

NAMMA Financial Controls Policy

North American Maritime Ministry Association Financial Controls Policy (Approved by NAMMA Board August 24, 2021)

Introduction

The mission of the North American Maritime Ministry Association (NAMMA) is to support and encourage Christian organizations in maritime ministry by building an association that provides professional development, fellowship, and advocacy. One of NAMMA's core values is integrity: we maintain transparency in all matters of service and business within our organization. This document outlines the controls NAMMA has in place to maintain transparency and act with integrity. NAMMA employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded. Internal controls are a set of policies and procedures to prevent deliberate or misguided use of funds for unauthorized purposes.

Basis of Accounting

NAMMA uses the accrual basis of accounting. The accrual basis is the method of accounting whereby revenue and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred. This method of recording revenue and expenses is without regard to date of receipt or payment of cash. Adjusting entries can be made as journal entries in our accounting software to allocate income and expenditure to the period in which they occurred.

Recordkeeping

Basic legal documents and copies of official policies are kept in a locked cabinet designated by the Executive Committee of the Board. Physical documents are in a secured filing cabinet in the Executive Director's office. Electronic copies of files are on a NAMMA computer and online with password protection. NAMMA may shred and dispose of printed financial records after five (5) years. Before shredding, select documents may be scanned and retained in digital form.

Lines of Authority

The NAMMA board approves or reviews fiscal policies and budget at any of its full meetings. The Treasurer and Executive Director have the authority to incur expenses in accordance with the budget approved by the Board. Purchases in excess of a budget line must be approved by the Executive Committee and recorded in the minutes.

Conflict of Interest

All employees and members of the Board of Directors are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of an employee or Board member conflict with the interests of the organization. Both the fact and the appearance of a conflict of interest should be avoided.

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Should there be any dispute as to whether a conflict of interest exists: The Executive Director shall determine whether a conflict of interest exists for an employee and shall determine the appropriate response. The Board of Directors shall determine whether a conflict of interest exists for the Executive Director or a member of the Board and shall determine the appropriate response.

Financial Transactions with Insiders

No advances of funds to employees, officers, or directors are authorized without the approval of the Executive Committee. Direct and necessary expenses including travel for meetings and other activities related to carrying out responsibilities shall be reimbursed. In no case shall NAMMA borrow funds from any employee, officer, or director of the organization without specific authorization from the Executive Committee.

Contracts

The Board shall approve any contractual commitment for bank loans, corporate credit cards, or for real estate leases or purchases.

Background Checks

Background checks for employees are completed in the hiring process, in accordance with the NAMMA policy on protection of vulnerable adults.

Segregation of Duties

The organization's financial duties are distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the organization's assets while also considering efficiency of operations. The treasurer sends checks on approval of the Executive Director. All financial transactions are recorded by the bookkeeper in an online accounting software program, which is available for review by the Executive Director and Treasurer.

Bank Reconciliations

Bank statements will be opened and reviewed in a timely manner. Bank accounts can always be viewed online by the bookkeeper, the Executive Director and the Treasurer, each of whom will have distinct access to the software. The Executive Director will review and approve reconciliation done by the bookkeeper and forward to the Treasurer. The Treasurer will review and submit to the Executive Committee in advance of their monthly meetings. The Executive Committee will approve the financial report and document this approval in the Minutes.

Physical Security

The organization maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, and other valuable property. Bank checks are stored in the secure office of the Treasurer. Passwords will be kept confidential and secure. Bank deposits are completed in a timely fashion.

Financial Planning and Reporting

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The organization's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards Board (FASB) No. 117, "Financial Statements of Not-For-Profit Organizations." Under GAAP, revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization are classified as unrestricted, temporarily restricted and permanently restricted.

Budgeting Process

NAMMA's annual budget is reviewed and approved at meetings of the full Board. The Treasurer will work together with the Executive Director and the bookkeeper to ensure that the annual budget is an accurate reflection of programmatic and infrastructure goals for the coming year. The Treasurer and the Executive Director will present a draft budget to the Executive Committee at least thirty (30) days prior to its submission to the full Board of Directors. The Executive Committee shall review and approve a recommended fiscal year budget and submit it for approval to the Board of Directors. The budget shall contain revenues and expenses forecasted for the full year. The Board of Directors will review and approve the budget at a meeting prior to the start of the next fiscal year. The budget is revised during the year only if approved by the Board of Directors. The Budget is made available to the full membership at the association's next Annual General Meeting.

Internal Financial Reports

The Treasurer prepares regular financial reports on a monthly basis presented to the Executive Committee for review and approval. Statements are presented to the Executive Committee by the Treasurer and prepared with the Executive Director and bookkeeper. Financial reports show current balance in all accounts, statement of activities, and budget v. actual. The Treasurer produces a narrative report to explain budget and significant variations.

Online Banking

The President, Treasurer, Executive Director and bookkeeper should have online access to NAMMA bank accounts to check their work. The Treasurer should review the account online on a regular basis to check for identity theft which may be diverting corporate funds. The Treasurer can reconcile the bank statements and spot-check the online payments.

Audit and Financial Review

NAMMA completes a Financial Review and Audit in alternating years. The NAMMA Board approves auditors. The Treasurer is the authorized representative with the auditor and will be assisted by the Executive Director and bookkeeper in the audit process. Online accounting data will be made available directly to the accounting firm along with all other relevant information and reports. The Audit or Financial Review will be presented to the Executive Committee who will review and send to the Board of Directors at least one month before a full Board meeting. The Audit shall be approved by the full Board and then made available to the full membership of NAMMA at the association's next Annual General Meeting.

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Tax Compliance

The bookkeeper completes Internal Revenue Service Form 990 and all other tax forms. Before filing they are reviewed by the Executive Director and approved by the Treasurer. The form 990 will be made available for full Board and membership of NAMMA in digital form.

Revenue and Accounts Receivable

All grants and projects are invoiced promptly to ensure a regular healthy cash flow for the organization. The Executive Director gathers relevant expense documentation and prepares all invoices. The Executive Director and the Treasurer determine appropriate collection efforts for long outstanding invoices.

Revenue Recognition

All contributions will be recorded in accordance with GAAP, with specific attention to Standards FASB 116 and 117. Contributions are recorded as pledged or received in accordance with FASB 116, and must be credited to the appropriate revenue lines as presented in the annual budget and coded as designated in the organization's Chart of Accounts. The Executive Director reviews all revenue and assists the bookkeeper to indicate in online accounting software how the revenue shall be recognized (as earned / contributed, conditional / unconditional and restricted / unrestricted). If there is a question or uncertainty about how to recognize a contribution, the Executive Director will ensure that the donor is contacted to clarify the intent of the contribution. The bookkeeper is responsible for posting revenue to the general ledger in accordance with the determination made by the Executive Director.

Receipt for Payments

Credit card payments made online are issued receipts automatically with relevant information by the payment processing software. Payment information is secure and only available on a password protected system. Receipts for donations for other payments are given within thirty (30) days of funds arriving. Written acknowledgement for all donations will be provided.

Payments

The Treasurer and the President have signing authority for checks. Other Board Members may be added as signatories as designated by the Board and documented in the minutes. The Executive Director has the corporate credit card. The Treasurer shall review purchases to ensure that they were necessary and according to budget categories. No invoice or payment should be made in cash, unless it is approved in advance by the Treasurer and with clear invoice and receipt.

Payroll

Payroll for employees or subcontractors is normally paid by the Treasurer monthly. Other external payroll services may be contracted with the agreement of the Executive Committee.

Purchases & Procurement

Any expenditure in excess of \$5,000USD for the purchase of a single item should have bids from three (3) suppliers if possible. These bids will be reviewed by the Executive Director and the bid award must be specifically approved in advance by the Executive Committee. All invoices less

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than \$5,000 must be approved by the Executive Director before payment and kept on record for the Treasurer and bookkeeper. All invoices will be kept on record for five (5) years, then digitized and destroyed.

Petty Cash

No petty cash is kept on hand. When cash is received for payment of any good or service, it is receipted, and the cash is deposited promptly into a NAMMA bank account.

Employee Expense reimbursements

Employee expenses are only paid on presentation of expense reimbursement forms with attached receipts. These can be filed monthly, but no less than once per quarter. For items within budget, expenses can be approved and paid by the Treasurer. For items that exceed budget categories, approval from the Executive Committee is necessary. Expenses for travel will be reimbursed according to the NAMMA Travel Expense Policy.

Credit Card

Credit cards must be approved by the NAMMA Board. The credit card statement is sent to the bookkeeper and the Treasurer monthly and kept in digital format. All credit card purchases will follow the approved budget. If a purchase is over budget, it must have approval of the Executive Committee.

Asset Management

The Treasurer is responsible for administering investment accounts. The President will also have signatory power on all accounts. Balances in accounts shall be kept below insured FDIC limits.

Capital Equipment

NAMMA equipment is stored in secure locked areas. All computers and phones owned by NAMMA are password protected. Electronic equipment purchased by NAMMA is depreciated over five (5) years. The Treasurer shall decide with the Executive Director on methods for disposing or sale of assets when they are no longer in use.

Operating Reserve

The target minimum operating reserve fund for the organization is \$100,000USD. The operating reserve will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for operating reserves. Examples may include one-time gifts or bequests, special grants, or special appeals. To use the operating reserves, the Executive Director will submit a request to the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within two (2) years to restore the operating reserve fund to the target minimum amount.

NAMMA Seafarers' Ministry Support Fund

The NAMMA Seafarers' Ministry Support Fund is a special fund that helps NAMMA Members or affiliated agencies who might need assistance in the face of unforeseen circumstances.

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Revenues of the Ministry Support Fund come primarily from donations, but also from other grants or other sources. Grants from the Seafarers' Ministry Support Fund are normally limited to a maximum of \$2,500USD, per the guidelines in appendix 1.

Appendix 1 - NAMMA Seafarers' Ministry Support Fund

The North American Maritime Ministry Association (NAMMA) Seafarers' Ministry Support Fund is a special fund that helps NAMMA Members or affiliated agencies who might need assistance in the face of unforeseen circumstances. Revenues of the Ministry Support Fund come primarily from donations, but also from other grants or other sources. Grants from the Seafarers' Ministry Support Fund are normally limited to a maximum of \$2,500USD.

The Seafarers' Ministry Support Fund has these priorities:

- Financial relief in the event of significant distress because of an unforeseen crisis (pandemic, natural disaster, illness, sudden economic problems) of active NAMMA Members or Affiliated Agencies which limits the ability of the member or agency to carry out their ministry activities
- Provision of periodic support programs for seafarers by NAMMA Members and Affiliated Agencies
- Bursary support for participation in NAMMA programs for those with demonstrated financial need

The Ministry Support Fund does not support:

- Regular or anticipated maintenance or operational expenses of a NAMMA Member or Affiliated Agency
- Membership fees, medical treatment, legal costs, personal or business debts
- Support for Non-Members or causes unrelated to the maritime ministry work of the Member or Affiliated Agency

Assistance:

- Any active NAMMA Member can make an application to the Support Fund on behalf of their Affiliated Agency or one of its staff
- The fund is administered by the NAMMA Board Executive Committee who confidentially reviews applications for assistance and approves for disbursement by Treasurer
- Under normal circumstances, only one grant request can be made by an affiliated agency or Member per year
- NAMMA Members are encouraged to contact the NAMMA Executive Director for further clarification

Tax receipts are issued for contributions over \$10; all donations are greatly appreciated. Donations to the Seafarers' Ministry Support Fund can be made here:

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<https://secure.paymentpage.com/northmaritimeministry/pay/?f=1000032044>

NAMMA is a non-profit association defined within section 501c(3) of the United States Internal Revenue Service Code (EIN: 23-7065131). All donations to the fund are tax-deductible.