

Financial Policies

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# Financial Operational Policies

## Budget Process

1. MHCA staff will work together to project income and expenses for the following fiscal year.
2. The Executive Director is responsible for presenting a draft budget to the Finance Committee in October/November. A final draft budget will be presented to the Board no later than December for approval.
3. Requests for significant modifications to the budget during the year must be submitted to the Finance Committee for approval and to the Board for ratification.

## Payments

1. An invoice or other supporting documentation shall be retained for each payment made.
2. Signers on the MHCA checking account will be the Executive Director, Treasurer, and an individual from the Executive Committee or Finance Committee.
3. Two approvals/signatures are required for payments over $10,000.
4. Under no circumstances may a check be signed by an individual to whom the check is payable.

## Contract/Agreement Signatures

The Executive Director shall be the authorized agent to sign contracts or agreements on behalf of MHCA except for educational program contracts, which may be signed by the Education Manager if within the budgeted amount and less than $2,500. Any Executive Director agreement(s) shall be signed by the Board Chair, Vice Chair and the Treasurer.

## Finance Committee

1. The Finance Committee operates in accordance to the MHCA Bylaws (Article IX, Section 2).
2. There shall be a minimum of three persons on this committee. The composition shall be as follows, the Treasurer as Chair, and two other people who need not be directors.
3. The members shall be elected by the Board.
4. The Committee is responsible for preparation of the annual recommending fiscal policies, reviewing financial requests that have potentially significant impact on MHCA and ensuring that all reports are filed on a timely basis and an annual review is completed by an independent accountant.

## Monitoring & Review of Financial Reports

1. Financial statements, including an income statement and balance sheet, will be prepared monthly by the accountant/controller and be reviewed by the Executive Director and Treasurer.
2. Financial statements shall be approved by the Board of Directors at each board meeting.
3. The Treasurer or Chair will approve the Executive Director expenses on a monthly basis.
4. For non-budgeted expenses that are greater than $1,000, a request will be submitted to the Finance Committee. The Finance Committee will either approve the request or determine that it requires Board action.

## Policy Review

These financial policies shall be reviewed at least annually by the Finance Committee, which shall forward any recommendations for amendment to the Board for approval.

## Reserve

1. Reserve funds equal to 25% of annual operating expenses is considered minimum for a well- managed association (a more conservative view would set this minimum at 50%).
2. MHCA will maintain a standard for reserve funds of 25% to 50% of the annual budget. During those times when the reserve falls below this range, or when the board chooses, the annual budget will include in the “expense” ledger a line item for the reserve account. The amount shall be designated by the finance committee and approved by the board.
3. Reserve funds shall be invested according to the association’s investment policy and are considered separate from MHCA’s operating savings.

# Investments

## Introduction

The purpose of this policy is to establish guidelines, investment objectives, and goals for investing funds for MHCA. It is intended to provide appropriate guidance in the management of fund assets and not be overly restrictive given economic, business, and investment market conditions.

The association’s investment activities will be reported to the Board of Directors on an annual basis by the Finance Committee and as significant changes occur.

## Authorized Investment Officers

The Executive Director, in consultation with the Treasurer and the investment advisor, will act on behalf of MHCA in purchasing and selling all investment funds for the investment portfolio.

## Investment Objectives

Assets in the various funds should be managed in a prudent manner. In this context, prudent relates to such issues as expected long-term rates of return and return volatility, and investment vehicles. The primary investment objective is the safety of the principal, the growth of the income from investment, and the liquidity of the investment.

## Investment Guidelines

Investments are to be made consistent with the safeguards and diversity to which a prudent investor would adhere. All assets selected for the portfolio must provide adequate liquidity for operational needs. To simultaneously serve the essential goals of maximum liquidity and maximum income, the portfolio should be generally structured as follows:

1. **Liquidity:** For purposes of satisfying operational and grant requirements, the Treasurer and Executive Director will ensure that sufficient cash equivalent assets are maintained as the first priority for investable funds. Transactions for this fund should be guided by the principle that, while income is of concern, liquidity is paramount. These protocols are followed:
   1. Provides Guarantee Return of Premium (ROP) at any time.
   2. Guarantee ROP provides liquidity without market loss to principal.
2. **Income Fund:** When in the considered judgment of the Treasurer and Executive Director, liquidity requirements have been sufficiently provided for, excess funds may be invested to maximize the rate of return on the investment. Transactions for this fund should be guided by the principle that while liquidity is of concern, income is paramount.
3. **Cash Flow:** With the assistance of the association’s investment advisor, the Treasurer and Executive Director may make determinations related to cash flow requirements.

## Conflict of Interest

Any investment (e.g. bonds) with an interest involving a MHCA member must be scrutinized and rated by an outside or independent agency (e.g. Standard and Poor, or Moody’s). After the quality of the investment is independently verified, the investment will be further reviewed by the association’s financial advisor as to its desirability, financial stability, and appropriateness for the association. See also Article V, Section 15 of MHCA Bylaws.

## Safekeeping

For the purposes of convenience, all securities purchased for the portfolio should be held in safekeeping at a bank or investment firm where the investment was purchased. Notifications from the bank will be received for the following situations:

* Online banking login was locked out
* Transaction or withdrawals over $5,000 in/from the checking account

## Records

To provide sufficient historical data for adequate supervision and a periodic audit or examination, the Executive Director shall maintain the following records for seven years:

1. A permanent record of each transaction executed for the bank’s account.
2. A file of credit data pertinent to all issues of corporate owned notes, municipals, bonds, and debentures.
3. Summary reports presented to the Finance Committee annually.

# Performance Evaluation of the Executive Director & Staff Salaries

1. The performance evaluation of the Executive Director is conducted by the Board Chair. The evaluation is completed on an annual basis, prior to December 15.
2. The Board Chair shall complete the Executive Director Annual Performance Review. The Board Chair shall consult with the Board of Directors and may consider seeking input from MHCA staff, members or other stakeholders.
3. One permanent file copy of the evaluation documentation shall be placed in the Executive Director’s personnel file at the MHCA office. The Board Chair may request at any time to view at the MHCA office the Executive Director’s permanent personnel file.
4. The Board Chair, on behalf of the Board, shall negotiate Executive Director compensation for the upcoming association fiscal (calendar) year. Based on the negotiated agreement, a salary increase form shall be signed by the Executive Director and the Board Chair before year-end.
5. The Board Chair shall follow these guidelines in negotiating the Executive Director’s base salary:
   1. A cost-of-living increase based on the most recent Twin Cities consumer price index (the percentage increase over one year ago) shall be considered standard, unless budget projections in the strategic plan specifically prohibit such an increase.
   2. A merit increase of 0 to 5 percent may be given in addition to the cost of living percentage.
   3. There shall be a salary differential of at least 10% between the Executive Director, as the chief staff executive who is responsible for headquarters administration, including supervision of all other employees, and the next highest paid, full-time regular, exempt MHCA employee. The maximum base salary for the executive, excluding benefits and incentives, shall be no more than 3.5 times that of the lowest paid, full-time regular, exempt MHCA employee.
   4. If either the Board Chair or the Executive Committee fails to act on items #1 and #2, the Executive Director shall be provided an automatic increase to her/his base salary for the next calendar year based on the most recent Twin Cities consumer price index available as of 12/1.
   5. As specified in the Executive Director Position Description, the Executive Director is responsible for conducting performance evaluations for all other staff, and for determining staff compensation. In negotiating staff base salaries, the Executive Director shall follow the guidelines in items #6 (a) and (b).

# MHCA Staff Bonus Plan

## Purpose

To compensate staff for going above and beyond and create incentives to reduce costs.

## Bonus Payout

1. If there is a net gain in a fiscal year, MHCA will consider offering bonuses to employees. It will be based on the year-end net revenue for the association and paid in the first February payroll.
2. With an understanding that staff not only works to increase revenue, they also strive to be cost effective which impacts the association’s net revenue.
3. Should the Executive Director identify some large line-item savings that were circumstantial and not affected by staff, that savings will not be included in the bonus calculations (e.g. staff shortage).
4. The association’s net gain will be split with the association retaining one half of it and the staff splitting the other half.
5. The staff portion will be split among staff, as follows: MHCA Executive Committee will determine the Executive Director’s portion and the remaining staff portion will be determined by the Executive Director, based on the following eligibility guidelines.

## Bonus Eligibility

1. A staff member must be in active employment status (non-terminated, full or part-time) at the time the bonus is awarded or "must be employed at the time of payout."
2. A staff member should have received no disciplinary actions in the past six months, including verbal warnings.
3. Consideration for a bonus will be given to exempt employees who showed extraordinary effort to meet quality and quantity requirements while meeting the essential requirements and performance standards of the regular job.
4. Specific standards that will be taken into consideration include, but are not limited to:
   1. Actively producing work 12 months during the year
   2. Showed proactive initiative
   3. Managed a project from inception to implementation
   4. Contributed to teamwork
   5. Performance evaluation ratings