



POLICY

SUBJECT AREA: FINANCIAL

Last Updated: July 30, 2018

Version 1.02

This document supersedes all previous policies and directives relating to the above subject area

B&O Railroad Historical Society

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CHANGE AND ACCEPTANCE LOG

DATE	AUTHOR	HIGHLIGHTS OF CHANGES
8/30/2017	Christopher Winslow	Version 0.01 – Initial draft.
9/4/2017	Allen Young	Version 1.0 – Reformatted to standard template, minor edits.
9/5/2017	Christopher Winslow	Version 1.01 – Minor edits to version 1.00
9/12/2017	Christopher Winslow	Version 1.02 – Added section regarding retention of records

1.0 INTRODUCTION

The full financial operation of the Society is defined in three separate documents. Those documents are:

- a. **B&O RHS Financial Policy:** Defines the overall policy regarding the Society's finances. This document is maintained by the Treasurer and approved by the Board of Directors. The basic authority for this policy is the Society's By-Laws. That authority is augmented by various resolutions passed by its Board of Directors. Once the initial release of this document is made and approved by the Board of Directors, the policy stated in this document will supersede all previous resolutions regarding financial policy passed by the Society's Board of Directors. After this date, with the exception of corrections to spelling, grammar and the like, the policy portion of the document will not be changed without the approval of the Society's Board of Directors. Changes regarding spelling, grammar, and the like will be forwarded to the Board of Directors for their information and review. After its initial approval policy will be presented in the form of a series of resolutions.
- b. **B&O RHS Financial Operations:** This document describes the day to day operational implementation of the Financial Policy. This document is maintained by the Treasurer and submitted to the Board of Directors for review whenever changing conditions require a change in operational procedures.
- c. **B&O RHS Budget Guide:** This document lists the account structure used in the Society's accounting system and provides guidance as to what types of income should be entered into each of the income accounts and what sorts of charges may be made to each of the expense accounts.

Changes will be noted in the change log that is at the beginning of this document. This log will note changes made, including the date that changes were approved by the Board of Directors.

2.0 POLICY DETAILS

- a. **Accounting:** The Society does cash accounting, not accrual accounting.
- b. **Accounts:** The Society maintains the following banking and investment accounts.
 - i. **Operating Checking Account:** This is the Society's main checking account. It is the only account upon which the Society writes checks. All bills are paid from this account. All deposits are made to this account.
 - ii. **Credit Card Transfer Account:** This is a checking account that is used as the Society's interface to the outside world for purposes of electronic transfer of funds. All deposits from credit card companies

- are made to this account. Electronic donations are made to this account.
- iii. **General Savings Account:** This is a general savings account. Savings for the Archives Projects Fund, the Building Fund, and the General Fund are held in this account. Each fund is accounted for separately in the accounting system.
 - iv. **Investment Account:** Donations of marketable securities are held in this account until such time as they are liquidated. At that time, the proceeds of any such liquidation are transferred to one of the bank accounts.
- c. **Signatories on Accounts:** The Society maintains a series of checking, savings, and investment accounts in order to effectively manage its financial resources. At a minimum, the President and the Treasurer are signatories on these accounts. At a maximum, each of the officers of the Society may be signatories on these accounts. There is one exception to this rule. Since the Society's main checking (or Operating) account requires two signatures on checks of \$1,500.00, there must be at least three signatories on record for the Operating Account. Final decision on signatories for each account is left to the Executive Committee. The Executive Committee consists of the officers of the Society as defined by its bylaws.
- d. **Use of Credit/Debit Card:** The Treasurer may maintain a credit card or debit card that is in his or her name and is attached to the Society's main checking account. If that card is a credit card, the credit limit on that card shall be the minimum allowed by the issuing financial institution.
- e. **Restricted Fund Accounting:** In order to preserve the intent of gifts that the Society may receive for special projects, it does restricted fund accounting in two areas. Those areas are:
- i. **Archives Projects Fund:** Gifts received for the purchase of archival material; equipment and software used to develop and catalog archival material; and equipment and supplies used to store archival material shall be maintained in a separate Archives Projects fund. Resources expended from this fund shall only be used for archives projects as defined herein.
 - ii. **Building Fund:** Gifts received for the purpose of purchasing, improving, and maintaining real property used by the Society to accomplish its mission shall be maintained in a separate Building Fund. Resources expended from this fund shall only be used for building projects as defined herein. Expenses for furnishings such as tables and chairs do not qualify as Building Fund expenses.

It is not necessary that these funds be maintained in separate bank accounts. Rather, it is a requirement that funds received for the above mentioned restricted purposes be accounted for separately.

- f. **Policy regarding donations:** The Society accepts donations of cash, marketable securities, and goods. Cash and marketable securities may be donated to any or all of three different funds. They may be donated to the restricted Archives Projects Fund, the restricted Building Fund, or the unrestricted General Fund. The restricted funds are defined above. The unrestricted General Fund is used to support any and all manner of Society operations. The overall donations policy is more fully defined in the separate policy document regarding donations. That document makes reference to the restricted funds described herein. The definitions of the restricted funds described herein take precedence over any other wording describing the restricted funds.
- i. **Donations of Cash:** For each cash donation of \$100.00 or more, the Society will provide the donor with a letter that accepts the donation and designates the fund into which the donation was placed. This letter will specify the amount of the donation and the date that the Society received the donation. It will also clearly state that the Society is a federally recognized non-profit institution and that the donation is tax deductible.
 - ii. **Donations of Marketable Securities:** Given that neither the Directors at Large nor the Officers of the Society are professional investment portfolio managers, it is the policy of the Society to decide on a case by case basis whether to liquidate or to hold gifts of marketable securities. This decision shall be made by the Society's Board of Director. Donors of marketable securities shall receive an acceptance letter that will state the date of the donation, the security donated, and the size of the donation in shares or similar quantifying measure. It will also clearly state that the Society is a federally recognized non-profit institution and that the donation is tax deductible.
 - iii. **Donations of Goods and Materials:** The Society may accept donations of goods and materials. The decision to accept any particular donation is left to the major program directors. In the case of archival material, the decision to accept or reject is the responsibility of the Archivist. In the case of furniture, supplies, and other goods that provide direct support to Society operations, the decision to accept or reject is the responsibility of the Vice President for Operations. Donors of goods and materials shall receive a letter of acceptance that states the material received and that the Society, by policy, does not place a

value on donated goods and materials. That valuation is left to the donor. The acceptance letter shall state that the Society is a federally recognized non-profit institution and that the donation is tax deductible.

- g. Budget and Expenditure of Funds:** Each year, the Board of Directors approves an annual budget. This budget constitutes the Society's authority to spend funds for the coming fiscal year, which concludes at the end of August of each calendar year. While the execution of the budget is largely managed by the Treasurer, certain program areas are controlled by specific committees. For purposes of this section of the Society's financial policy, "controlled" means that expenditures are "approved by." These program areas are:
- i. **Archives Acquisitions:** Purchase of archival material and the equipment with which to support the development of archival material is approved by the chair of the Archives Committee, if it exists.
 - ii. **Facilities Acquisition, Improvement, and Capital Repair:** Charges to these budget lines are approved by the chair of the Building Committee, if it exists.
 - iii. **Company Store:** Expenses, including inventory selection, for the Company Store are managed by the Store Manager. Inventory purchases of \$5,000.00, or more, require the approval of the Executive Committee. Inventory purchases of \$7,500.00, or more, require the approval of the Board of Directors.
 - iv. **Board Approved Publications:** Expenditures to support these publications are managed by the chair of the Publications Committee, if it exists. *The Sentinel*, Calendar and *B&O Modeler* are produced as Company Store inventory items by the Publications Committee. The amounts to be spent on these publications are specified in the Society's annual budget.
 - v. **Outreach:** Charges to the Outreach portion of the budget are managed by the chair of the Outreach Committee, if it exists.
- For each of the program areas listed above, if the referenced committee does not exist as either a standing committee or an ad-hoc committee, expenditures are managed by the President.
- h. Debt:** With the exception of the possible short term debt that might be incurred as part of a credit card program (see above) the Society may incur no debt without the approval of the Board of Directors.
- i. Per Diem for Attending Meetings of Board of Directors:** Individuals filling the positions listed below are qualified to receive a per diem of \$150.00 when they travel 100 or more miles, one way, to attend a meeting of the Board of Directors. In cases where an individual fills more than one of the positions

Commented [AY1]: Suggest moving these details to the Donations Policy document under section 4.0.

listed below concurrently, that individual may only receive one per diem payment.

- i. Any member of the Board of Directors
- ii. Chairperson of the Archives Committee
- iii. Chairperson of the Publications Committee
- iv. Company Store Manager

The Sentinel editor may submit vouchers for travel to the Society's Archives for purposes of doing research for *The Sentinel*. The maximum fiscal year total may not exceed \$150.00.

- j. **The Sentinel Magazine:** *The Sentinel* is an inventoried Company Store sales item. *The Sentinel* is also the primary benefit afforded to all members. The Company Store effectively "sells" *The Sentinel* to qualifying members at cost. The cost of producing *The Sentinel* is automatically approved by this policy. Production costs must fall within each fiscal year's budget for the *Sentinel*.
- k. **Calendar:** The Calendar is an inventoried Company Store sales item. The Company Store effectively "sells" Calendars to qualifying members at cost. The cost of producing the Calendar is automatically approved by this policy. Production costs must fall within each fiscal year's budget for the calendar.
- l. *B&O Modeler?*
- m. **Suspension of Membership Privileges:** When a member presents a check to the Society for payment of any kind and that check is returned unpaid by the presenter's financial institution, the presenter's membership privileges are suspended. Those privileges remain suspended until such time as the member meets the original obligation and pays any expenses that the Society may have incurred as a result of the unpaid check.

3.0 GOVERNMENTAL REQUIREMENTS

- a. **Income Taxes:** As the Society has no "non-related" revenue, it pays no federal or state income taxes. The Society is required to file a Form 990 with the United States Internal Revenue Service. This form is due on the by the 15th day of the 5th month after the end of the Society's fiscal year. The form to be used is the form for the year in which the Society's fiscal year starts. The Society's Fiscal Year 2016 started on September 1, 2015 and ended on August 30, 2016. The Form 990 to be used for that period is the 2015 form. It is due by January 15th 2017. The filing of this form is the responsibility of the Treasurer.
- b. **Maryland Non-Profit Registration:** The Society is registered as a non-profit entity in the State of Maryland. This registration is a recurring event. The registration is maintained by filing the Maryland Non-Profit Registration form with Maryland's Secretary of State, and by filing the Maryland Personal

Property Tax form with the Maryland Comptroller. The proper filing of these two forms will cause the State of Maryland to automatically issue application for issuance/re-issuance of the Society's Maryland Tax Exempt ID card. The Non-Profit registration form is due at the end of the sixth month after the end of the Society's fiscal year. The Society's most recent form 990 must be included with the State of Maryland annual update form. The update form may be filed at any time after the Form 990 has been completed. The filing of this form is the responsibility of the Treasurer.

- c. **Maryland Personal Property Tax:** Even though the Society is not required to pay any personal property tax, it must file the proper Personal Property Tax forms by the 15th of April of each year. This is a calendar year filing and not a fiscal year filing. It includes a balance sheet and a list of the Society's personal property. The Treasurer maintains a reasonably accurate list of the Society's significant personal property. The filing of this form is the responsibility of the Treasurer. This form is filed on-line through an account with the State of Maryland that is maintained by the Treasurer.
- d. **Retail Sales Tax:** In states where the Society maintains a permanent sales presence, the Society must maintain the appropriate licenses and registrations required by those states. It must pay any taxes that are required as a result of retail sales in those states. As of November 1, 2016, the Society maintains a permanent sales presence in the State of Maryland and the State of Ohio. These taxes are paid at the end of June and the end of December of each year. The filing of these forms is the responsibility of the Treasurer. These forms are filed on-line through accounts maintained by the treasurer.
- e. **Miscellaneous Maryland Forms:** The State of Maryland considers the Society to be a "foreign" company since it is chartered in the Commonwealth of Pennsylvania. As a result, the Society is required to register a "Resident Agent" with the State. The Resident Agent must be a resident of the state of Maryland and must list a Maryland address that is not a post office box. Since the Society only receives mail through its post office box, the Resident Agent typically uses his/her home address. The Treasurer is the Resident Agent for the Society. It is the responsibility of the Treasurer to file forms like official change of address and so on. Those forms can be found on the State's web page, <http://dat.maryland.gov/>. When using this page, use the same account that is used for filing the personal property tax forms and the state sales tax forms.

4.0 RETENTION OF RECORDS

- a. Operating Records:** Annual records dealing with the normal operations of the Society are kept in paper form for a period of five (5) years. These records include, but are not necessarily limited to;
- i. Bills
 - ii. Receipts
 - iii. Check stubs
 - iv. Deposit slips
 - v. Statements from financial institutions
 - vi. Membership applications
 - vii. Election ballots
- b. Governmental Records:** Governmental records are, in general kept forever. These records include, but are not limited to;
- i. IRS Form 990
 - ii. Maryland Personal Property Tax forms
 - iii. Applications to the Maryland Secretary of State that update the Society's non-profit status.
- c. Accounting & Other Electronic Records:** A backup of the accounting system, all bank and vendor statements that are delivered in electronic form, and membership payment logs are backed up to DVD and retained forever. Many of the paper records listed above are available in both paper form and in electronic form. All records that exist in electronic form are retained forever. There is no requirement to scan records that are only available in paper form from paper form to electronic form.