

# MGC Financial Policies & Procedures

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## Overall Finance Policies

1. All requests for reimbursement from any MGC corporate or satellite account must include a completed reimbursement request form and copies of all receipts. Electronic format is preferred.
2. All requests for mileage reimbursement must include a completed MGC Reimbursement Form listing each trip, the purpose, date and the mileage. District Directors will be reimbursed for travel to clubs within their district up to \$500.00/fiscal year.
3. MGC will use the standard IRS business reimbursement rate for use of a personal car for business purposes of Michigan Garden Clubs, Inc., by volunteers and contracted non-member instructors or speakers. The rate is established on January 1 for calendar year.
4. A W-9 Form, Request for Taxpayer Identification and Certification, will be provided to any contracted instructor or speaker whose anticipated fees (including materials) identified through the budgeting process will be \$600.00 or more in a calendar year before beginning work. In the event that receipts and/or mileage declarations are not submitted then travel expenses will be considered as fees.
5. Members of the MGC Board of Directors will receive a copy of the Treasurer's Report and the quarterly financial reports prior to each board meeting. The reports will include a monthly Reconciliation of checking and savings accounts; a Profit & Loss statement, and a Balance Sheet
6. The proposed budget for the following fiscal year will be presented for approval at the April Board of Directors meeting.
7. At the end of the fiscal year, the checking account balances of the district, and council accounts will be reviewed by the MGC Treasurer. Any checking account balance over two thousand dollars (\$2,000.00) will be transferred to the corresponding district or council asset account.

8. Use of any form of electronic communications to request budgeted monies from the MGC Account Treasurer or any MGC satellite account Treasurer will only be accepted with clear explanation from the Chair, Officer, Director or a satellite Treasurer and the proper documentation, including a copy of the invoice or receipt, and MGC Reimbursement Form when appropriate. Before distributing any funds from any account under the MGC EIN, the MGC Treasurer or satellite account Treasurer will review the documentation and contact the individual who has sent the request. Only after verification of the documentation as well as the individual sending the request will the disbursement check be written or credit card utilized for payment. Approved November 3, 2017.
9. The use of email or email attachment to communicate confidential MGC financial information of any kind (MGC bank account numbers, MGC credit card numbers etc.) is strictly prohibited. Approved November 3, 2017.
10. To assure compliance with IRS laws MGC will utilize a professional accounting services firm on an ongoing basis. The contract will be reviewed on a yearly basis by the Treasurer and the Finance Chair.
11. The financial policies pertaining to all MGC events can be found in the Events Policies and Procedures section.

## Credit Card Policy

1. The MGC Credit card policy was approved by the MGC Board of Directors at their November 3, 2016 meeting.
2. The policy is contained in a separate addendum.

## Remuneration

1. The MGC Remuneration Policy was approved by the MGC Board of Directors at their November 2, 2017 board meeting.
2. The policy is contained in a separate addendum.

## Investment Policy

1. At the June 9, 2017 MGC Board of Directors meeting the board approved investing MGC monies. The MGC Investments are held in accounts with Morgan Stanley Wealth Management in Kalamazoo, MI.
2. At the November 2, 2017 Board of Directors meeting the MGC Investment Policy was approved.
3. The policy is contained in a separate addendum.

## MGC, Inc. Credit Card Policy Addendum

A credit card provides Michigan Garden Clubs, Inc. personnel with the ability to effectively and efficiently make purchases in relation to the Board of Directors approved Michigan Garden Clubs, Inc. budget.

1. The card(s) will have a credit limit of \$10,000.00 per month.
2. The card may be used only for the purchase of goods or services for official business of the Michigan Garden Clubs, Inc.
3. All purchases will be within the current budget line item amounts, unless approved by Finance and Executive Committees.
4. The person issued the card is responsible for its protection and custody, and shall immediately notify the credit card company and Finance Chair if it is lost or stolen.
5. The person issued the card must immediately surrender the card to the current President or First Vice President when their Term of Office, with the Michigan Garden Clubs, Inc. Board of Directors has ended.
6. Inappropriate use of the credit card may be subject to disciplinary action, including but not limited to, expulsion from office and civil or criminal prosecution.
7. Credit Card users shall file receipts with the MGC Treasurer, on a monthly basis.
8. Credit card statements, along with receipts for all items to be paid by
9. MGC, Inc. will be reconciled on a monthly basis by the Treasurer or Assistant Treasurer (if one exists). Receipts must show the following on the receipt:
  - a. Name of purchaser (hand printed or hand written)
  - b. Purpose/event/activity
  - c. Date of purchase
  - d. Vendor, location, and date (if not shown)
10. Monthly credit card statements will be reviewed for accuracy before they are paid by the Treasurer, by due date to avoid late fees.
11. Any concerns regarding credit card usage or statements will be brought to the Finance Committee by the MGC Treasurer.

Original Credit Card Policy approved by the MICHIGAN GARDEN CLUBS, INC. Board of Directors on: November 3, 2016.

Revised January 2019

## MGC Investment Policy Addendum

### **Background:**

#### 2016-2017

The mission of Michigan Garden Clubs, Inc ("MGC, Inc. ") is to provide leadership in education, resources and networking opportunities for its members to promote love of gardening, floral design, landscape design and civic environmental responsibility.

In April 2017 a five-year strategic plan for self-sustaining scholarships was developed to more effectively manage the balance sheet funds restricted for scholarships by investing the funds to generate better returns than were currently being realized in bank savings accounts.

#### 2017-2018

To that end in June 2017 the MGC Board of Directors approved the following motion: Invest approximately \$177,000, currently residing in five separate balance sheet accounts restricted for scholarships, with Morgan Stanley Wealth Management following the successful investment model used by the Kalamazoo Garden Council, Inc.

In July 2017 accounts were established with Morgan Stanley Wealth Management (277 S. Rose St, Suite 3100, Kalamazoo, MI 49007, 269-373-2650).

The following three separate accounts were initially established with investment instruments of mutual funds selected by Morgan Stanley:

| <b><u>Account</u></b> | <b><u>Initial Funds Invested</u></b> |
|-----------------------|--------------------------------------|
| Scholarships \$63,081 | Restricted Funds                     |
| Lifetime \$93,320     | Designated Funds                     |
| Delano \$14,056       | Restricted Funds                     |
| <b>Total:</b>         | <b>\$170,457</b>                     |

In December 2017 the CD held at Macatawa Bank for Michigan Consultants Council (MCC) matured and the money was withdrawn. Additional funds were added from MCC reserves, and \$5,000 was invested into a 4th MGC account at Morgan Stanley on behalf of MCC for future use.

## **2018-2019**

After Board approval in April, \$56,000 of the large donation from Javoroski estate to MGC was moved from the Consumers Credit Union to a 5<sup>th</sup> account at Morgan Stanley in June 2018 in order to take advantage of larger returns. Since these monies will have no restriction or Board designation, the account was labeled "MGC General Account," and other non-restricted or undesignated funds can be added to this account in the future.

In 2018 MAAJ made a decision to move \$5,000 of its reserve funds to be combined in the account with \$5,000 of MCC funds in order to reach the \$10,000 threshold for an optimal investment account at Morgan Stanley. This account will be 50/50 split by MGC satellites MCC and MAAJ in any future use of funds.

In late 2018 a donation of \$10,000 was received from the estate of deceased MGC member, Donna Schumann. This money was added to the MGC General Account at Morgan Stanley.

Also, late in 2018 a restricted donation of \$10,000 from the estate of Hilda Marie Nash was received to be added to the Scholarships account. There are some additional funds to come and will be added at Morgan Stanley.

## **Responsibility and Oversight:**

The MGC Board of Directors has the ultimate fiduciary responsibilities regarding the proper management of the MGC funds invested with Morgan Stanley. The MGC Board has chosen to delegate the responsibility to oversee the funds to the MGC Finance Committee.

In June 2017 the Finance Committee formed a subcommittee to meet with Morgan Stanley to oversee the establishment and monitoring of the accounts. The subcommittee includes:

- MGC Treasurer
- MGC Finance Chair
- Former MGC President who is a member of the MGC Advisory Council.

The subcommittee will meet with Morgan Stanley twice a year to review the performance of each of the three accounts, evaluate any recommendations made by Morgan Stanley and make changes in the investments after evaluating the recommendations. The performance of the two main asset classes will be evaluated against the following commonly accepted benchmarks:

- Equities: S&P 500 Index: Goal to exceed the average annual return of the index including fees over a full market cycle (3-5 years)
- Fixed Income: Lehman Brothers Government/Corporate Index: Goal to exceed the average annual return of the index including fees over a full market cycle (3-5 years)

A summary of those review meetings will be provided to the MGC Finance and Executive Committee and the Board of Directors as part of the Finance Committee report. The accounts' balances and performance will be provided to the MGC Board of Directors as a part of the quarterly MGC Treasurer's report.

At the June MGC Board of Directors meeting any changes in the investment policies or objectives will be presented to the board for approval.

### **General Investment Principles and Guidelines**

1. The **Scholarships Fund** is a donor restricted fund for the purposes of providing scholarships to Michigan state universities. The investment strategy has been established using the following parameters:
  - a. Risk Level: Moderate
  - b. Investment Objective: Capital Appreciation and income
  - c. Time Horizon: Five Years

Investment income will be reinvested in year one and thereafter a portion of the investment income will be used for scholarships based on the performance of the fund.

2. The **Lifetime Fund** is a designated fund for the purposes of providing scholarships to Michigan state universities. The investment strategy has been established using the following parameters:
  - a. Risk Level: Moderate
  - b. Investment Objective: Capital Appreciation and income
  - c. Time Horizon: Five Years

Investment income will be reinvested in year one and thereafter a portion of the investment income will be used for scholarships.

3. The **Delano Fund** is an endowment fund for the purpose of providing scholarships to Western Michigan University. The investment strategy has been established using the following parameters:
  - d. Risk Level: Moderate
  - e. Investment Objective: Capital Appreciation and income
  - f. Time Horizon: Five Years

Investment income will be reinvested in year one and thereafter a portion of the investment income will be used for Western Michigan University Scholarships.

4. The **MCC/MAAJ Fund** is a fund for the purposes of earning return on surplus funds split 50/50 by the two MGC councils. The investment strategy has been established using the following parameters:
  - a. Risk Level: Moderate
  - b. Investment Objective: Capital Appreciation and income
  - c. Time Horizon: Five Years

Investment income will be reinvested. Since this fund is split 50/50 between the MCC and MAAJ, any investment income must also be split 50/50. This fund must total \$10,000 or more to qualify as a Morgan Stanley top performing fund.

5. The **MGC General Fund** is invested for the purposes of earning a return on surplus funds. The investment strategy has been established using the following parameters:
  - a. Risk Level: Moderate
  - b. Investment Objective: Capital Appreciation and income
  - c. Time Horizon: Five Years

Investment income will be reinvested and a portion of the investment income can be used for Board designated projects or programs based on the performance of the fund.

#### Risk Parameters

In the event of a market downturn greater than 15%, the advisor will make recommendations as necessary to preserve the original investment amount by notifying the Finance Chair who will give any needed approvals for changes.