director designee will maintain an inventory log; which lists a description of the item, date of purchase or acquisition, price or fair value of the item and its location.
3. A physical inventory will be conducted annually and adjustments recorded in the log and/or accounting sub-ledger.
4. A depreciation schedule will be prepared at least annually for the audited financial statements.
5. The bookkeeper will record all equipment in the accounting system. An entry must be made whenever property is disposed of or acquired.

**XIII. LEASES**

1. The executive director will review all leases on an annual basis or more frequently as needed
2. All leases, clearly delineating terms and conditions, will be approved and signed by the executive director; leases for more than \$5,000 over the life of the lease will need board approval.
3. The executive director will keep a copy of each lease on file.
4. The bookkeeper will be notified of each lease and lease specifications, and will make proper accounting entries for same.

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**XIV. INSURANCE**

1. Reasonable, adequate coverage will be maintained to safeguard the assets of the corporation. Such coverage will include property and liability, worker's compensation, employee dishonesty and other insurance deemed necessary.
2. Annually, the executive director will assess The Society's current insurance needs and then carefully review all insurance policies for their appropriateness before renewal.
3. The executive director will maintain insurance policies in insurance files.
4. Insurance policies will correspond to the calendar year whenever possible.
5. The bookkeeper will prepare and maintain an insurance register.

**XV. TELEPHONE**

1. Personal long distance calls made on HSA's telephones by employees must be logged with the bookkeeper, indicating that it is a personal call. Employees will be billed for these calls.
2. HSA business calls from phones outside the office should be submitted for reimbursement following the Expense Reimbursement policy

**XVI. BOOKS OF ORIGINAL ENTRY**

1. HSA will utilize a double entry system for accounting for all funds.
2. Adequate documentation will be maintained to support all general entries.
3. At the end of each month, the bookkeeper will prepare a Balance Sheet, Statement of Activities, and Statement of Activities by Project. Each will be reviewed by the executive director.
4. The Statement of Activities report will include a comparison to the budget.
5. HSA will maintain its accounting records on the accrual basis in a manner that facilitates the preparation of audited financial statements conforming to generally accepted accounting principles and not-for-profit accounting standards.

**XVII. GRANTS AND CONTRACTS**

1. The executive director will carefully review each award and contract to ensure compliance with all financial and programmatic provisions. The executive director will maintain originals of all grants and contracts in a file.
2. The bookkeeper will prepare accounting entries as appropriate to record each award.
3. Additionally, the bookkeeper will prepare and maintain on a current basis a Grant/Contract Summary form for each grant or contract awarded to HSA. This form will include the name, address, contact person, and phone number for the funding organization; the time period applicable to expenditures; all significant covenants (such as bonding or liability insurance requirements) and restrictions on expenditures; all required financial and program report and due dates; and the chart of accounts line item number for the revenue deposited.
4. Payments for projects for which HSA serves as fiscal agent will be paid out within one week upon meeting the terms of the grant or the contract
5. The bookkeeper will prepare financial reports to funding sources as required.
6. The executive director will review and approve all reports to funding sources.
7. It will be the responsibility of the executive director to insure that all financial reports are submitted on a timely basis.

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**XVIII. BUDGETS**

In order to ensure that planned activities minimize the risk of financial jeopardy and are consistent with board-approved priorities, long-range organization goals, and specific short-term objectives, the executive director will:

1. Prior to each fiscal year, submit operating and capital budgets to the finance & operations committee in time for reasonable review by the committee and subsequently, the board.
2. Use and document responsible assumptions and projection background, with a general goal of an unrestricted surplus.
3. Ensure that budgets are on file.

During a fiscal year the board of directors must approve proposed changes in the budget, should they exceed \$1,000.

**XIX. LOANS**

1. The board of directors will approve all loans.
2. A promissory note will be prepared and signed by the board president and another officer of the board before funds are borrowed.

**XX. OTHER**

**A. MINUTES OF MEETINGS**

1. The secretary will prepare accurate minutes of all meetings of the board of directors; the finance & operations committee will appoint a member responsible for taking minutes of their meetings.
2. The executive director will note all items in the minutes relating to finance and take appropriate action.

**B. NON-PROGRAM INCOME**

Donations of cash and non-program related income will be accounted for separately.

**C. ACCOUNTS RECEIVABLE**

1. In general, no credit will be extended. Exceptions may be granted by the executive director to a limit of \$1,000.00, or by board approval in greater amounts.
2. Documentation will be maintained for accounts receivable.
3. Accounts receivable will be recorded in the books and collected on a timely basis.

**D. FORM 990**

1. The board of directors, in conjunction with the audit, will authorize preparation of Form 990. Form 990 will be signed by an officer of the board of directors.
2. Copies of Form 990 will be filed in the executive director's files, and a copy of the HSA's Form 990 and Form 1023 will be available for public inspection and/or copying and will be posted on the HSA Web site.

**E. AUDITS**

1. The board of directors annually will contract with an independent auditing firm for a review or full audit of the books, to be completed prior to the following first of September.
2. The review/audit schedule will correspond to the treasurer's three-year term, with the audit being completed following (or at the close of) the third year of the treasurer's term.



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**F. PERSONNEL FILES**

1. The executive director will maintain a personnel file for each employee, containing appropriate documents, such as the signed compensation agreement, approval of changes in compensation, an I-9 immigration form, and withholding forms for taxes, benefits, deferred compensation, and charitable contributions.

**G. FISCAL AGENT STATUS**

1. The HSA executive committee must authorize all fiscal sponsorship arrangements, which are then approved by the board.
2. All fiscal sponsorship arrangements will begin with a written agreement, stating the terms of the relationship and the purpose for the use of funds.
3. Fiscal sponsorships will be limited to projects for which the HSA executive committee determines that the project is charitable and consistent with the HSA's mission of strengthening the nonprofit sector, and that no real or perceived conflicts of interest exist with board or executive committee members.
4. HSA will negotiate with the sponsored project a rate for indirect or direct costs to cover HSA's expenses of administering the temporarily restricted fund.
5. Sponsored projects will be required to submit full and complete quarterly and year end reports to HSA by the end of the HSA's fiscal year, March 31, and must include:
  - a. Detailed expenses using budget categories for original grant;
  - b. Program accomplishments and activities;
  - c. Lobbying expenditures; and
  - d. Amount of remaining funds.
6. Any changes in the purpose for which grant funds are spent must be approved in writing by HSA before implementation. HSA retains the right, if sponsored projects breach the fiscal sponsorship agreement, or if a sponsored project jeopardizes HSA's legal or tax status, to withhold, withdraw, or demand immediate return of grant funds.
7. HSA's executive director will submit quarterly reports to the executive committee, to be circulated to the entire board, on the status of active fiscal sponsorships.
8. HSA will file appropriate tax forms for sponsored projects, including IRS form 1099

**H. FINANCIAL TRANSACTIONS WITH INSIDERS**

1. No fund advances to employees, officers, or directors are authorized. Direct and necessary expenses including travel for meetings and other activities related to carrying out responsibilities will be reimbursed.
2. In no case will HSA borrow funds from any employee, officer, or director of the organization without specific authorization from the board of directors.

**I. GIFT ACCEPTANCE**

Gifts to The Society may be accepted in accordance with the donations policy in effect at the time of the gift (reference *HSA Operating Manual*).

**J. ASSET PROTECTION**

In order to ensure that the assets of HSA are adequately protected and maintained, the executive director will:

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1. Insure against theft and casualty losses to the organization and against liability losses to board members, staff, or the organization itself to levels indicated in consultation with suitable professional resources.
2. Plan and carry out suitable protection and maintenance of property, building, and equipment.
3. Avoid actions that would expose the organization, its board, or staff to claims of liability.
4. Protect intellectual property, information, and files from unauthorized access, tampering, loss, or significant damage.
5. Receive, process, and disburse funds under controls that are sufficient to maintain basic segregation of duties to protect bank accounts, income receipts, and payments.
6. Invest money in accordance with board-approved investment policies.