

International Society of Exposure Science

ACCOUNTING AND FINANCIAL POLICIES
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Introduction:

The International Society of Exposure Science (ISES), established in 1989, is a premiere professional society for practitioners associated with all aspects of exposure science (research, teaching, policy, communication, outreach). ISES promotes and advances exposure science as it relates to the complex inter-relationships between human populations, communities, ecosystems, wildlife, and chemical, biological, and physical agents, and non-chemical stressors. ISES members have diverse expertise and training in biological, physical, environmental, and social sciences, as well as various engineering disciplines. ISES is exempt from taxation under Section 501(c)3 of the Internal Revenue Code. Its fiscal year is January 1 through December 31.

The ISES financial management team, including Finance Committee (FC) and Executive Committee (EC), is responsible for all financial activities and reporting requirements of the ISES and to provide financial information to the Board of Directors quarterly and ISES general members at the annual meeting.

Purpose of this Policy:

The policies and procedures discussed herein address various accounting and financial policies. These policies are designed to enhance financial accountability and transparency, eliminate misunderstandings, and protect the assets and viability of the ISES. It is the responsibility of the ISES Board of Directors, Finance Committee, and ISES management team to ensure sound accounting practices and internal controls.

While every effort is made to keep this manual up-to-date, all items referenced herein are subject to modification, amendment, or deletion. The FC shall review this manual at least annually and make recommendations to the Board of Directors as necessary, regarding amendments, deletions, and additions.

Finance and Accounting Responsibilities:

A financial audit will be completed every three years by an independent CPA firm. This recommendation is based on the fact that a CPA compiles the Society's financial statements in a format that complies with generally accepted accounting principles and the financial statements and status of the society are presented annually at the business meeting. The financial statements, after board review, will be made available on the society web site and is available to active members.

An annual budget is prepared, along with timely and relevant financial reporting. Key elements to achieving these objectives include:

1. Sound fiscal policies and procedures
2. Sound internal control policies and procedures
3. Timely and accurate financial reports
4. Effective use of information technology

Segregation of Duties:

It is the policy of the ISES to ensure adequate segregation of responsibilities with regard to all aspects of the financial operations of the ISES including, but not limited to, cash receipts, bank deposits, bank statement reconciliations, invoice approval, check preparation, check signing, and expense reimbursement approvals.

Comprehensive Policy:

The Finance Committee shall submit policy recommendations to the Board of Directors for action. Once a policy has been approved by the Board of Directors, it shall constitute an effective policy. Thereafter, any changes to a policy shall be required to go through the review and approval process. The

recommended (or draft) policy will be edited by the FC, and the recommended change(s) will be sent to the EC for their review and input. The FC will make necessary changes based on the EC comments, and the revised financial policy will then be sent to the Board of Directors for final approval. Furthermore, any exception to the policy, which must be approved by the Board of Directors, must be clearly documented and shall not in any way make the exception a policy.

Budget

ISES financial management team shall prepare the budget with the President and Treasurer for approval by the Executive Committee. The Executive Committee shall recommend to the Board of Directors, for approval, the annual budget for ISES. All budgets shall be prepared with sufficient detail to identify revenue and expenditures by program and project in accordance with the ISES chart of accounts. The budget only shall contain income and expenses for projects, programs, and activities that are well defined and planned, and for which it is reasonable to project, with a relatively high degree of accuracy, the related income and expense.

Conference Budget is prepared by the conference chairs and the organizing contractor. The estimated conference financial report is shared with the Treasurer and then the ISES fee and profit/loss are included in the overall proposed budget for the next fiscal year. The conference chairs and the organizing contractor will provide a final financial report to the Board of Directors after the conclusion of the conference.

Budget Adjustments

From time to time, the Executive Council may amend the annual budget of the ISES based on the Society operational needs. This shall require approval from the Board of Directors.

Reserves

Reserves are unrestricted net assets, excluding property. Reserves might be tapped in the following situations:

1. Maintain operations during times of financial or other stress, given a solid plan of action;
2. To use as venture capital or seed money for new programs and services necessary for the organization's growth or for appropriate multi-year programs and services, to be repaid to the reserve fund, regardless of program success, based on a payment plan approved by the Board of Directors;
3. To fund multi-year research, such as needs assessments, market research, or other research with multi-year benefit that cannot be funded within one fiscal year;
4. To fund infrastructure requirements that cross several years in service or use and therefore shall not be charged to the yearly operating budget, such as technology upgrades with multi-year impact.

It is the policy of the ISES to maintain a reserve equal to 12 months of ISES's annual unrestricted operating expenses.

Reserve levels shall not drop below 50 percent of unrestricted annual operating expense. If the budget process or financial projections show that this threshold shall be crossed, the Board of Directors shall devise a plan for corrective action and implement it.

Financial Statement Presentation and Distribution

It is the policy of the ISES to prepare and distribute monthly financial statements using the accrued method that shall include the Balance Sheet and Profit and Loss Statement to the Finance Committee. These statements shall be prepared and distributed on a quarterly basis.

The statements shall be distributed to the Board of Directors electronically, quarterly. In addition, the

review of the statements shall appear on the agenda quarterly of the Board of Directors.

Review of Financial Records

It is the policy of the ISES to ensure that its financials are reviewed, every three years, by an independent certified public accounting firm, selected by the Board of Directors.

- The association management firm shall serve as the conduit between the ISES financial management team and the CPA firm.
- The review specifications shall include a management letter to the Board of Directors regarding internal financial operations and controls and recommendations for improvement, where applicable.
- The performance of the CPA firm shall be evaluated by the Treasurer in conjunction with the Finance Committee.
- The Finance Committee shall review the performance of the CPA firm managing the Association's review every three years, or sooner if the situation warrants. If applicable, an RFP shall be developed and distributed for the sole intent of replacing the CPA firm.

Expenditure Approvals – General Operation

The President may approve/request individual purchase not to exceed \$1,500. If the purchase(s) exceeds \$1,500 but less than \$5,000 the approval from both Treasurer and the President is required. If the purchase(s) that exceeds \$5,000, the approval from the Executive Committee is required. President's total expenses for a year should not be permitted to exceed \$6,000 without Board approval. Individual purchases of more than \$5,000 or long-term contract commitments (more than two years) should require Board approval. The requests must be submitted by the Treasurer or Treasurer-Elect to the board after review by the finance committee.

Contracts and Purchase Orders - General Operation

It is the policy of the ISES to require a written agreement (i.e.: a contract or purchase order) for the purchase of all goods or services costing \$5,000 or more, for product revenue agreements, or for any transaction that cannot be completed within one year. Written bids from at least three independent vendors are required, and all of which must be attached to the contract or purchase order along with written justification for the selection of the vendor. Bids are not required if it is a sole source vendor or when timing is a critical issue. All contracts and agreements for more than \$5,000 must be approved by the Board.

Preparation and Review:

Contracts:

ISES financial management team with assistance from the Association Management Firm is responsible for reviewing contracts. ISES financial management team shall ensure that the contract conforms to his/her understanding of the agreement reached or the bid sought. Additionally, ISES financial management team shall note any non-conformity with established ISES requirements and review the contract for the following:

- Clarity of language
- Presence of all material terms and conditions:
 - Parties
 - Effective date and expiration of contract
 - Specific details of obligations
 - Price and relationship of specific payments to specific duties performed
 - Place of performance
- Termination clause (that provides for no longer than 60 days' notice)
- Copyright or Work Made for Hire provision

- Incorporation of prior or contemporaneous oral or written agreements
- Choice of law provision (i.e., preference is that the law of the State of Illinois shall apply)
- Requested funds have been appropriated and are in the budget for the contract's described purpose or non-budget fund use has been approved or are within scope of authority as per the Bids and Purchase Orders Policy.

ISES financial management team with assistance from the Association Management Firm will review the contract comments for appropriateness of general business considerations. The following are to be considered during the review:

- Amount and timing of payments
- Commercial reasonableness of terms
- Time and place of performance
- Financial feasibility of the contract terms
- Agreement is consistent with the ISES Strategic Plan and direction
- Review the insurance coverage and protection included in the agreement
- Ensure that the ISES's interests are adequately protected, specifically reviewing the indemnification and hold harmless and intellectual property provisions.

Bids and Purchase Orders

Bids

Purpose:

This procedure describes the bid process that has been designed to ensure that goods and services the ISES purchases are competitively priced.

Policy:

It is the policy of the ISES to require the use of a bid process for the purchase of all goods and services under the following criteria:

Purchase Value	Action Needed
Less than or equal to \$5,000	No bid required.
Greater than \$5,001	Written bids from at least three independent vendors.

The bidding process begins with a written request for proposal (RFP) to ensure uniformity among bids. For instance, competing printers must bid on the same kind of paper, with the same, or similar, turnaround in order for the bids to be comparable, and only a written RFP assures that each bidder must deal with the same set of specifications.

Once all bids are received, they shall be evaluated by ISES financial management team and the vendor that best meets the needs expressed in the RFP shall be selected. The ISES recognizes that factors other than price are important in selecting a vendor and that the lowest bid may not be selected in all cases. In the event the lowest bid is not accepted, a written justification to the Treasurer must be prepared explaining the basis for the selection. As part of the RFP development activity, the criteria by which bids shall be evaluated are to be established. If specific criteria are to be weighted for purposes of review and evaluation, these weighting factors shall be developed at the time the criteria are defined.

Copies of all bids must be attached to the purchase order (PO), along with a written justification if the lowest price is not selected.

Exceptions:

Bids are not required for any services required by the annual conference. Also, bids are not required when there is only one vendor for a particular service or product or when timing is a critical issue that prevents the opportunity to give vendors sufficient time to develop a proposal (for example, a sole source vendor). These circumstances must be approved by the EC prior to any services performed

and a PO is requested. Contractual relationships are to be documented and maintained in the ISES office with a copy of the payment criteria or schedule to ISES management. ISES management shall review these relationships annually or as appropriate.

Purchase Orders

This procedure describes the ISES's purchase order preparation process that is designed to ensure that goods and services are purchased in accordance with the ISES's bid process and are properly authorized prior to placing an order.

Appropriate signatures, per the table below, represent that the purchase is authorized and is in accordance with ISES needs and policies, and money has been budgeted for this line item expense.

The review process is two-fold; to determine proper procedures were followed and that money is budgeted for this activity. The approval criteria are as follows:

Purchase Order Amount	Action/Signatures Required
Up to \$5,000	1. President OR Treasurer
\$5,001 and above	2. Treasurer AND President

Special Arrangements:

Once the term has concluded on contracts and POs, the relationship between the vendor and the ISES also has concluded. Such vendors may be eligible to submit a bid or answer an ISES RFP for additional projects/activities. No contract or PO between the ISES and a vendor or supplier shall have the provision for an automatic renewal at the conclusion of the current term of the agreement. The appropriate bidding procedures as defined in this document shall be followed.

Investment Considerations

All individuals responsible for managing and investing ISES institutional funds must do so in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In making any decision relative to the expenditure of institutional funds, each of the following factors must be considered, and properly documented, in the minutes or other records of the applicable decision-making body:

1. general economic conditions;
2. possible effect of inflation or deflation;
3. expected tax consequences, if any, of investment decisions or strategies;
4. the role that each investment or course of action plays within the overall investment portfolio of the fund;
5. expected total return from the income and appreciation of investments;
6. other resources of the organization;
7. the needs of the organization and the fund to make distributions and preserve capital; and,
8. an asset's special relationship or special value, if any, to the organization's purposes.

Guidelines for Investing

The investment goal of the total return fund is to achieve a total return (income and appreciation) of 5% after inflation, over a full market cycle (3-5 years). The following guidelines apply to the three main investment asset classes:

Money Market Funds: Allowable range: Minimum 5%; Maximum 45% of total assets

A quality money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The fund will invest in "money market" instruments with remaining maturates of one year or less, that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities. If non-rated, the securities must be of comparable quality. The allowable range is: minimum 5% and maximum 45% of total assets.

Performance Measurements Standards

The benchmarks to be used in evaluating the performance of the two main asset classes will be:

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

It will be the responsibility of the (Oversight Committee Name) of the Finance Committee to regularly review the performance of the investment account and investment policy guidelines, and report to the Board of Directors at least quarterly with updates and recommendations as needed.

Paper Copy Records Retention and Destruction

It is the policy of the ISES that all business records shall be kept no longer than the period necessary for the proper conduct of company business (see ISES Records Retention/Destruction Guidelines). This policy shall cover all business records of the ISES, including written, printed and recorded matter and electronic forms of records, including email messages in personal folders. Employees shall review their electronic files regularly and delete them where appropriate to ensure compliance with this policy. These guidelines shall be reviewed annually to ensure consistency with legal requirements of other regulatory bodies.

If a lawsuit, governmental investigation or subpoena is filed, served, or appears imminent, this policy may be suspended requiring that documents relating to the lawsuit or potential legal issue(s) or audits be retained. Once ISES management or the Board of Directors receives notification that the policy has

been suspended, all documents related to the subject in question must be retained rather than destroying them pursuant to the policy.

ISES Records Retention/Destruction Guidelines for Hard Copy Documents

Description	Retention Period
Accident reports and claims (settled cases)	7 years
Accounts payable ledgers and schedules	7 years
Accounts receivable ledgers and schedules	7 years
Audit reports of accountants	Permanently
Bank reconciliations	2 years
Capital stock and bond records; ledgers; transfer registers; stubs showing issues; record of interest coupons; options; etc.	Permanently
Cash books	Permanently
Charts of accounts	Permanently
Checks (canceled, but see exception below)	7 years
Checks (canceled for important payments, i.e., taxes; purchases of property; special contracts; etc. Checks shall be filed with the papers pertaining to the underlying transaction.)	Permanently
Contracts (expired)	7 years
Contracts still in effect	Permanently
Correspondence (routine) with members, customers, or vendors	1 year
Correspondence (general)	3 years
Correspondence (legal and important matters only)	Permanently
Duplicate deposit slips	2 years
Expense analyses and expense distribution schedules	7 years
Financial statements (end-of-year, other months optional)	Permanently
General and private ledgers (and end-of-year trial balances)	Permanently
Insurance policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Internal audit reports	3 years
Invoices to members and customers	7 years
Invoices from vendors	7 years
Membership applications	3 years
Minutes of directors and committees, including bylaws and charter	Permanently
Notes receivable ledgers and schedules	7 years
Purchase orders (except purchasing department copy)	2 years
Stock and bond certificates (canceled)	7 years
Tax returns and worksheets; revenue agents' reports and other documents relating to determination of income tax liability	Permanently
Trade mark registrations	Permanently
Voucher register and schedules	7 years

