

AFT VERMONT #08043

Financial Policies and Procedures Guide

Date: May 22, 2014

Introduction

The purpose of the AFT Vermont *Financial Policies and Procedures Guide* is to provide AFT Vermont state federation officers and staff with direction and guidance in connection with accounting transactions, procedures, and reports, as well as the policies in place to protect and control AFT Vermont assets.

Although AFT Vermont operates for the benefit of its membership and is a not-for-profit entity, the importance of good record-keeping practices cannot be overstated. Since the composition of AFT Vermont leadership can change at any time, smooth transition of AFT Vermont's records is of primary importance. This can only be accomplished through a systematic and orderly system of record-keeping.

AFT Vermont Executive Council has approved this policy and procedure book on 5.22.2014. It is a requirement for all AFT Local unions in the state of Vermont to become familiar with and comply with any applicable policies and procedures.

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AFT Vermont

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AFT Vermont

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1. ASSET/LIABILITY ACCOUNTS POLICIES

A. CASH

1. PETTY CASH FUNDS

The AFT Vermont Executive Council will not authorize any employee to create or maintain a petty cash fund.

2. CASH AND CASH EQUIVALENT ACCOUNTS

Adequate resources should be maintained in these funds to meet the day-to-day operating requirements. Cash has a broader meaning than just cash on hand and cash in the bank. It includes cash equivalents, which are highly liquid short-term investments that can be converted into cash within three months from the date of acquisition.

Unless specifically stated elsewhere in the policy, cash and cash equivalents of AFT Vermont need to be limited to the following:

- Commercial banks and credit unions ** (see below)
- Savings banks
- Certificates of deposit or master notes issued by local banks or major foreign banks when commercial paper issued by such bank or holding company is rated investment grade by a recognized statistical rating organization or if the investment is limited to an amount covered by national government insurance.
- Money market funds managed by large mutual funds or brokerage firms of high quality, whose portfolios are conservatively constructed (average life of 60 months or less).

**Only the strongest and most secure commercial banks and credit unions in the community should be used for checking accounts. Investments need to be limited to amounts covered by insurance provided by the appropriate national government agencies.

AFT Vermont has the following bank accounts:

No-Interest Checking: Peoples United Bank
No-Interest Savings: Peoples United Bank
COPE: Peoples United Bank
Solidarity Fund Transfer/Checking: Peoples United Bank
MasterCard Credit Card (\$10,000 limit): Peoples United Bank

a. Check Signers and Signature Cards

Banks and credit unions require each person authorized to transact business through an account in that institution to sign a signature card. Check signers for AFT Vermont accounts must be officers of AFT Vermont.

The authorized check signers for AFT Vermont are:

- ✓ AFT Vermont President;
 - ✓ AFT Vermont Treasurer;
 - ✓ An AFT Vermont Vice President; and
 - ✓ One other AFT Vermont Officer
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- Checks should be signed only after they have been written with the check amount imprinted. **It is never proper to sign a check in blank or in advance of specifying the date, payee, and amount.**
 - Checks should be prepared using QuickBooks. Only on rare occasions should personnel write manual checks (handwritten, not in QuickBooks). On those rare occasions when this may be necessary, these personnel must return a photocopy of the check and all necessary supporting documentation to the Office Manager.
 - No checks should be signed by the payee. For example: if a check is written to reimburse expenses incurred by the Treasurer, the Treasurer should not sign his/her own reimbursement check.
 - The AFT Vermont Office Manager may never be a check signer.
 - Each local should establish its own check signature policy.

b. Bank Reconciliation

Bank statements are received each month from the bank by the Office Manager. The Office Manager matches each statement with the hard copies of deposits and ACH/EFT documentation. Statements copies are then forwarded to the President, the Treasurer, and the Accountant. The Accountant will review the statements for items such as unusual endorsements on checks, indications of alterations to checks, etc. This review should pay particular attention to any hand written checks, alterations, and discolored, or non-conforming typed checks. Unusual or unexplained items need to be reported immediately to AFT Vermont Executive Council.

The Accountant prepares the reconciliation between the bank balance and general ledger balance for each bank account, and then forwards the reconciliation documentation to the Office Manager for filing with the original bank statement.

It is the policy of AFT Vermont to complete the bank reconciliation process within two weeks of receipt of each bank statement.

A photocopy of each check (including voided checks) needs to be filed in numerical order by bank account and then by month.

c. Outstanding Checks

All checks older than six months, of \$1,000 or less, that are have not cleared the bank are written off. For un-cashed checks exceeding \$1,000 that are more than 6 months old, attempts to contact the payee will be made to resolve the issue and documented.

All stale checks that are written off within the same fiscal year that they were written need to be credited to the same expense or asset account that was debited when the check was written or the expenditure incurred. For stale checks written off in fiscal years subsequent to the year in which the check was written, the credit needs to be to miscellaneous income.

B. INVESTMENTS

In the event that investments are initiated by AFT Vermont, the following procedure will be followed.

1. PRUDENT INVESTOR RULE

All investments must be prudent and in compliance with the laws, rules, and regulations of the jurisdiction in which the individual organization is located. Prior to any purchases, approval of the AFT Vermont Executive Council is required.

2. APPROVED VEHICLES FOR LONG-TERM INVESTMENTS

Funds available for an extended period of time need to be diversified and limited to the following investment vehicles:

- Certificates of deposit or master notes issued by local banks or major foreign banks when commercial paper issued by such bank or holding company is rated investment grade by a recognized statistical rating organization or if the investment is limited to an amount covered by national government insurance.
- National government obligations (maturing in 36 months or sooner).
- National government agency issues (maturing in 36 months or sooner).
- Commercial paper rated investment grade.
- Bond mutual funds conservatively constructed and managed by reputable companies (average life of 60 months or less).
- Repurchase Agreements backed by marketable United States government securities and handled by reputable financial institutions.

3. REPORTING

All purchased investments need initially to be recorded at cost. All investments acquired by donation to AFT Vermont shall initially be recorded at their fair market value as of the date of donation. Donated investments need to be recorded as unrestricted, temporarily

restricted, or permanently restricted income and net assets based on the existence or absence of such restrictions, as defined earlier.

4. PROCEDURES

The following procedures will be followed to ensure that investments are properly managed, and that these investment policies are consistent with the mission of AFT Vermont and also accurately reflect the current financial condition of the state federation:

- A schedule of investments needs to be prepared for presentation on an annual basis to the AFT Vermont Executive Board.
- Investment policies need to be reviewed annually by the officers, working with the AFT Vermont Executive Council to determine any appropriate modifications.
- Recommendations for any revisions or modifications to the investment policy will be made by the AFT Vermont Executive Council and recorded in the minutes of the Executive Council or Board meeting.

C. ACCOUNTS RECEIVABLE

On a quarterly basis, a detailed accounts receivable aging report (showing aged, outstanding invoices by customer) needs to be generated and reconciled to the general ledger. All outstanding invoices greater than 60 days need to be immediately investigated, and the Treasurer needs to review the reconciliation.

1. COLLECTIONS

Collections will be performed on an as needed basis, according to a review of the outstanding items shown on the accounts receivable aging report. This report shows the current month's activity and prior months' balances outstanding for 30, 60, 90, and 120 days.

AFT Vermont will send vendors their unpaid balance statements as needed. After a balance is unpaid for 60 days, the Office Manager will contact the debtor and attempt to collect the amount due. A record will be kept of all contacts.

2. ACCOUNTS RECEIVABLE WRITE-OFF AUTHORIZATION PROCEDURES

AFT Vermont will ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. If an account receivable is deemed uncollectible, approval from the AFT Vermont Executive Council is required before the write-off is processed. The approval shall be documented.

If write-off procedures have been initiated, the following accounting treatment applies:

- Current year invoices that are written off will either be charged against an appropriate revenue or revenue adjustment account or against the original account credited.
- Invoices written off that are dated prior to the current year will be treated as bad debt and will reduce the allowance for doubtful accounts, discussed in the next section.
- An IRS Form 1099 is sent to the recipient that had his/her debt forgiven.

3. ALLOWANCE FOR DOUBTFUL ACCOUNTS

AFT Vermont needs to maintain a reserve for uncollectible accounts receivable. At the end of each fiscal year, the allowance for doubtful accounts is adjusted based on the following factors:

- An analysis of outstanding, aged accounts receivable
- Historical collection and bad debt experience
- Evaluations of specific accounts based on discussions with the fund that originated the sale resulting in the receivable.

Year-end adjustments to the reserve for uncollectible accounts will to be performed **only** with authorization from the Treasurer, and shall be included in the report to the AFT Vermont Executive and/or Board at the end of the fiscal year.

This reserve account is used in the following year to write off those items that are deemed uncollectible from the prior year after further collection efforts have been abandoned, as described earlier.

D. INVENTORIES (IF APPLICABLE)

At times AFT Vermont might carry inventory. This includes all goods that AFT Vermont owns and expects to sell in the normal course of its operations.

1. VALUATION

All inventories are accounted using the cost valuation method, using FIFO (first in, first out). Each unit cost is computed by adding freight, insurance and other shipping costs to the actual cost of purchased inventory, dividing this total amount by the number of units purchased.

2. PHYSICAL COUNT

A physical count needs to be performed each year, close to the fiscal year-end. Any inventory items that appear damaged, obsolete or otherwise unable to be sold need to be excluded from the count. The individuals involved in taking the inventory need to keep a detailed record of the physical count.

At the conclusion of the physical count, apply the most recent unit costs to the physical quantities of each item on hand to extend the inventory count sheets. And adjust the general ledger balance to reflect the total inventory on hand as determined by the physical count.

3. WRITE-OFFS

Any inventory items that appear damaged, obsolete or otherwise unable to be sold needs to be written off from the general ledger. This can be done annually concurrent with the fiscal end of year inventory count.

E. PREPAID EXPENSES AND OTHER ASSETS

Expenses paid in advance such as prepaid rent, insurance, supplies, etc., that benefit future periods within one year need to be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date need to be classified as non-current assets.

The Accountant needs to maintain a schedule of all prepaid expenses, including the amount, date paid, period covered by the prepayment, and purpose. This schedule needs to be reconciled to the general ledger balance as part of the annual closeout process.

F. PROPERTY, PLANT, AND EQUIPMENT

1. CAPITALIZATION POLICY

Physical assets acquired with unit costs in excess of \$1000 are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold need to be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

When purchasing, make sure items in excess of \$1000 are capitalized on financial statements. Items or expenses over \$1000 must be approved by the Treasurer and President or the AFT Vermont Executive Council.

2. CONTRIBUTED ASSETS

Assets with fair market values in excess of \$1000 that are contributed to the State Federation need to be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold need to be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

3. ESTABLISHMENT AND MAINTENANCE OF A FIXED ASSET LISTING

All capitalized fixed assets need to be recorded in a property log. This log shall include the following information with respect to each asset:

- Date of acquisition
- Cost
- Description (including color, model, and serial number)
- Location of asset
- Depreciation method
- Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by AFT Vermont. This physical inventory needs to be reconciled to the property log and adjustments made as necessary.

4. PURCHASES OF EQUIPMENT, FURNITURE AND SERVICES

Assets or services costing over \$1000 need to be approved by the Treasurer and the President or the AFT Vermont Executive Council before they are purchased.

5. DEPRECIATION AND USEFUL LIVES

All capitalized assets are maintained in the special fixed assets account group and are not to be included as an operating expense. Fixed assets are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have 8 full months of depreciation (eight-twelfths of one year) recorded for that year.

Estimated useful lives of capitalized assets need to be determined by the Office Manager in conjunction with the employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

| | |
|-----------------------------------|--------------|
| Furniture, and fixtures | Up to 10 yrs |
| General office equipment | 5 yrs |
| Computer hardware and peripherals | 3-5 yrs |
| Computer software | 2-3 yrs |

| | |
|------------------------|----------------------|
| Leased assets | life of lease |
| Leasehold Improvements | remaining lease term |

Alternatively, at the direction of the office of the Treasurer, capitalized assets may be depreciated over useful lives expressed in terms of units of production or hours of service in place of the preceding useful lives expressed in terms of time.

For accounting and interim financial reporting purposes, depreciation expense will be recorded on an annual basis.

6. REPAIRS OF FIXED ASSETS

Expenditures to repair capitalized assets need to be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets need to be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs need to be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

7. DISPOSITIONS OF FIXED ASSETS

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss, if the money received is less than the book value, and as a profit, if the money received is more than the book value.

8. WRITE-OFFS OF FIXED ASSETS

The office of the Treasurer approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the office of the Treasurer. If not located, this property will be written off the books with the proper notation specifying the reason.

G. ACCOUNTS PAYABLE

The primary objective for accounts payable and cash disbursements is to ensure that:

- Disbursements are properly authorized
- Invoices are processed in a timely manner
- Vendor credit terms and operating cash are managed for maximum benefits

1. RECORDING OF ACCOUNTS PAYABLE

All valid accounts payable transactions, properly supported with the required documentation, need to be recorded as accounts payable in a timely manner.

Accounts payable are processed at a minimum on a weekly basis by the Office Manager. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

It is the policy of AFT Vermont that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records.

2. ACCOUNTS PAYABLE CUT-OFF

For purposes of the preparation of AFT Vermont monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation by the 10th day of the following month need to be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.

Upon receipt of invoices, each invoice needs to be recorded in QuickBooks. A received date will be stamped on the invoice or disbursement voucher.

3. PREPARATION OF A VOUCHER PACKAGE

Prior to any account payable being submitted for payment, a voucher package needs to be assembled by the Office Manager. Each voucher package shall contain the following documents:

- Vendor invoice (or employee expense report)
- Packing slip (where appropriate) or receiving report (or other indication of receipt of merchandise and authorization of acceptance)
- Any other supporting documentation deemed appropriate

4. PROCESSING OF VOUCHER PACKAGES

The following procedures need to be applied to each voucher package submitted by the Office Manager to the Treasurer:

- Check the mathematical accuracy of the vendor invoice.
- Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, packing slip and receiving report
- Document the general ledger distribution, using the Union's current chart of accounts
- Obtain review and approval as appropriate

Approval by the applicable individual indicates her/his acknowledgement of satisfactory receipt of the goods or services invoiced and agreement with all terms appearing on the vendor invoice. The Office Manager will process the check run, including the voucher packages and a list of checks, and submit it for signatures.

5. PAYMENT DISCOUNTS

To the extent practical, it is the policy of AFT Vermont to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

6. EMPLOYEE EXPENSE REPORTS

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form (see further policies in section 14 Travel). All original receipts must be attached to a standard sheet of paper, and a brief description of the business purpose of the expense must be noted on the form. Expense reports will be processed for payment in the next vendor payment cycle.

It is the policy of AFT Vermont not to give an advance on expenses while an employee or elected leader is awaiting reimbursement from the National AFT or other organization.

7. RECONCILIATION OF A/P SUBSIDIARY LEDGER TO GENERAL LEDGER

At the end of each quarterly accounting period, the total amount due to vendors per the accounts payable ledger needs to be reconciled to the total per the accounts payable ledger account (control account). Anything greater than 60 days old needs to be investigated and adjustments made as necessary. The reconciliation and the results of the investigation of differences are reviewed and approved by the Treasurer.

H. AGENCY FUNDS

These accounts are used to record amounts accounted by AFT Vermont but that do not belong to the state federation. Agency funds or trust funds are recorded as assets and offset by the liabilities section of the Statement of Financial Position. There is not an amount reported as fund balance pertaining to these funds.

It is the policy of AFT Vermont to be accountable for these funds, and to ensure proper documentation of all activities that take place throughout the event.

Once the event is completed or terminated, and if there are still unclaimed funds available after a period of one year of the terminated date, these funds are recognized as unrestricted donations to AFT Vermont.

The agency account is closed and these unrestricted donations are recorded as income for AFT Vermont's operating use.

Currently AFT Vermont does not maintain an agency fee account because agency fee payers of AFT Vermont pay the appropriate agency fee rate (as per the annual agency fee audit) to AFT Vermont.

I. NOTES PAYABLES

1. RECORD-KEEPING

It is the policy of AFT Vermont to maintain documentation of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This documentation is based on the underlying loan documents and includes all of the following information:

- Name and address of lender
- Date of agreement or renewal/extension
- Total amount of debt or available credit
- Amounts and dates borrowed
- Description of collateral, if any
- Interest rate
- Repayment terms
- Maturity date
- Address to which payments should be sent
- Contact person at lender

2. Accounting and Classification

An amortization schedule needs to be maintained, if applicable, for each note payable. The principal portion of payments due within the next year needs to be classified as a current liability in the statement of financial position of AFT Vermont. The principal portion of payments due beyond one year needs to be classified as long-term/non-current liabilities in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

Unpaid interest expense needs to be accrued as a liability at the end of each accounting period.

A detailed record of all principal and interest payments made over the entire term needs to be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger needs to be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences need to be investigated.

J. FUND BALANCE OR NET ASSETS

1. CLASSIFICATION OF INCOME AND NET ASSETS

All income received by AFT Vermont is classified as "unrestricted," with the exception of the following:

- Grants and other awards received from government agencies or other grantors, which are classified as temporarily restricted
- Special endowments received from Constitutionals requesting that these funds be permanently restricted for specific purposes such as the Solidarity Fund.
- Committee on Political Education (COPE).

From time to time, AFT Vermont may raise other forms of contribution income, which carry stipulations that the state federation utilize the funds for a specific purpose or within a specified time period identified by the Constitutional of the funds. When this form of contribution income is received, AFT Vermont shall classify this income as Temporarily Restricted income.

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the Constitutional), AFT Vermont will reclassify the related net assets from "Temporarily Restricted" to "Unrestricted" in its Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

From time to time, the AFT Vermont Executive Council may determine that it is appropriate to set funds aside for specific projects. To the extent these set-asides result from an Executive Council action, rather than a Constitutional-imposed requirement, the resulting set-aside need to be classified as "unrestricted". However, to identify these funds as being set aside for special projects, such set-asides need to be labeled "Executive Council-Designated" funds within the unrestricted net assets of AFT Vermont, and need to be reported as a separate component of unrestricted net assets on the state federation's financial statements.

K. CASH DISBURSEMENTS

1. CHECK PREPARATION

It is the policy of AFT Vermont to print vendor checks and expense reimbursement checks on at least a weekly basis. The Office manager or Accountant can prepare checks.

All vendor and expense reimbursement checks need to be prepared in accordance with the following guidelines:

- Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies described in this manual
- Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors
- Generally, all vendors need to be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services
- All supporting documentation needs to be attached to the corresponding check prior to forwarding the entire package to an authorized check signer
- Checks need to be utilized in numerical order. Unused checks are stored in a locked cabinet in AFT Vermont office.
- Checks shall never be made payable to “bearer” or “cash”
- Blank checks shall never be signed prior to being prepared

2. CHECK SIGNING

All checks require two signatures. Any two of the approved signers should sign all checks.

Check signers should examine all original supporting documentation to ensure that each item has been properly processed prior to signing a check. Checks should not be signed if supporting documentation appears to be missing or there are any questions about a disbursement.

3. MAILING OF CHECKS

After signature, checks are returned to the Office Manager, who photocopies the signed checks for filing in numerical sequence. The voucher package is attached to the lower check stub for AFT Vermont vendor files. The Office Manager then mails checks immediately. Individuals who authorize expenditures (sign checks) shall not mail checks.

4. VOIDED CHECKS AND STOP PAYMENTS

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as “VOID”. All voided checks need to be filed with all other check copies in numerical sequence to aid in preparation of bank reconciliation.

Stop payment orders may be made for checks lost in the mail or for other valid reasons. Stop payments are processed by telephone or web instruction to the bank by accounting personnel with this authority. A journal entry is made to record the stop payment and any related bank fees. The authorization will be filed with the applicable bank statement in AFT Vermont files.

L. CASH RECEIPTS

Checks received at AFT Vermont through mail or couriers are opened. A deposit slip is prepared of the checks received and taken to the bank by the Office Manager, who also enters the deposit into QuickBooks. Any EFT's are also entered into QuickBooks by the Office Manager. Scanned copies of all deposits and EFTs/ACHs are emailed to the AFT Vermont President and Treasurer. All documentation is then filed with the applicable bank statement.

1. ENDORSEMENT OF CHECKS

All checks received that are payable to AFT Vermont need to be immediately endorsed by the Office Manager. The restrictive endorsement needs to be a rubber stamp that includes the following information:

- For Deposit Only
- AFT Vermont name
- The bank name
- The bank account number of AFT Vermont

2. TIMELINESS OF BANK DEPOSITS

Bank deposits will be made as monies are received, unless the total amount received for deposit is less than \$500. In no event shall deposits be made less frequently than weekly.

3. RECONCILIATION OF DEPOSITS

Monthly, the Accountant (who does not prepare the bank deposit) shall reconcile the listings of receipts to bank deposits reflected on the monthly bank statement. Any discrepancies need to be immediately investigated.

M. PAYROLL

Currently, AFT Vermont utilizes the services of a contracted payroll service. Salary ranges for each job title are in the Mother Jones Staff Union contract if the employee is in the bargaining unit. Employees who are not included in the bargaining unit have letters that explain their salary and raises in their personnel files. Changes to existing salary ranges or creation of new salary ranges for job titles are the responsibility of the AFT Vermont Executive Council.

Salaries for each job title not in the bargaining unit are commensurate with the nature of the position taking into consideration the following:

- The diversity and complexity of duties
- The amount of responsibility and judgment exercised

- Location of the position within the organizational chart
- Qualifications required

Total compensation to staffers includes salaries and may include fringe benefits, and other compensation, and should also be based on the following:

- Prevailing rates for similar work in other non-profits and commercial organizations
- National as well as local salary patterns
- Applicable legal requirements
- Standards established by professional organizations
- As outlined per any employment agreement

AFT Vermont has a stable raise policy, rather than one that varies on the basis of performance. Employees who are not in the bargaining unit will receive their raises on the same schedule as the bargaining unit members. For bargaining unit member, refer to Article 13 of the MJSU contract.

It is the policy of AFT Vermont not to give any advances on payroll. Employees and paid elected leaders must make their own arrangements in times of financial need.

1. VACATION POLICIES AND PROCEDURES

AFT Vermont employees who are not in the bargaining unit and are regularly scheduled to work for 30 hours or more per week are eligible for paid vacation time after 30 days of continuous, non temporary employment. The amount of vacation time earned should be based on the employee's total years of service.

N. TRAVEL EXPENSES

The intent of the policy is to ensure that individuals traveling on AFT Vermont's business do not gain or lose personal funds as a result of that travel. As funds to support travel are limited, it is necessary that clear and unambiguous reimbursement and expenditure guidelines be in place **before** funds are committed or expenses incurred. It is also critical that all employees traveling on AFT Vermont's business understand the compliance requirements established by the Internal Revenue Service and other oversight agencies.

The Executive Council members are responsible for assuring that within their administrative duties the following:

- Budgeted funds are available to meet all travel commitments.
- Proper authorization for travel is obtained **before** any commitments are made.
- Any travel expenditure is supported by a detailed receipt.

- The potential benefits of the trip justify its time and expense after considering more cost effective alternatives (such as teleconferencing).

O. REVENUE RECOGNITION POLICY

AFT Vermont receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements on an accrual basis.

Sources of Income:

- Membership dues and fees
- AFT Rebates
- Grant income
- AFT Subsidy during organizing (either from AFT National or the North East Region)
- Contributions - Recognized as income when received, unless accompanied by restrictions or conditions

P. COMMITTEE ON POLITICAL EDUCATION (COPE) INCOME

The voluntary COPE program has been established and the following procedures will be followed:

- AFT Vermont deposits voluntary COPE funds in a separate non-interest bearing "COPE Transmittal" checking account. Funds may also be received via ACHs or EFT's in this account.
- If AFT Vermont raises more than \$25,000 a year for COPE contributions, these contributions need to be reported to the IRS. No reporting is necessary for those under \$25,000.
- All Vermont reporting requirements will be met. The AFT Vermont COPE Committee and Office Manager will help to determine if the State Federation is required to file any reports.

Q. SOLIDARITY INCOME

The Solidarity fund is funded by AFT based on total AFT Vermont membership. Checks are disbursed quarterly and must be deposited ONLY in the Solidarity account. These funds may not be co-mingled with any other AFT Vermont funds and are to be used for purposes as described in the AFT Guidelines that are enclosed with each disbursed check.

2. GENERAL ADMINISTRATIVE POLICIES

A. FINANCIAL DUTIES OF OFFICERS

Essentially, treasurers and other officers have a duty for perfect candor, full disclosure, good faith and absolute honesty. AFT Vermont's constitution and by-laws generally list certain duties of the treasurer. It is suggested that the list be fairly comprehensive. Such a list might include the following:

- Supervise collection of membership dues, including working with employers to facilitate payroll deduction of dues.
 - Receive and maintain all money, property and other assets of AFT Vermont.
 - Deposit all money and securities in the name of AFT Vermont in a financial institution designated by the Executive Council.
 - Keep accurate records of all receipts and disbursements.
 - Serve on the budget committee.
 - Share with the president or other designated officer the power to sign and endorse checks and make deposits.
 - Prepare and submit financial reports to AFT Vermont's governing body.
 - Call for the audit committee to convene annually and provide the audit committee with all necessary information. The treasurer may not be a member of the audit committee.
 - Make timely payment of all obligations of AFT Vermont. This includes bills, invoices, expenses authorized by the governing body and per-capita payments.
 - Prepare and file in a timely manner all appropriate tax returns and other government reports on behalf of AFT Vermont.
1. **DUTIES OF THE PRESIDENT:** Presiding over all AFT Vermont meetings and serving as an ex-officio member of committees; Serving as principal spokesperson for AFT Vermont and as a delegate to the AFT convention and other meetings; Serving as one of the principal financial officers and providing overall leadership to the union.
 2. **DUTIES OF THE VICE-PRESIDENTS:** Assisting president and presiding over union business in the president's absence.
 3. **DUTIES OF THE SECRETARY:** Taking minutes at union meetings, receiving and responding to correspondence.
 4. **DUTIES OF THE TREASURER:** The fiduciary duties of the treasurer and other officers to AFT Vermont and its members are:
 - to hold AFT Vermont's money and property solely for the benefit of the organization and its members;

- to manage, invest and expend the same in accordance with the organization's constitution and bylaws and any resolution of the governing bodies;
- to refrain from dealing with such organizations as an adverse part or on behalf of an adverse party in any matter connected with his/her duties and holding or acquiring any interest which conflicts with the interest of the organization;
- to account to the organization for any profit received in connection with transactions conducted by him/her or under his/her direction on behalf of the organization; and
- in effect, to avoid all conflicts of interest.

5. DUTIES OF THE EXECUTIVE COUNCIL: Executive Council duties are defined by the constitution and usually include:

- holding regular board meetings which are documented and reported to the members,
- making policy and program recommendations,
- engaging in short and long-term planning, and
- discussing and approving an annual budget.

B. AUTOMATION OF ACCOUNTING SYSTEMS

QuickBooks, a properly developed and administered computerized accounting system is used, which also provides off-site back up of files. A print out of the current primary financial records maintained in QuickBooks must be made and presented at AFT Vermont Board meetings. The reports may include:

- balance sheet
- income statement (Profit and Loss)
- quarterly budget vs. actual

As requested by the Board, it may also include:

- Detailed cash transactions by bank account
- Detailed general ledger
- Detailed accounts payable vendor transaction history
- Detailed accounts receivable "customer" transaction history
- Payroll transactions reports
- Any other basic system report necessary to provide a comprehensive audit trail

3. FINANCIAL MANAGEMENT POLICIES

A. CONFLICT OF INTEREST STATEMENT

All trustees, officers, and employees of AFT Vermont have a duty to be free from the influence of any conflicting interest when they represent AFT Vermont or any of its local unions in negotiations or make representations with respect to dealings with third parties. They are expected to deal with all persons doing business with AFT Vermont on a basis that is for the best interest of AFT Vermont without favor or preference to third parties or personal considerations.

1. DEFINITION OF CONFLICT

- A conflict of interest arises when a trustee, an officer, or an employee of AFT Vermont has such a substantial personal interest in a transaction or in a party to a transaction that it reasonably might affect the judgment he/she exercises on behalf of AFT Vermont. He/she is to consider only the interests of AFT Vermont and follow the established policies of AFT Vermont.
- Because of the common objectives embraced by the various Locals, membership held concurrently on more than one Local's committee or board, does not of itself constitute a conflict of interest provided that all the other requirements of the policy are met.

2. CONDITIONS CONSTITUTING CONFLICT

Although it is not feasible in a policy statement to describe all the circumstances and conditions that might have the potential of being considered as conflicts of interest, the following situations are considered to have the potential of being in conflict and therefore are to be avoided:

- Engaging in outside business or employment that permits encroachment on AFT Vermont's call for the full services of its employees even though there may not be any other conflict.
- Engaging in business with or employment by an employer that is any way competitive or in conflict with any transaction, activity, or objective of AFT Vermont.
- Engaging in any business with or employment by an employer who is a supplier of goods or services to AFT Vermont.
- Making use of the fact of employment by AFT Vermont to further outside business or employment, or associating AFT Vermont or its prestige with an outside business or employment.
- A perceived conflict of interest could arise if a relative of a trustee, officer or employee is involved in a transaction.

3. GENERAL

- Owning or leasing any property with knowledge that AFT Vermont has an active or potential interest therein.
- Borrowing money from any third person who is a supplier of goods or services or a trust or who is in any fiduciary relationship to AFT Vermont or is otherwise regularly involved in business transactions with AFT Vermont.

B. FINANCIAL REPORTS

Financial reports presented at Board meetings include the balance sheet, profit & loss, and quarterly budget vs. actual (when applicable). The Board must compare these statements with the budget adopted at the beginning of the fiscal year and be prepared to act to increase income and/or decrease expenses as appropriate.

C. BUDGETING

1. PREPARATION AND ADOPTION

An annual budget should be prepared on the accrual basis of accounting.

To prepare the AFT Vermont budget, the Treasurer, working with the Office Manager and Accountant gathers proposed budget information and prepares the first draft of the budget. The Treasurer must be prepared to explain the sources and uses of funds as well as material fluctuations in budgeted amounts from prior years. The Treasurer may utilize the services of a budget committee as needed.

After appropriate revisions by the Treasurer, a draft of AFT Vermont's budget is presented to the President for discussion, revision, and initial approval two months before the start of the next fiscal year (May). The revised draft is then submitted to AFT Vermont Executive Council no later than the June Board meeting.

The AFT Vermont Board shall adopt the final budget prior to the beginning of AFT Vermont's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts), to ensure proper classification of activities and to compare the budget versus actual once the year begins. Any delay in the process should be brought to AFT Vermont Executive Council. The Executive Council may vote to extend the previous year's budget for a specified amount of time if necessary and only under unusual circumstances.

2. MONITORING PERFORMANCE

AFT Vermont has to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function has to be accomplished in conjunction with the financial reporting process described earlier.

Quarterly, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Treasurer or Office Manager, and distributed to the AFT Vermont Board.

AFT Vermont Executive Council and/or Executive Board shall be responsible for responding with a written explanation of all budget variances in excess of ten percent on a quarterly basis.

3. BUDGET MODIFICATIONS

After a budget has been approved and adopted by the AFT Vermont Board, the Treasurer may reclassify expense amounts of less than \$5,000. Reclassifications of budgeted expense amounts in excess of \$5,000 may be made only with approval of the AFT Vermont Board.

Reclassifications in excess of the preceding threshold and any budget modification resulting in an increase in budgeted expenses or decrease in budgeted revenues shall be made only with approval of AFT Vermont Executive Council.

D. ANNUAL AUDIT

Article IX section 1, 2, and 3 of the Bylaws of the American Federation of Teachers (AFT) requires an annual audit of all AFT Vermont's financial records to be completed within six months after the end of AFT Vermont's fiscal year.

After this audit has been completed, AFT Vermont's 990 and LM2 forms will be completed and submitted to meet their respective deadlines.

E. INSURANCE

AFT requires that state and local affiliates purchase a Fidelity Insurance Bond which covers officers, staff and members who are responsible for handling the organization's money. The cost to receive this insurance for one year varies depending upon the amount of coverage that the organization requires. The period of coverage is from November 1, 20XX through October 31, 20XX and the minimum coverage is \$50,000.

Locals and state federations with members who work in the private sector are required by the Labor Management and Reporting Act to have specific levels of Fidelity Bond coverage. The AFT recommends that all affiliates use the minimum coverage required

by the Department of Labor. The minimum coverage required by the DOL is computed as follows:

$$\text{Liquid Assets} + \text{Total Receipts} \times 10\% = \text{Minimum Amount of Coverage Required}$$

The maximum coverage required by the DOL is \$500,000.

F. RECORD RETENTION

Below is a table noting the time period for records retention. In addition to the table below, generally records reported under ERISA must be maintained for at least six years after the filing date. However, a longer period is required for records supporting benefit determinations. When benefits are deferred until a later date, such as retirement age, records should be maintained to support those deferred benefits. Every employer with a benefit plan subject to ERISA is required to maintain sufficient records on each participating employee to determine the benefits due those employees.

| Records Retention Schedule | |
|--|----------------------|
| <u>Description</u> | <u>Period</u> |
| Accident reports/claims (settled cases) | 7 years |
| Accounts payable ledgers and schedules | 7 years |
| Accounts receivable ledgers and schedules | 7 years |
| Audit reports | Permanently |
| Bank reconciliations | 2 years |
| Bank statements | 3 years |
| Capital stock and bond records: ledgers, transfer registers, stubs showing issues, record of interest coupons, options, etc. | Permanently |
| Cash books | Permanently |
| Charts of accounts | Permanently |
| Checks (canceled – see exception below) | 7 years |
| Checks (canceled for important payments, i.e. taxes, purchases of property, special contracts, etc. Checks should be filed with the papers pertaining to the underlying transaction) | Permanently |
| Contracts, mortgages, notes, and leases (expired) | 7 years |
| Contracts, mortgages, notes, and leases (still in effect) | Permanently |
| Correspondence (general) | 2 years |
| Correspondence (legal and important matters only) | Permanently |
| Correspondence (routine) with customers and/or vendors | 2 years |
| Deeds, mortgages, and bills of sale | Permanently |
| Depreciation schedules | Permanently |

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|---|-------------|
| Duplicate deposit slips | 2 years |
| Employment applications | 3 years |
| Expense analyses/expense distribution schedules | 7 years |
| Financial statements (year-end, other optional) | Permanently |
| Garnishments | 7 years |
| General/private ledgers, year-end trial balance | Permanently |
| Insurance policies (expired) | 3 years |
| Insurance records, current accident reports, claims, policies, etc. | Permanently |
| Internal audit reports (longer retention periods may be desirable) | 3 years |
| Internal reports (miscellaneous) | 3 years |
| Inventories of products, materials, and supplies | 7 years |
| Invoices (to customers, from vendors) | 7 years |
| Journals | Permanently |
| Magnetic tape and tab cards | 1 year |
| Minute books of directors, stockholders, bylaws, and charter | Permanently |
| Notes receivable ledgers and schedules | 7 years |
| Option records (expired) | 7 years |
| Patents and related papers | Permanently |
| Payroll records and summaries | 7 years |
| Personnel files (terminated) | 7 years |
| Petty cash vouchers | 3 years |
| Physical inventory tags | 3 years |
| Plant cost ledgers | 7 years |
| Property appraisals by outside appraisers | Permanently |
| Property records, including costs, depreciation, reserves, year-end trial balances, depreciation schedules, blueprints, and plans | Permanently |
| Purchase orders (except purchasing department copy) | 1 year |
| Purchase orders (purchasing department copy) | 7 years |
| Receiving sheets | 1 year |
| Retirement and pension records | Permanently |
| Requisitions | 1 year |
| Sales commission reports | 3 years |
| Sales records | 7 years |
| Scrap and salvage records (inventories, sales, etc.) | 7 years |
| Stenographers' notebooks | 1 year |
| Stock and bond certificates (canceled) | 7 years |
| Stockroom withdrawal forms | 1 year |

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|---|-------------|
| Subsidiary ledgers | 7 years |
| Tax returns and worksheets, revenue agents' reports, and other documents relating to determination of income tax liability | Permanently |
| Time books/cards | 7 years |
| Trademark registrations and copyrights | Permanently |
| Training manuals | Permanently |
| Union agreements | Permanently |
| Voucher register and schedules | 7 years |
| Vouchers for payments to vendors, employees, etc. (includes allowances and reimbursement of employees, officers, etc., for travel and entertainment expenses) | 7 years |
| Withholding tax statements | 7 years |