

**AMERICAN COLLEGE HEALTH ASSOCIATION (ACHA)
BOARD OF DIRECTORS
POLICY AND PROCEDURE
(BOD P/P)**

BOD P/P Number:	1986-4	Date Established: May 26, 1986	
		Date Revised: March 13, 2012*	
Reference:	ACHA Bylaws	Term:	1 Year
			2 Years
		X	Indefinite

BOD P/P Title:	ASSOCIATION FINANCIAL POLICY & INVESTMENT POLICY
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BOD Authority:	ACHA Bylaws, Article VIII, Section 1.
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Purpose:	To establish financial and investment policies and procedures controlling the financial operations and investment activities of the Association.
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Policy:	ACHA shall have a published Financial Policy (including an Investment Policy) that guides and controls the financial operations and Investment activities of the Association.
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Procedure:	<p>The procedures as set forth and described in the document titled <i>ACHA Financial Policy</i> (including the <i>ACHA Investment Policy Statement</i> as Appendix A) shall guide and control all ACHA financial operations and investment activities. The ACHA Treasurer and Executive Director shall ensure that financial and investing activities are conducted in accordance with the established procedures therein.</p> <p>Attachment: <i>ACHA Financial Policy (with Appendix A: ACHA Investment Policy Statement)</i> * (Latest revision date applies to Appendix A)</p>
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Resources:	National Office	Volunteer
Human:	Executive Director Finance Director	Treasurer
Financial:		
Other:		



American College Health Association

FINANCIAL POLICY

January 2001

AMERICAN COLLEGE HEALTH ASSOCIATION

FINANCIAL POLICIES

The following policies, approved by the American College Health Association (ACHA) Board of Directors, govern ACHA financial operations. For convenience the policies are organized in three categories: (a) governance; (b) operations; (c) net assets. Each policy statement is identified by number, title, and the most recent date of Board of Directors approval or revision.

A. GOVERNANCE

- | | | |
|-----------|---|-------------|
| 01 | <u>Responsibility for Development of Financial Policies</u> | 1/91 |
| | <p>The executive director will propose new association financial policies and will recommend changes to existing financial policies. A simple majority of the Board of Directors must approve them. The Executive Committee may give provisional approval to financial policies making them effective until the next Board of Directors meeting at which time the full board must approve such policies in order for them to continue in effect. Each policy should note the date it was approved and/or revised by the Board of Directors.</p> | |
| 02 | <u>Budget</u> | 5/97 |
| | <p>The executive director shall prepare an annual association budget for review by the Finance Committee. A simple majority of the Board of Directors must approve the annual budget prior to the start of the new fiscal year. In the event the Board of Directors cannot or does not approve a budget before the start of a new fiscal year, a majority of the Executive Committee must approve a conditional budget so that operations may continue until the Board of Directors meets and approves an annual budget.</p> | |
| 03 | <u>Revenue Generating Activities</u> | 1/91 |
| | <p>Revenue generating activities are defined as all operations that produce income for the association. The Board of Directors must approve each new revenue generating activity.</p> | |
| 04 | <u>Board Approval of Unbudgeted Expenses</u> | 1/91 |
| | <p>The ACHA Executive Committee shall approve all unbudgeted expenditures of the association in excess of \$10,000.</p> | |

Approval of such expenditures shall be by simple majority vote. The treasurer must report any such Executive Committee approvals at the next meeting of the Board of Directors.

05 **Board Approval of Contracts (Non-Employment)** 1/91

The Executive Committee must approve all contracts with a value greater than \$10,000. The Executive Committee must approve all contracts with a duration longer than one year. A simple majority is necessary for approval. The treasurer must report any such Executive Committee approvals at the next meeting of the Board of Directors.

Upon approval, if required, the executive director is authorized to sign contracts in the name of the association. The Board of Directors, by simple majority vote, may authorize other association staff members to sign contracts in the name of the association.

06 **Rate Determinations** 1/91

The Board of Directors must approve all dues and annual meeting registration fees. Rates for all specific services which the association provides will be determined by the executive director after appropriate consultation and will be reviewed, at least annually, by the Board of Directors or its designated subcommittee.

07 **Financial Reporting** 1/91

The association will provide to its Board of Directors quarterly statements of financial condition (statement of revenues and expenditures and actual versus budget analysis). The president and treasurer of the association shall be provided with monthly financial statements. Audited statements of revenues and expenditures, balance sheet and statement of changes in financial position shall be presented to the Board of Directors at the annual meeting.

08 **Annual Audit** 1/91

The association will have an annual audit of its financial records conducted by an independent certified public accountant. The results of this audit, including management letters, shall be submitted to the ACHA Board of Directors at the annual meeting.

B. OPERATIONS

09 **Accounting Method** **1/91**

Basis of Accounting - The association shall use the accrual basis of accounting. The association's fiscal year shall be the calendar year.

Fund Accounting - Restricted gifts, grants, and income from other restricted sources are accounted for separately. Restricted funds may only be used for purposes established by the source of such funds.

10 **Signature Limits on Checks/Signature Authority (Non-Payroll)** **1/91**

The executive director is authorized to sign checks. In addition, the executive director must appoint no more than three other staff members to sign checks. Only one signature is required on checks of \$999.99 or less. Two signatures are required on checks of \$1,000 or more. One of the two signatures must be that of the executive director for any check of \$5,000 or more. Checks for \$25,000 or more shall require prior written authorization by the ACHA president or treasurer.

11 **Travel Approval for Members, Officers and Staff** **1/91**

All travel by ACHA officers, members and staff in support of ACHA programs and other association business must be in accord with ACHA travel policies and approved in advance of the travel date by the ACHA executive director if travel costs are to be reimbursed by ACHA. Intended travel not provided for in the ACHA approved budget may be referred for approval as necessary by the executive director to the Executive Committee.

All requests for payment of travel expenses shall be made through use of an ACHA travel expense voucher. Travel expense vouchers are available through the ACHA office and must be submitted with appropriate expense documentation. The expense voucher shall be submitted no later than 30 days after the expense is incurred.

12 **Travel Advances** **1/91**

The employees of the association will be provided with cash advances for business related travel when necessary. All travel advances must be approved by the employee's

department manager. Cash advances in excess of \$100 must be approved by the executive director or his/her designee. The maximum travel advance is \$200, excluding airfare and similar expenses contracted through travel agencies. Travel advances shall be booked as employee receivables and must be cleared within 30 days after the intended travel unless approved by the executive director. All travel advances will be cleared at year-end.

13 **Expense Report Approval** 1/91

The ACHA executive director or his/her designee will review and approve expense reports of the officers, members, and staff of the association. The executive director's own expense report will be paid upon submission but provided thereafter on a monthly basis to the ACHA treasurer for review.

14 **Employee Payroll** 1/91

The association shall continue the maintenance of an outside payroll service. Employees of the association shall be paid twice monthly. The association shall render all appropriate payroll reports and withholding reports to each Federal, state and local entity required, as well as to the association's employees and temporary personnel.

15 **Tax Returns** 1/91

The association will prepare quarterly and annual income tax withholding and information reporting returns for Federal, state and local taxing authorities. The president, treasurer, and executive director of the association shall be authorized to sign the tax returns of the association.

16 **Annual Leave Accrual** 5/94

ACHA employees earn and accrue annual leave as outlined in the ACHA Personnel Manual. For those employed at ACHA for the entire fiscal/calendar year, no more than one-half of the amount of annual leave earned in one year can be carried forward into the next fiscal/calendar year without prior written authorization of the executive director. Any unused annual leave at year end that is in excess of the amount stipulated above (prior sentence) -- in the absence of an exception granted by the executive director -- will be forfeited. For those who become ACHA employees during the calendar/fiscal year, the requirement to carry-over no more than one-half of the amount of annual leave earned in one year is waived

during the initial calendar/fiscal year of employment. Upon termination of ACHA employment an employee will be paid for unused annual leave but not more than that earned in one year.

17 **Property and Equipment** 5/97

The association capitalizes fixed assets when their acquisition cost exceeds \$500. Property and equipment whose cost falls below this threshold amount is expensed in the year acquired.

Useful life guidelines for property and equipment are established in conformance with GAAP (generally accepted accounting principles) and reviewed annually by the association's auditors. Changes are implemented on the basis of auditor recommendations. The following useful life guidelines are currently recommended:

<u>Asset Type</u>	<u>Useful Life</u>	<u>Depreciation method</u>
Furniture and Fixtures	5 Years	Straight Line*
Office Equipment	5 Years	Straight Line*
Computer Hardware	3 Years	Straight Line*
Leasehold Improvements	life of the lease	Straight Line**
Vehicles	3 Years	Straight Line*

* The association uses the ½ year convention for depreciation purposes.

** Improvements are amortized from the date of acquisition through the end of the current lease term.

The association maintains a record of all capitalized fixed assets which includes: asset description; model and serial number; date acquired; acquisition cost; accumulated depreciation; and current book value.

18 **Petty Cash** 1/91

ACHA will maintain a petty cash fund with a renewable balance of \$500. All petty cash expenditures will be approved by the executive director or by one of two designees. The petty cash custodian shall not be authorized to approve petty cash expenditures (e.g., to a designee). There is a \$100 maximum disbursement from petty cash for any one transaction. The petty cash fund will not be used for travel advances.

19 **Cash Receipts Control** 1/91

- The executive director shall appoint one or more cashiers whose responsibilities will be to receive cash and make daily bank deposits. No one who performs

any accounting or account reconciliation function will serve as a cashier.

- Immediately upon receipt, the cashier will endorse all checks ("for deposit only" - to the account of the American College Health Association).
- The cashier shall keep a cash receipts register showing date, check number, payee, association income account, and amount. Both the cashier and one other non-accounting employee must certify by signatures that the daily bank deposit total matches the daily total of cash received.
- After making a deposit, the cashier shall hand over to the accounting staff a copy of the association's daily cash receipt register and the bank deposit receipt.
- The accounting staff shall reconcile all deposits with each bank statement.
- The foregoing procedures apply to ACHA internal cash receipts control. These procedures are not intended to prevent the use of a bank lock box for receipt of membership dues or for other special ACHA uses.

20 **Inventory Control**

1/91

The association shall control the inventory of all items offered for sale by the association. Such inventory records shall be physical rather than financial. Physical count of inventory maintained by the association shall be made at fiscal year end. Value at year end shall be determined by the first-in, first-out method.

21 **Funding the Operating Investment Account (OIA)**

5/97

The ACHA Executive Director is given authorization to fund the OIA so that current expenses may be met while at the same time ACHA funds realize return on investment (see Appendix A, Investment Policy). The Executive Director is authorized to move monies from OIA to ACHA checking accounts for payment of ACHA expenses on an as-needed basis.

- 22 **Bank Statement Reconciliation** **1/91**
- Within seven working days of receipt, the association accounting staff shall reconcile all bank statements with the general ledger.
- 23 **Refunds** **1/91**
- The association will refund cash paid in advance under the following circumstances:
- For an annual meeting registration, cancellation when adequate notice has been given. Adequate notice is defined as given in writing and received at least 24 hours prior to the start of a meeting. A maximum of 50 percent refund can be given on any meeting, and fees other than registration fees cannot be refunded unless an exception is granted by the executive director.
 - Requests for refunds for any other ACHA publication or service, which does not meet the member’s expectations of average quality, are to be referred in writing to the executive director for review and disposition.
- 24 **Business Credit Card** **1/01**
- ACHA may issue a business credit card to employees for use in connection with official ACHA business. The card will be issued to those management staff employees designated by the Executive Director with monthly invoices billed to ACHA.
- 25 **Aging of Accounts Receivable** **1/01**
- Accounts receivable will be tracked for accounts older than 120 days. On a monthly basis, a report of all account receivable, older than 120 days, will be prepared by the accounting staff. Using this monthly report, the accounting staff will follow up on past due accounts. No additional purchases on credit will be permitted by an entity that has an account older than 120 days until all past due accounts are paid.

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|-----------------------------|--|------|
| 26 | <u>Cash Disbursements</u> | 1/01 |
| | All cash disbursements will be supported by an invoice or receipt from the vendor/supplier, approved and initialed, by the supervisor. | |
| 27 | <u>Publication Fulfillment Company Reconciliation</u> | 1/01 |
| | Within seven working days of receipt, the Association accounting staff shall reconcile with the general ledger monthly reports, received from the Association's independent publication fulfillment company. | |
| C. <u>NET ASSETS</u> | | |
| 28 | <u>Net Assets</u> | 1/01 |
| | The association's target is to achieve a Net Asset balance of at least three-fourths (9 months) of ACHA's annual non-grant expenditures. Supporting this, the association should optimally sustain at least 3% annual growth of its net assets. Notwithstanding, the Board of Directors may approve -- from time to time -- operating budgets that fall short of the growth goal, or authorize a deficit budget for specific strategic purposes. Nevertheless, the prevailing expectation is sustainable growth to the target. | |
| 29 | <u>Reserves - Investment Reserve Account</u> | 1/01 |
| | Reserve funds (intermediate-term and long-term investments) shall be invested in ACHA's Investment Reserve Account (IRA) by the Executive Director in a manner that complies with the investment policies of the association as outlined in Appendix A-IRA. ACHA investments – both the principal and income from the principal – shall be reinvested on a continuing basis. | |
| 30 | <u>Reserves - Annual Contribution</u> | 1/01 |
| | ACHA's goal for its IRA is a minimum of one-half (six months) of ACHA's annual non-grant expenditures. Optimally, ACHA will annually invest a minimum of 1% of its prior year audited revenues to the Investment Reserve Account (IRA). Income from grants and investments is not included in the revenue calculation. This contribution will be made after the end of the operating year consistent with cash flow requirements for the association. In the event of a deficit-operating year, ACHA will still seek to invest the above amount; however, the ACHA | |

Treasurer will determine the actual amount after consultation with the Executive Director on operating cash requirements for the association.

31 **Investment Reserve Fund Uses**

1/01

Monies in the Investment Reserve Account (IRA) will be used only for:

(a) Routine replacement of obsolete (beyond useful life) property and equipment, and renovations, at a level set forth in the approved annual capital equipment budget;

(b) Upon specific authorization by the ACHA Executive Committee or Board of Directors, and only to:

(1) Meet special non-recurring needs (e.g. office relocation expenses, or specific strategic initiatives);

(2) Make substantial new capital improvements or purchases that cannot be handled within annual budgets;

(3) Deal with emergency circumstances that threaten the financial well being of the association (e.g., to meet ACHA financial obligations in the face of insufficient revenues during the year).

AMERICAN COLLEGE HEALTH ASSOCIATION
INVESTMENT POLICY STATEMENT

Introduction

This statement of Investment Policy has been adopted by the Board of Directors (BOD) of ACHA to provide guidelines for the investment of funds held by the association.

In order to (1) provide sufficient back-up funds to meet the current (operating) financial obligations of ACHA, and (2) optimize a return on investment for longer term funds held for financial stability, capital equipment requirements, and/or special or emergency obligations, ACHA investment funds held will be divided into two separate pools. The process for determining the dollar amount in each pool is set forth in the "Procedures" section of this document. The two investment pools shall be named the "Operating Investment Account" (OIA) and the "Investment Reserve Account" (IRA).

In order to (1) manage investment risk consistent with the likely time horizons for which funds may be needed, (2) optimize investment returns within acceptable risk parameters, and (3) provide a modest degree of diversification, the Investment Reserve Account (IRA) will be divided into two funds. The two funds shall be named the "Intermediate Term Fund" (ITF) and the "Long Term Fund" (LTF).

Asset classes permissible for each fund shall be:

1. "Intermediate Term Fund" (ITF): Fixed Income only.
2. "Long Term Fund" (LTF): Fixed Income (60%) and Equity (40%).

Procedures

1. The following procedures will be followed to ensure that this investment policy is consistent with the current mission and accurately reflects ACHA's needs and requirements under current financial conditions:
 - a. The investment policy shall be reviewed annually by the Finance Committee for any necessary revisions.
 - b. Recommendations for any revisions or modifications will be made by the Finance Committee to the Board of Directors for approval.
2. The following procedures will be used to determine the dollar amount to be placed in the Operating Investment Account (OIA). (Investment funds not specifically designated for OIA will be restricted to investments designated in the Investment Guidelines for the IRA.)
 - a. The Finance Director will recommend the dollar amounts to be placed in the OIA, consistent with operating cash flow and cash requirements of the association.
 - b. The Executive Director will have final approval of the dollar amounts placed in the OIA.
3. The following procedures will be used to determine the dollar amount to be placed in the Investment Reserve Account (IRA):
 - a. The Finance Committee will identify and recommend to the BOD the initial amounts to be placed in both ITF and LTF; the BOD will have final approval of those amounts.
 - b. The amounts for subsequent annual contributions to the IRA will be determined as set forth in the parent Financial Policy.

4. It is anticipated that from time to time the service of a registered investment adviser may be sought to manage portions of the accounts. The following procedure shall be followed to engage a new or replace a current registered investment adviser. The same procedure shall apply for both individually managed accounts and mutual funds (with the exception of money market mutual funds).
 - a. The Executive Director -- after consultation with the Finance Director -- will recommend the hiring or replacing of an investment advisor to the Finance Committee.
 - b. The Finance Committee will review the candidate(s) and make a recommendation to the Executive Committee, who shall have final approval.

OPERATING INVESTMENT ACCOUNT (OIA)

Purpose

The purpose of the Operating Investment Account (OIA) is to provide sufficient cash to meet the current financial obligations and expenditures of ACHA in a timely manner.

Investment Objectives

The investment objectives of the Operating Investment Account are:

1. Liquidity;
2. Preservation of Capital; and
3. To optimize the investment return within the constraints (1) and (2) above.

Investment Guidelines

ALLOWABLE INVESTMENTS

The Investment Firm shall be authorized to invest ACHA Operating Investment Account as follows:

1. Federally-Insured Certifications of Deposits issued by commercial banks or savings and loans institutions not to exceed FDIC insurance coverage;
2. Money Market Funds that invest in government backed securities;
3. Interest bearing checking accounts in federally insured banks and savings and loans not to exceed federally insured amounts;
4. Direct Obligations of the U.S. Government, its Agencies and instrumentalities; and
5. Repurchase agreements collateralized by U.S. Government obligations with institutions whose senior debt rating is double A or better by Standard & Poor's and/or Moody's or were physical delivery of the collateral is made to a third party custodian.

MATURITY

The maturities on investment for the Operating Investment Account shall be limited to 12 months or less.

REPORTING

The Investment Firm shall prepare the following reports for presentation on a monthly basis to the Executive Director, Finance Director and Treasurer.

1. Schedule of Investments
2. Interest income year to date.
3. Current yield.

INVESTMENT RESERVE ACCOUNT (IRA)

Purpose

The purpose of the ACHA IRA is to enhance the purchasing power of funds held for future expenditure, to maintain the financial stability of the association, and to provide current income to be used during the current budget cycle.

Investment Objectives

The objectives of the portfolio represent a long-term goal of maximizing returns without exposure to undue risk, as defined herein. It is understood that fluctuating rates of return are characteristic of the securities markets. The primary concern shall be long-term appreciation of the assets and consistency of total return on the portfolio. Recognizing that short-term market fluctuations may cause variations in the account performance, the portfolio is expected to achieve the following objectives over a three-year moving time period:

1. The account's total expected return will exceed the increase in the Consumer Price Index by 3% annually. On a quarter-to-quarter basis, the actual returns will fluctuate and can be expected to exceed the target about half the time.
2. The account's total expected return will exceed the increase in the Treasury Bill Index by a minimum of 3% annually. On a quarter-to-quarter basis, the actual returns will fluctuate and can be expected to exceed the target about half the time.

Understanding that a long-term positive correlation exists between performance volatility (risk) and statistical returns in the securities markets, we have established the following short-term objective:

The portfolio should be invested to minimize the probability of low negative total returns, defined as a one-year return worse than negative 5%. It is anticipated that a loss greater than this will occur no more than one out of twenty years.

Investment Guidelines

The investment policies and restrictions herein serve as a framework to achieve the investment objectives at the level of risk deemed acceptable. These policies and restrictions are designed to minimize interference with efforts to attain overall objectives, and to minimize the probability of excluding appropriate investment opportunities while still aligning with ACHA's mission, vision, goals and objectives for promoting healthy practices throughout the campus community.

PROHIBITED INVESTMENTS

The following investments and investment activities are prohibited:

1. Private Placements;
2. Letter stock;
3. Derivatives. However, to the extent that mutual funds are used by ACHA the mutual funds may buy or sell derivatives for the purposes of managing portfolio risk;
4. Securities whose issuers have filed a petition for bankruptcy;
5. Commodities or commodity contracts;
6. Short sales;
7. Margin transactions;
8. Any speculative investment activities; and,
9. Equity or fixed income investments in companies that derive significant revenue (e.g. 30% of revenue or greater) from the manufacturing of alcohol or tobacco products. This prohibition extends to investments in commingled securities such as mutual funds.

DIVERSIFICATION

Individual stocks are subject to a maximum 5% commitment at cost or 7% commitment of the account's market value for an individual security and 15% for a particular industry.

Individual bonds not guaranteed by the U.S. Government its agencies or instrumentalities are subject to a maximum 5% commitment at cost.

The following definitions shall apply for the purposes of this policy:

EQUITIES

The equity asset classes should be maintained at risk levels roughly equivalent to the sectors of the market represented, with the objective of exceeding a nationally recognized index measuring the performance of the designated sector over a three-year moving time period net of fees and commissions. Mutual funds conforming to the policy guidelines may be used to implement the investment program.

U.S. Large Capitalization Stocks: A portfolio of stocks comprised primarily of U.S. based companies, with the average of the stocks held having a market value exceeding \$3.0 billion and primary shares of which are traded on a major U.S. exchange.

U.S. Small Capitalization Stocks: A portfolio of stocks composed primarily of US-based companies having a market capitalization, on average, of less than \$1.0 billion.

International Stocks: A portfolio comprised primarily of stocks of non-U.S. based companies, the primary shares of which are traded on exchanges outside the US. American Depository Receipts are considered International Stocks.

FIXED INCOME

Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. Mutual funds conforming to the policy guidelines may be used to implement the investment program. The following definitions shall apply for the purposes of this policy:

U.S. Government/Corporate Intermediate Bonds: A portfolio consisting primarily of fixed income securities denominated in U.S. dollars issued by the U.S. Government or U.S. corporations having a weighted average maturity of less than 10 years.

TARGET ASSET MIX

The ITF and LTF components of the IRA shall be comprised of the asset classes listed in Figure 1 below. The target weight is the desired weight for each asset class. The minimum weights and maximum weights are to allow for normal market fluctuations. It shall be the responsibility of the financial advisor to remain within the range specified for each asset class. The financial advisor should re-balance the portfolio according to the target weights semi-annually.

FIGURE 1

INVESTMENT RESERVE ACCOUNT (IRA) FUNDS	INTERMEDIATE TERM FUND (ITF)	LONG TERM FUND (LTF)		
		MINIMUM WEIGHT	TARGET WEIGHT	MAXIMUM WEIGHT
ASSET CLASS				
EQUITY				
U.S. Large Capitalization Stocks	0%	25%	30% (b)	35%
U.S. Small Capitalization Stocks	0%	2%	5% (c)	8%
International Stocks	0%	2%	5% (d)	8%
TOTAL EQUITY:	0%		40%	
FIXED INCOME				
U.S. Government/Corporate Intermediate Bonds	0%	55%	60% (e)	65%
Certificates of Deposit	100% (a)	0%	0%	0%
TOTAL FIXED INCOME:	100%		60%	

See Table 2 for a listing of Funds in each category (a) through (e).

See Table 1 (maintained separately from this Investment Policy) for a listing of funds in each category (a) through (e).

REPORTING

The Investment Advisor will provide the Executive Director and Finance Director a quarterly report. The report will evaluate the IRA on a total return basis. Returns will be compared to:

1. Consumer Price Index plus 3%;
2. Three-month Treasury Bill Index plus 3%;
3. An index comprised of 40% of the S&P 500 and 60% of the Barclays Intermediate Government/Corporate index.

Comparisons will show results for the latest quarter, year to date and since inception.

The Executive Director will provide the Treasurer the same type of report to facilitate preparation of the Treasurer's Report to the BOD on a semi-annual basis.

