

	<b>POLICY &amp; PROCEDURE</b>	<b>POLICY NUMBER:</b>  810
	<b>Subject:</b>  Financial Operating Guidelines	<b>EFFECTIVE DATE:</b> 2/1/2022  Approved: 1/18/2022  Amended:  Retired:

## Overview

MNSI Finance Committee operates as a decision-making group with fiduciary responsibility.

## Purpose of Financial Operating Guidelines

Establishment of operating guidelines to aid the Finance Committee and ultimately the Board with making decisions. Assist with budgeting, spending decisions, and long-term approach to savings and investments in accordance with other Finance Policies.

Furthermore, there are currently very few parameters for the Finance Committee and the Board to re-allocate funding which limits stewardship and can lead to missed opportunities to fund new initiatives.

## Guidelines

1. Treasurer is to review Financials with the Finance Committee on a monthly basis.
2. Treasurer to conduct monthly review of expenses, revenue and liabilities to ensure MNSI is staying within a 5% tolerance of the annual budget. If year-end projections are outside 5%, Treasurer to discuss possible actions with the Finance Committee and provide recommendations to the Board.
3. Treasurer is to maintain the MNSI Short-Term Cash Balances greater than or equal to the expected operating expenses for the next six months (within 10%).
4. Treasure to monitor and maintain Operating Reserves as specified in Policy 860 through Long-Term Investment Portfolio.
5. In the event that the MNSI Long-Term Investment Portfolio Balance exceeds Board-Designated Operating Reserves, the Finance Committee will notify the Board, and the Board will request proposals for use of the additional funds to be awarded at discretion of the Board.

## Uses and Timing

1. These guidelines shall apply when setting budgets or making new decisions regarding revenue or expenses that impact the annual budget.
2. Should Short-Term Cash Balances exceed the required balance (#3 above), the Treasurer shall move the excess balance to the Long-Term Investment Portfolio bi-annually.
3. Board approved uses of Long-Term Investments will require the Treasurer to liquidate Long-Term Investments to Short Term Cash reserves for disbursement.

## Definitions

**Balance Expense with Revenue** – Each year a budget is created. Decisions are made throughout the year that affect the MNSI operating income.

**Operating Income** – Revenue less expenses.

**Short-term Cash Reserves** – These are the Checking and Savings balances. A commonly used goal for non-profits is 3-6 months expenses.

**Long-term Investment Portfolio** – This can also be considered a capital reserve. It typically is not used as part of annual budgeting funding. This Policy helps facilitate the use of these funds above any Operating Reserve.

**Board Designated Operating Reserves** - Amounts reported in the Unrestricted Net Assets section of the balance sheet and identified as Board-Designated Operating Reserve.

### EXAMPLE (November 2021)

#### 1. Financials

Revenue YTD = \$17,331

Expense YTD = \$34,083

Checking balance = \$14,687

Savings balance = \$214,210

Long-term investment portfolio balance = \$755,244

Liabilities (as defined by the MNSI balance sheet)

#### 2. Balance Expense with Revenue

Operating Income = (\$16,752)

#### 3. Short-Term Cash Balances

Checking of \$14,687 plus Savings of \$214,210 minus \$2,767 of accounts payable minus \$2,091 of payroll liabilities = equals \$224,039.

6 months expenses per current budget equals \$190,000.

Therefore, we have an excess of \$34,039 above the minimum balance.

#### 4. Operating Reserves

Competitive Excellence Reserve - \$25,877

Operating Reserve - \$350,000

Pool Development Reserve - \$20,000 = \$395,877 total

#### 5. Long-Term Investment Portfolio Balance

\$755,244 - \$395,877 = \$359,367 - This amount would be reported to the Board for use.