

NELF FINANCIAL MANAGEMENT POLICY

The following memorandum describes the policy adopted by the Board of Directors of the New England Legal Foundation (“NELF”) regarding financial management for the organization:

Section 1. PURPOSE. The NELF Financial Management Policy establishes the methods and guidelines by which the Board, by its Audit Committee (“AuditCom”), seeks to ensure the fiscal stability and viability of NELF operations. It is based on principles of sound financial management and control, intended to meet service obligations to NELF members through periods of economic change. It specifically addresses the aspects of budgeting and investment as well as accounting and fiscal policies. The AuditCom of NELF maintains governance oversight of the implementation of this policy, subject only to contrary direction by the Board or, when Board meetings are not practicable, by the Board’s Executive Committee.

Section 2. OVERSIGHT. The AuditCom shall consist of the NELF Treasurer who shall serve as the AuditCom Chair, the Board Chair, the Board Vice Chair and additional members appointed by the Board Chair. The AuditCom is responsible for oversight of the financial aspects of NELF, including:

- administration, implementation and reporting for this policy;
- engaging an independent auditor to conduct an audit of NELF on an annual basis, or more frequently as determined by the AuditCom, and serving as the principal point of contact to the independent auditor. Such audit shall be presented to the Board of Directors at the next regularly scheduled meeting after the completion of the annual audit;
- recommendation of new financial policies and/or revisions or exceptions to existing financial policies to the NELF Board of Directors;
- monitoring fiscal results of all NELF 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.

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

Section 3. OPERATING RESERVES. It will be the objective of NELF to maintain Operating Reserves, defined as NELF’s unrestricted net liquid assets plus available short-term debt (“liquid assets”), equal to an amount not less than 50% of Budgeted Annual Operating Expenses, with two months of operating expenses retained as a cash reserve. Budgeted Annual Operating Expenses is defined as the annual budget as of the date approved by the Board and from time to time thereafter as amended.

The general purpose of the Operating Reserves is to help ensure the long-term stability of NELF and to provide funds for use:

- against severe economic conditions and other unanticipated events;

- for development of new products and services for NELF members; and,
- to support special initiatives approved by the Board of Directors.

The Operating Reserves shall be maintained in a checking or money market account at a financial institution insured by the Federal Deposit Insurance Corporation (FDIC) or equivalent, except stocks and equities shall be maintained in a reputable investment account as directed by the Investment Committee.

The AuditCom will review the status of the Operating Reserves as part of the annual budgeting process, or at other times as warranted. The President shall notify the AuditCom if the Operating Reserves balance is less than 50% of the annual operating expenses for 60 consecutive days. Further, in the event that liquid assets are less than 50% of budgeted annual operating expenses, on recommendation of the President, the Board may amend the annual operating budget to conform to this objective or coordinate with the President to limit expenditures only to the line-item amounts approved by the Board. Unless otherwise noted and subject to the restrictions below, any new revenue shall be first applied to maintain Operating Reserves in accordance with the aforementioned requirements.

Section 4. INVESTMENT POLICIES AND PROCEDURES. The investment portfolio of NELF provides NELF with both income and capital appreciation to support operations, development opportunities, operating reserves, capital projections, special projects, and other uses as proposed by the President and approved by the Board of Directors.

Increases in net assets at year-end, less a liquid amount deemed necessary by the President to provide cash flow, and pay-down of any outstanding short-term debt, shall be put into investments which are managed in accordance with the direction of the Board Investment Committee, subject to approval by the Board, unless otherwise appropriated for operating budgets approved by the Board.

Section 5. DEBT POLICIES AND PROCEDURES.

Lines of Credit

NELF recognizes there may be short-term cash needs periodically which cannot be prudently met from current operations or the investment portfolio. In the discretion of the President, NELF may have lines of credit up to \$200,000 that may be used for temporary cash flow shortages in lieu of selling investments from the investment portfolio. Any line of credit in excess of \$200,000 shall require Board approval. If accessed, NELF should repay the Line of Credit as soon as practical, to minimize interest charges, with the objective of carrying \$0 short-term debt balance from one fiscal year to the next.

Borrowing against the line of credit up to the total balance of \$100,000 requires the approval of the President after consultation with the AuditCom. The President, or his or her designee, shall notify the Board Treasurer of any borrowing against the line of credit within two business days after such borrowing occurs. The President shall confer with the AuditCom before borrowing any amounts that result in short-term debt greater than \$100,000 in any fiscal year and, if required by the AuditCom, present the proposed borrowing to the Board's Executive Committee for prior approval.

NELF Management will report on the repayment status of a Line of Credit as part of its regular financial report to the Board any time a Line of Credit is in use.

Credit Cards

NELF may issue credit cards to staff for use in the conduct of business. No staff member may charge any credit card more than \$200 in the aggregate without the express prior approval of the President. NELF should attempt to pay outstanding balances in full each month to minimize interest charges. Staff shall be required as a condition of employment to promptly provide the Director, Finance & Operations, with the receipt for all items charged to the NELF credit card with a written explanation of the purpose of the expense and the names of any persons who were in attendance if the expense involves a beverage or meal.

Other Forms of Debt

NELF 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 AuditCom.

Section 6. FINANCIAL POLICIES AND PROCEDURES.

Signatory authority and fund disbursement authority shall be vested as follows:

President. The President is authorized to perform and to direct the performance by others of all acts on behalf of and binding upon NELF, including, but not limited to the following:

- The execution of all contracts, agreements, encumbrances, leases, grant applications, and other documents in regard to the NELF's business and property which, in the judgment of the President, are necessary in order to conduct the affairs of NELF and in accordance with this policy and with Board approval where required;
- 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.
- Fund disbursement authority resides with the President or, in the event of vacancy in the office of President or the President's disability, by the Director, Finance & Operations after consultation with the Treasurer.
- Signing checks, except that two signatures (the President and the Director, Finance & Operations) are required for all checks equaling or exceeding \$10,000 (provided such signing authority can be implemented without also giving sole signing authority to the Director, Finance & Operations).
- Signing written disbursement authorization which shall be required for non-payroll Electronic Fund Transfer (EFT) transactions or checks.
- User roles shall be established with the banking institution such that the initiator of an EFT transaction cannot authorize the transaction.
- The President and Director, Finance & Operations shall be properly bonded or insured by NELF against fraudulent conduct.

Separation of Banking Controls. No person, except the President, who has authorization to deposit funds shall also have authorization to withdraw funds, except for payroll EFT for payroll and benefits in accordance with the budget approved by the Board.

Donation Processing. No person, except the President, who has authority to deposit funds shall be permitted to open mail or deliveries that may contain donor check payments. Any donor check payments shall be logged in a manner directed by the President by the person who opens the mail, which log shall be available for inspection by the President or AuditCom at any time.

Thank yous and acknowledgements. All donations to NELF in any form shall be acknowledged by verbal or written thanks, as determined by the President, and all IRS charitable donation receipts shall be promptly mailed or sent to any donor following receipt of a donation or gift.

Significant Accounting Policies and Procedures.

NELF uses the accrual basis of accounting.

Financial statements will be prepared by the Director, Finance & Operations following generally accepted accounting principles.

Dues and subscription revenues will be recorded as revenue in the fiscal year in which it was received.

Fees for events and related direct costs are recognized as revenue and expense in the period in which the event is held.

NELF 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 NELF Fixed Asset Records until disposed of or otherwise deemed worthless.

Non-recurring professional services exceeding \$50,000 in total expense should be subject to a competitive process in which formal requests for proposals shall be prepared and sent to qualified vendors. AuditCom shall review such proposals; however, the President will have ultimate authority and discretion for selecting a vendor.

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.

The accounting and finances of the Equalizer Institute will be reported in a manner of a separate fund and not commingled with the NELF "operations" accounting and finances, except that 20% of all revenue received for Equalizer Institute operations shall be transferred to NELF operations as administrative overhead cost.

Section 7. BUDGETING.

One Year Budget Plan. No later than February of each fiscal year, the President shall present a proposed budget for review and approval by the Board after consultation and input from the Board Executive Committee and the AuditCom. Any proposed employee salaries and benefits shall be determined by the President after consultation with the Board Compensation Committee, except that the matter of the President's compensation shall be determined by the Executive Committee after consultation with the Compensation Committee.

The proposed budget will provide a projection of revenues, expenses, excess operating revenues, development expenses, net investment earnings, and capital expenditures, and a projection of Operating Reserves for each year.

NELF 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.

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.

Development Budget. The Annual Operating Budget shall include a Development Budget that provides for support of strategic initiatives, the development of new products, events, and services that serve NELF members, and that facilitates the growth and financial stability of NELF.

1/12 Budget. For any month in a fiscal year prior to Board approval of the Operating Budget, the President may presume approval for 1/12 spending per month from the prior fiscal year budget.

Mid-Year Budget Review. Each June, the President shall prepare a report for the Board's consideration with any recommended amendments to the Annual Operating Budget to align the reality of revenue and expenses to the projections of revenue and expenses on which the budget was based.

Line Items. The President may not exceed the line-item appropriation approved by the Board by greater than 5% but may in his or her discretion transfer surplus funds from any budgeted line item with surplus funds to any line item with deficit funds.