

SECTION V
FINANCIAL MANAGEMENT

Reviewed: March 2019
Revised: March 20, 2019

**Red Crown Federal Credit Union
Policy Manual
Section V - Financial Management**

Table of Contents

	<u>Page</u>
Annual Budget	1
Responsibility	1
Operating Budget	1
Budget Evaluation.....	1
Capital Budget	1
Travel	1
General.....	2
Authorization for Travel	2
Expense Approval.....	2
Auto Allowance / Reimbursements.	2
Political Contributions	2
Teller and Vault Cash	2
Petty Cash (Internal)	3
Undesignated Funds.....	3
Armored Services.....	3
Distribution of Net Earnings.....	3
Dividends	3
Regular Reserve	4
Reserve for Contingencies	4
Certified Public Accountants	4
Relations with the NCUA Examiners.....	4
Procedures and Authority of the Supervisory Committee	5
Credit Card.....	5
Fixed Asset Policy	6

Red Crown Federal Credit Union
Policy Manual
Section V - Financial Management

A. Annual Budget

1. Responsibility

Management of Red Crown is responsible for bringing the appropriate budget and financial recommendations to the board in accordance with this policy.

2. Operating Budget

- a. The Board and Management will jointly conduct a planning session before the budget is prepared.
- b. Red Crown will use a budget to plan and control its financial operations during the year.
- c. The budget projects expected income and expenses for the next fiscal year.
- d. Management will prepare the budget; ALCO (Asset / Liability Committee) will review it, make any necessary revisions, and recommend it to the Board for approval at its December meeting.
- e. The budget, as a projection of income and expenses, is an important guide to financial operations. It should be used to determine: whether programs are succeeding; what mid-course adjustments are needed; and how to improve future plans.
- f. The approved budget is authority for Management to place into effect the plan of operations the budget represents.
- g. ***Management will conduct a mid-year budget review and report the status of the review to the board for determination of whether a revised budget is necessary.***

3. Budget Evaluation

Progress toward accomplishment of the plan will be presented to the Board quarterly (and more often if, in the opinion of ALCO, any aspect of the budget is out of control). Budget variance reports will be reviewed by ALCO periodically.

B. Capital Budget

A capital budget will be considered each year with the operating budget. Capital budget requests can originate with Management or volunteers.

C. Travel

Reasonable and proper travel expenses incurred by volunteers, Management and Staff of Red Crown in the performance of their official duties will be reimbursed in accordance with the following policy:

Red Crown Federal Credit Union
Policy Manual
Section V - Financial Management

1. General

Travel expense is controlled through the budget process, and the Board retains the full and final authority to regulate this expense at Red Crown.

2. Authorization

Authority is delegated to the President/CEO to authorize ordinary and necessary staff travel to carry out their duties and training assignments. The President/CEO may authorize his or her own travel plans. Expenses incurred by the travel companions of the Red Crown staff or volunteers will be the financial responsibility of that individual.

Authorization for travel will be requested in advance. If a family member (or persons) will be accompanying the traveler, this must be disclosed. Any applicable, reimbursable travel expenses should be identified, and appropriate reimbursement limits established for the trip. Budgeted travel requests will be approved by the President/CEO or Board (Executive Committee in lieu of a timely Board meeting), as applicable.

3. Expense Approval

A detailed report of actual expenses will be submitted to the proper approving authority and reimbursements made as appropriate. The President/CEO will approve budgeted staff travel expenses incurred. The **Board** Chairman will approve the President/CEO's and all volunteer expense accounts. The Board will approve the Supervisory Committee's travel expenses.

D. Auto Allowance / Reimbursements

1. As an alternative to providing a Credit Union automobile, the Board of Directors may elect to establish a monthly car allowance for members of Credit Union management.
2. ***For those without a monthly allowance***, staff use of personal automobiles for Credit Union business will be reimbursed at the current rate published by IRS. Mileage reimbursement must be approved by the employee's supervisor before payment.

E. Political Contributions

It is the policy of Red Crown not to contribute to political campaigns. No political contributions by individual employees or volunteers may be made in the name of Red Crown or be reimbursed by it, directly or indirectly.

F. Teller and Vault Cash

Cash on hand will be monitored and maintained by Red Crown management for all locations. Appropriate Bond Coverage will be in place at all times. Maximum limits for each location will not exceed insurance coverage and operating requirements.

Red Crown Federal Credit Union
Policy Manual
Section V - Financial Management

G. Petty Cash (Internal)

A Petty Cash Fund is maintained for reimbursing certain authorized expenditures (maximum of \$75.00 per single transaction) incurred by employees, officials, and committees in connection with their meetings or other authorized activities.

H. Undesignated Funds

Committees are authorized to spend or otherwise commit, without prior Board approval, an amount not to exceed ten percent (10%) of that Committee's annual budget for undesignated promotion, education, meetings or other projects.

I. Armored Services

Red Crown contracts with a bonded armored service for deposits and cash pick-up and delivery service.

J. Distribution of Net Earnings

1. Net earnings are defined as the excess of credit union revenue over expenses.
2. Any statutory addition to the regular reserve will be distributed from net earnings at the time of the quarterly closing of the books. Other distributions are to be recommended by Management to the Board for appropriate action. If no board action is taken or if action does not entirely dispose of net earnings, any balance will be distributed automatically to undivided earnings when the books are closed.
3. The distribution of net earnings after any required statutory transfer of the regular reserve is appropriate only for dividends, undivided earnings, additions to the regular reserve, interest refunds and/or the reserve for contingencies or as otherwise approved by Board of Directors.
4. In the distribution of net earnings, the best interests of both the borrowing and saving member are to be considered. Neither group should prosper unduly at the expense of the other.

K. Dividends

1. Members are entitled to a fair return on their shares. Dividends will be in an amount adequate to attract the necessary shares to accommodate the loan demands of members. Dividends to members should be at a rate competitive with other financial institutions in the community.
2. It is the expectation that dividends be covered from the current period net earnings.
3. Accounts that are closed prior to the end of a quarter will not receive dividends for the quarter in which they were closed.

Red Crown Federal Credit Union
Policy Manual
Section V - Financial Management

4. The dividends are calculated daily from the date of deposit to the date of withdrawal. A rate will be recommended by the Asset/Liability Committee to the Board of Directors for their approval.
5. The determination of a quarterly dividend rate on regular share accounts of \$100.00 or more will be approved by the Board of Directors at its regular meeting in advance of the first business day of the quarter. Dividends will be posted to member accounts after the close of business on the last day of the quarter.

L. Regular Reserve

It will be the policy of Red Crown to add to the regular reserve as required by NCUA Rules and Regulations.

M. Reserve for Contingencies

A reserve for contingencies will be maintained to provide for major extraordinary future expenditures. The reserve for contingencies is an extension of undivided earnings. This reserve may be used to increase the regular reserve, offset building costs or for other purposes, provided a majority of the board of directors so authorize.

N. Certified Public Accountants

1. The audit services of an independent certified public accountant (CPA) will be considered if such an examination is permitted in lieu of or in cooperation with the regulatory agency.
2. The Supervisory Committee will select and engage the services of an independent CPA for audit services.

O. Relations with the NCUA Examiners

1. Recognizing the constructive intent of examinations by the Examiners of the National Credit Union Administration, the Board, Committees (particularly the Supervisory Committee Chairman), Management and Staff will cooperate fully with examiners at all times.
2. Each board member is responsible for review of the NCUA examination reports. The board is responsible for periodic review of the progress toward satisfying the examination findings.
3. The President/CEO and Staff will initiate action at the earliest possible time to correct errors or exceptions noted in the examination.
4. The Supervisory Committee Chairman will satisfy himself/herself that the necessary corrective actions have been taken to comply with NCUA recommendations and requirements.

Red Crown Federal Credit Union
Policy Manual
Section V - Financial Management

5. The *Director of Audit and Compliance* will assist in coordination of the examination and ensure that the Examiners are receiving requested information in a timely manner.

P. Procedures and Authority of the Supervisory Committee

1. The annual examinations of Red Crown by the Supervisory Committee will be guided by the requirement of NCUA Rules and Regulations.
2. At each audit, a special investigation of some phase of the operation or records will be accomplished.
3. A major emphasis of audits will be to supplement the examination performed by NCUA to provide a thorough and complete examination.
4. The Supervisory Committee Chairman will:
 - a. Advise the board of directors of all external audit or examination reports and recommendations.
 - b. Perform or coordinate any examination report follow up or additional work deemed necessary.
 - c. Perform or coordinate any special examination work which may be considered necessary.
 - d. Coordinate an annual examination by a competent Certified Public Accounting firm. The annual examination will consist of such tests as may be deemed necessary by the external examiners or the Supervisory Committee.

Q. Credit Card

Red Crown will issue credit cards in the name of Red Crown Credit Union to employees and volunteers as authorized by the Board of Directors.

1. Authorized Cardholders
The following positions and approved limits have been established by the Board of Directors:

President/CEO	\$10,000
Controller/CFO	\$ 5,000
COO	\$ 5,000
CLO	\$ 5,000
Vice Presidents	\$ 5,000
Director of Audit & Compliance	\$ 2,500
Human Resource Administrator	\$ 2,500
Branch Managers	\$ 2,500
Collection Manager	\$ 2,500
Indirect Lending Manager	\$ 2,500
Mortgage Loan Manager	\$ 500

Red Crown Federal Credit Union
Policy Manual
Section V - Financial Management

2. Expense/Payment Approval
 - a. Approval for payment of statements will be handled by the President/CEO. Chairman of the **Board** will approve the statements of the President/CEO.
 - b. Recognizing that there may be situations that are an exception to this policy due to emergencies or other valid reasons, notification to the President/CEO or **Board** Chairman should be submitted immediately.

R. Fixed Asset Policy

The estimated useful life of a fixed asset will generally be determined according to the following schedule.

1. Buildings and Improvements
 - a. New buildings – 40 years
 - b. Improvements - \$1,000 to \$10,000 – 5 years
\$10,001 to \$20,000 – 10 years
Greater than \$20,000 – determined by the President/CEO and Controller/CFO
 - c. Leasehold Improvements – the shorter of the above time periods or the remaining life of the lease
2. Furniture and Fixtures – 10 years
3. Office Equipment – 5 years
4. Data Processing Equipment
 - a. Computers, printers and LAN related equipment – 3 years
 - b. Software – 2 years
5. General Rule - \$1,000 individual minimum amount is required for capitalization
 - a. Exception 1 – If a number of individual items are purchased together, with the aggregate being greater than \$1,000, then all items are capitalized.
 - b. Exception 2 – If an item is just slightly below the \$1,000 threshold and it appears that the additional accounting control resulting from the capitalization is appropriate, then the asset will be capitalized.
 - c. Exception 3 – All data processing equipment greater than \$250 will be capitalized to provide accounting control.

These are the normal procedures. If the President/CEO and Controller/CFO determine that the estimated life of an asset is shorter than the prescribed depreciation periods, then the shorter life will be used.