



Youngstown Free Library

240 Lockport St. Youngstown, NY 14174
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Finance Policy

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Adopted on:	10/22/2018
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INTRODUCTION

Scope

The Finance Policy below is intended to offer guidelines and rules as to how to properly conduct all fiduciary matters pertaining to the business of the Youngstown Free Library (hereinafter referred to as 'the Library'), in order to ensure that any and all funds of the Library are managed using methods that are both accountable and transparent.

Adequate records will be established and maintained to record costs of the organization based on generally accepted accounting principles (GAAP), as well as any applicable, current and existing Federal guidelines.

Costs will be documented and recorded through the general accounting process based on GAAP. The systems established for purchase orders, check disbursements, petty cash disbursements, and accrual of costs will all support the measurement and reporting of direct and indirect expenses of the organization, according to these principles and guidelines.

Purpose of this Finance Policy Statement

This Finance Policy is set forth by the Youngstown Library Board of Trustees in order to:

- Ensure that fund management is accountable and transparent
- Define practices which adhere to the Office of the State Controller's (OSC) guidelines for Association Libraries in New York State.
- Establish and maintain record-keeping processes to record income and expenditures of the Library based on generally

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accepted accounting principles (GAAP), as well as any applicable current and existing Federal guidelines

- Define and assign the responsibilities of all involved parties.
- Establish clear procedures for all involved parties in the management of the fund

Oversight

- At the first business meeting of each calendar year, the Board will create a Finance Committee comprising the Treasurer, the President and at least 2 other Board members.
- The Committee will be chaired by the Treasurer
- The Treasurer will call at least meetings per year
- At any time, should there be a serving member on the Advisory Panel member with Financial expertise, that person may be asked to attend a Committee meeting or provide advice to the committee.
- Notes of the meetings may be taken for the file

Process

All discussions by the Finance Committee which lead to recommendations which add to, change or delete any existing policies must be presented and ratified at a Board meeting before becoming effective.

Personnel

The Library Director is responsible for the day-to-day adherence to the annual operating budget, purchasing-process policies and claims-process policies.

The Treasurer is responsible for the oversight of these processes.

An independent Accountant, preferably CPA, will be secured in order to provide financial transparency to the processes of claims-audit, invoice-

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payment and check-production, general ledger maintenance, period-end reporting, satisfying State and Federal regulatory-reporting requirements and any other requirements recommended by the Board, the Treasurer or an audit.

POLICIES

Annual Budget

There will be an annual budget to assist in assuring the responsible management of incomes and expenditures during the fiscal year.

The new budget for the upcoming fiscal year will be developed from the working budget of the current year

Drafting of the new budget for the upcoming fiscal year (January 1st thru December 31st) should begin not later than September of the current fiscal year in order to allow adequate time for review and amendment

The Director will provide the first draft of the budget to the Treasurer and the Finance Committee. Further input should be solicited from the Board for information regarding potential new revenue streams or projected projects or expenses that might occur or be planned in the upcoming year.

Subcommittees responsible for planning programming, technical upgrades, capital projects or any other expenditures should also provide their input.

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Staff Pay Increases will be determined by the Finance Committee in collaboration with the Director, regarding staff-performance, and the Personnel Committee who will help determine increases and bonuses based on performance and cost of living increases.

The Treasurer is responsible for preparing the final draft of the proposed Budget and must present it to the Board for approval no later than the last business meeting of the current fiscal year (generally November.)

The proposed annual budget should be approved by the Board, no later than the first business meeting of the new fiscal year to which it pertains.

The annual budget need not be a 'balanced budget'. It may be necessary from time to time, to draw upon assets to finance planned expenditures for the upcoming year.

However, the annual budget may be changed during the year to which it pertains, subject to approval by the Finance Committee and ratification at a Board meeting.

Authorized Signatories for disbursements and transfers

KeyBank Checking Account:

All disbursements to Vendors and Suppliers are made via checks drawn upon the Library's KeyBank checking account. Two signatories are required on each check drawn on this account. All Officers of the Board (President, Vice President, Treasurer, Recording Secretary and

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Corresponding Secretary) are valid signatories and may be called upon to authorize and sign checks.* The Director may not sign checks.

- See also Petty Cash – authorizing petty cash expenses incurred by the Director.

Change of Board Officers:

Following the election or the appointment of any new Board Officer(s), the Institutions which hold the monetary assets of the Library (currently KeyBank and Morgan Stanley) should be contacted and appropriate updates made to their file-copy of authorized signatories (preferably the members of the Finance Committee but possibly, as in the case of KeyBank, the Board Officers.)

Transfers between Institutions (KeyBank and Morgan Stanley):

These will be performed by the Treasurer via telephone to those institutions, but confirmed in an email, copied to the Finance Committee. Transfers are performed in order to (1) maintain an adequate checking-account balance* in order to support check-writing, and (2) move income monies into interest-bearing accounts to maximize income or to facilitate new investment. (See Investments Policy.)

It is the Treasurer's job to ensure an adequate checking-account balance is available to support the upcoming period's payables. (The Director and the Accountant should also review the balance each period and alert the Treasurer if there appears to be an upcoming shortfall.)

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Purchasing/Procurement

Operational Expenses

The Library Director is responsible for all purchases made to support the day-to-day operation of the Library. However, for any purchase or service which might appear to have a “significant cost”, a written estimate should be obtained from the Vendor/Service Provider.

A “significant cost” is currently defined as (1) more than 10% of the budget line or (2) over \$500. The Library Director should use their discretion and identify, prior to commitment, any that may turn out to be “significant”.

Such a purchase or service should be discussed with the Treasurer, who should share the information with the Finance Committee. An expense of \$500 up to \$1,000 may be authorized by the Finance Committee, provided it is already covered by an appropriate budget-line. Any expense of \$1,000 or more should be presented to the Board, either at a meeting or via email, telephone for Board-approval.

Capital Expenses

Procurement of goods or services valued at \$500 or more, which are not part of the day-to-day operation and have an estimated life of more than two years are deemed to be ‘capital expenses’. These may be initiated because of a need identified by the Director or because of a suggestion from the Board, regarding the long-term plan for the Library. Prior to initiating any procurement process, the appropriate budget line for the expenditure must be identified and the outstanding amount available be sufficient.

In order to ensure transparency, any such procurement shall be put out to bid via an RFQ to at least 3 Vendors or Service Providers, if possible.*

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The RFQ should be prepared by the Director and/or the requesting Board committee. Upon receipt of the RFQ submissions, they should be analyzed for suitability and cost-appropriateness. In all cases, the successful bidder's tender of product/services should be supported by a detailed cost-estimate. (The reason for 'failure' of the other bidders, or the failure to 'find' 3 suitable bidders should be documented and filed.)

*An exception to this process is acceptable if better pricing is found to be available either via NIOGA's bulk-purchasing contracts or via a qualified grant program or similar.

Upon the receipt of a Capital item purchase, the item is automatically classified as a Fixed Asset and its value depreciated annually. (See "Fixed Assets")

Director's Discretionary Expenditure

The Director has discretionary expenditure authorization to make operational purchases and capital purchases only within the limits as defined above.

Disbursements – pre-pays

The pre-approval of payment of recurring expense-commitments that are non-discretionary will be secured at each annual meeting (January), in order that they may be paid as they become due, without further approval from the board.

The schedule currently comprises:

- All personnel expenses, relating to salaries and other wage-related compensations.
- All expenses relating to accounts & payroll preparation and payroll tax payment

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- Credit card
- Alms fees
- Housekeeping
- Postage
- Rent
- Internet & Telephone

Credit Card Policy

The Director holds a credit card and may use it for any authorized spending to support the operation of the Library or pre-approved Capital expenses. The credit card limit is currently \$5,000. The credit card may not be used for personal expenses of any kind.

The credit card must be paid in full every month. In order to avoid late fees, the credit card is to be automatically paid in full by direct debit from the KeyBank checking account on the due date (18th) of each month.

The zero-balance monthly credit card statement must still be presented with full supporting documentation of items/services purchased for review by the check signatories each month.

Debit Cards and Online Banking

At this time, neither the Director nor any member of the Board holds a Debit Card or has access to online banking or online access to the Investment portfolio.

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Travel Allowance, Continuing Education & Networking

Authorized travel to and from NIOGA or other authorized venues visited because of Library business will be reimbursed at the rate recommended annually by the IRS in their standard mileage rates guidelines. The Director, Staff, Trustees and Volunteers are eligible to claim a mileage allowance for all authorized travel. The claim must be supported with appropriate documentation. The mileage rate for a new fiscal year will be included on the annual budget document.

Similarly, any educational and/or networking expenses incurred by staff members will be reimbursed, provided the expenses have been authorized by the Director (in the case of staff members) or the Treasurer/Finance Committee (in the case of the Director).

Payment for Goods and Services

In order to maintain a clear separation of duty between the purchaser (generally the Director) and the persons cutting the check (the Accountant of record) and the persons signing the check (Board Officers), the Accountant of record and the Director shall establish a secure 'Dropbox' through which to exchange documentation.

The Library Director will maintain a paper file, by Vendor, of goods/services received. Upon receipt of the invoice, it should be checked against the packing slip for accuracy. Discrepancies should be followed up with the Vendor. If accurate, the Invoice should be marked with the budget-account against which it is to be charged, scanned and placed in the "Unpaid Invoices" folder in the Dropbox.

Every two weeks or as agreed, the Accountant will enter the Invoices into the Accounting software (currently Quickbooks) and cut the checks and print a check-payment register. The Accountant will then move the scanned invoices, together with the check-register into the "Paid Invoices" folder in the Dropbox. Checks will be printed and mailed, together with a paper copy of the check-register via USPS to the Library for signature and payment.

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The 2 Officers of the Board who are signing checks should examine the original supporting paperwork (delivery note and invoice), initial the check-payment register and the check-stub and sign the check. They should question the Director regarding any unusual or unexplained payments.

Should any payment need further clarification or full Board discussion, the signatories should withhold that payment until the issue is satisfactorily resolved.

Payroll

Payroll should be managed in a similar manner. Every 2 weeks, the Director will upload the time-sheet of hours worked, hours of vacation or sick hours for their staff and themselves and upload the time-sheet to the Dropbox. Staff are paid by direct-deposit. The staff payroll register will be examined for discrepancies and initialed by the 2 signing Officers.

Reporting on staff hours worked, staff hours taken as PTO or sick should be maintained on a weekly/monthly/annual basis by the Director, reconciled with the Accountant's reports, and be made available for reporting to the Board at every Business meeting.

Cash Receipts

A lockable cash register is available at the Library counter to separately-record, by category, cash-receipts from fines, copying, faxing, book sales or any other good available for sale. The drawer is locked at the end of each day and the key placed in the safe.

Fines should be reconciled with the daily report from NIOGA stating how much should have been collected. The drawer is balanced to \$20 at the beginning of each day (when more than one staff member is on duty) and surplus monies placed in the safe for banking. (Deposits are made into the KeyBank checking account.)

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A cash-received report is uploaded to the Dropbox after the monies have been deposited. The Accountant will record the cash against the appropriate budget-lines.

Petty Cash

Cash may be withdrawn and kept in the Library safe to cover minor expenses.

Petty cash plus receipts should balance to \$100.00. This is kept in the petty cash box in the Library safe. Petty cash may be used for local small-item purchases – batteries, stationery, cleaning supplies etc. or to reimburse personnel - staff/trustees/volunteers for mileage incurred. If petty cash is needed, a store-receipt for the amount of money spent, signed by the requestor must be provided. The petty-cash receipt is filled out and signed by the Director and the requestor and kept, together with the store receipt, in the petty-cash box in the safe. In the case of the petty cash expenses being incurred by the Director, the receipt will be made available for signature to the Officers of the Board at the time they authorize and sign the bi-weekly check-run.

A check is written to petty cash to reimburse it up to \$100.00.

Petty cash may not be used for personal expenses or to cash personal checks of any kind.

Period End Reporting

At period-end, upon receipt of the Financial Institution statements, the Director will scan and upload them to the Dropbox.

The Accountant will create journals to reflect interest, transfers, fair-market-value changes and any other fees or charges against the appropriate Quickbook accounts. A Balance Sheet, Profit & Loss Statement and Bank reconciliation reports shall be provided by the Accountant every month and/or Period End. These reports should be reviewed in detail by the Treasurer and the Director and any anomalies discussed with each other and the Accountant. Checks which have not

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been cashed within a three-month period shall be followed up by the Director with the Vendor.

These period-end reports should be made available for, and presented by the Treasurer at Business meetings, specifically as at Period ends: last day of February, April, June, August, October, December and made available to the public by being posted to the Library’s website. Year-end statements from the Library’s Financial Institutions (currently KeyBank and Morgan Stanley) should also be posted to the website.

Financial Audit

An Association Library such as Youngstown is not required to have an annual audit. However, a periodic audit would be appropriate, in order to demonstrate transparency and the cost for such an audit should be budgeted. Results of the audit should be posted to the website. Its findings should be discussed with the Board and the Finance Committee should be responsible for ensuring that any issues found are corrected in a timely and documented manner.

Regulatory Reporting

An Association Library is required to file the following on an Annual basis:

1. New York State Report: Responsibility: the Director will provide this, help being provided on the financial sections by the Accountant.
2. At Year-end, each staff member will receive a W-9 to reflect their wage-remuneration for the year.
Responsibility: the Accountant
3. Quarterly Federal and State Payroll reporting: NYS 45 and Federal 941 and any other required reporting.
Responsibility: the Accountant

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4. Should the Library sell goods totaling more than \$100, a NYS Sales Tax Return form must be filed. Responsibility: the Accountant
5. Should the Library have contracted for services from 3rd party unincorporated entities for more than a certain threshold amount (currently \$600), they should be sent a 1099-MISC form. (1099 vendors should be identified in Quickbooks, for ease of reporting.) Responsibility: the Accountant
6. By the May 15th of the following fiscal year, a 990 must be filed with the IRS. Responsibility: the Accountant
7. Annual Depreciation Schedule of Fixed Assets: Responsibility: the Accountant

The Treasurer is responsible for ensuring all reports are filed in a timely manner.

Contributions/donations

The Library will accept monetary contributions of any amount. Unrestricted monetary contributions may be used as determined by the Director, as authorized by the Board of Trustees, within the limits of the law. Restricted contributions will only be accepted provided they reflect the Library's mission and goals.

Surplus Property Disposal

The Director may dispose of surplus items in any legal manner. If the plan is to dispose of items that originally cost more than \$500, (a capital asset), the Director should refer to the Board for approval, prior to disposal. The receipts of all such sales should be recorded in the General Ledger as a disposal of a Capital item and removed from the depreciation schedule.

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Fixed Assets

Fixed assets are defined as having an initial value of \$500 or more and as having an estimated useful life of at least two years following the date of acquisition. Capitalization thresholds will be applied to individual fixed assets rather than groups of fixed assets.

All assets will be depreciated using the straight-line method.

Business Continuity Plan

The Business Continuity Plan – to be developed

Insurance

The Library shall maintain up-to-date insurance for the Library. Coverage should include:

- the replacement of equipment, material and the collections
- liability, in the case of a patron, staff or volunteer injury
- business interruption
- protection for the trustees and staff against allegations of wrong-doing
- automobile insurance, providing collision- and liability- coverage for staff, trustees and any volunteer undertaking approved tasks for the Library in their own vehicle.
- other coverage as deemed necessary

The coverage provided should be reviewed annually, prior to renewal, by the Director and the relevant board members (e.g. President, Treasurer)

Library Funds

The Board may establish different funds to ensure the long-term viability and sustainability of the Library. All monies from whatever

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source derived will be receipted into such funds as established by the Library Board.

Authorized funds are currently as follows:

UNRESTRICTED FUNDS

Unrestricted funds currently include:

(1) General Fund

All monies collected from interest of investments, monies delegated from the Town of Porter, County of Niagara, Village of Youngstown, fees, fines, rentals and other revenues such as gifts and donations shall be deposited into "General Fund".

All expenses as identified in the current budget as "Operational" will be sourced by the "General Fund".

(2) Long Term Planning Fund

This fund shall be established to secure sufficient funding to source the various capital projects and plans as outlined in the Library's current Five Year Plan or similar document.

It should be established at the beginning of each fiscal year and be equal to the total fund balance at that time minus Operating/General Fund minus Operating Reserve Fund.

(3) Gifts - see Monetary Gifts below

RESTRICTED FUNDS

Restricted Funds currently include:

(1) Operating Reserve Fund

This is an amount set aside as a contingency to cover any and all extraordinary unforeseen operating conditions that may occur, either of a physical catastrophic nature e.g fire or flood, or as a result of the termination of a funding source upon which the operation of the Library has depended.

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It is recommended that this be re-established at the beginning of each fiscal year as equal to the new fiscal year's expense budget.

(2) Gifts - see Monetary Gifts below

Gifts

The Library cannot accept any item which is not an outright gift.

Books or other gifts which are in good condition and of value but are not needed by the Library may be offered to the Friends of the Library for their book sale or offered to another organization.

Monetary Gifts

Any monetary gifts received from the public should be wherever possible designated as "Unrestricted" and "Undesignated" and placed as appropriate in the General Fund (until the amount listed in the budget has been met) and then placed in "Unrestricted Gifts".

It may be however that the Donor wishes/wished the gift to be spent on a particular aspect of the Library – e.g the Children's Room or Computer software.

In all cases of monetary gifts, it is recommended that the Library Director obtain a written statement from the Donor or their representative as to the restriction and/or designation of the gift, and place it on record for future Boards to respect.

If a specific designation is suggested, a separate fund should be established to identify and track usage of such a gift.

At any point in the fiscal year, funds may be re-apportioned to the above-named funds as required. Approval of the Board is necessary.

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