



Section Eight

Financial Policies 2013-2014

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ARTICLE I: BUDGET

MSUSA will utilize a coding system for all budget categories.

If spending in any area exceeds the budgeted level, adjustments should be made by the Board of Directors. Officers will review the MSUSA budget and submit proposed budget adjustments to the Board of Directors semi-annually (in December and April).

All budget line-items approved and/or adjusted must be noted in the minutes of the meeting at which the action was taken.

Separate budgetary items are created within the MSUSA budget for all MSUSA programs and endeavors, including but not limited to, the Penny Program, Jared P Stene Scholarship, Alumni Association, legislative expenditures, and the Diversity Program.

No MSUSA budget item will be less than \$50, except for those that are zero.

ARTICLE II: GENERAL ACCOUNTING PROCEDURES

The State Chair, Vice Chair, and Treasurer shall be signatory agents on all MSUSA accounts.

The Executive Director and Office Manager shall also be on the signatory list with limited privileges, in order to make deposits and account transfers.

MSUSA follows the Generally Accepted Accounting Principle (GAAP)

ARTICLE III: PURCHASING

All contractual business conducted by or on behalf of the Minnesota State University Student Association, Inc. (MSUSA) or any of its projects or programs should be transacted under the corporate name 'MSUSA' whenever possible. In the event that this is not possible, MSUSA should be listed as a secondary party to the contract. The MSUSA Employer Identification Number (EIN) shall be provided on all applications or contractual agreements entered into by the MSUSA, its properties or programs.

MSUSA requires three competitive bids whenever products or services outside of the regular budget are needed. This includes specific printing jobs, equipment, etc. Also, whenever MSUSA changes vendors or service providers, competitive bids are solicited.

The MSUSA State Chair may direct the Executive Director to assign the bidding research to the appropriate professional employee. The employee submits a list of specifications for the product or service to the Executive Director. Upon approval by Executive Director, the employee seeks comparable vendors, submits specifications to those vendors and collects written price quotes.

In cases where Board approval is not required, the MSUSA employee proposes a course of action to the State Chair and the Executive Director, who make the final decision as to which vendor is awarded the project. In cases where Board approval is required, the MSUSA employee proposes a course of action to the Board of Directors, after discussion with the State Chair and the Executive Director.

Products and services subject to the bidding process because they are out of the realm of the regular budget, must be approved by the Board of Directors if the product or service exceeds \$1,000. This approval shall be secured prior to contracting. The MSUSA professional employee who has been

assigned the bidding process for the project presents the information and their recommendation to the Board of Directors as part of their staff report.

ARTICLE IV: ACCOUNTS PAYABLE

All expenditures must be supported by receipts, invoices, statements, payment requests, etc. Receipts will be required for local travel except for mileage, local bus, parking meters or other minor expenditures.

All invoices/bills must be reviewed and approved by the Executive Director and the Office Manager. A Payment Request Form or stamp must be completed and attached to the invoice. Each Payment Request Form requires the name of the payee, the reason for the charge, the account code, invoice information and the approved amount. It must also be initialed and dated by the appropriate professional employee approving the invoice/bill.

Invoices are submitted to MSUSA's bookkeeping company for payment.

The bookkeeping company will use the Officer's electronic signatures for approved invoices.

The Executive Director initials the payment request form once approved.

MSUSA payroll is disbursed every other week.

All checks must be numbered and written in sequential order. Copies of checks are attached to the payment request form, along with the corresponding payables documentation.

All MSUSA financial transactions require the approval/signatures of the Treasurer and a second officer, or one officer and the Executive Director after consultation with a second officer or the Treasurer.

Voided checks shall be marked "void" and filed.

ARTICLE V: BOOKKEEPING

Bank statements shall be recorded and reconciled to the general ledger on a monthly basis. Once reconciliation is completed a report will be prepared for the Officers and Executive Director with the results.

Copies of each payment request forms, deposit records/receipts and transfer records/receipts will be retained at the MSUSA office.

FICA, Federal Withholding and State Withholding tax deposits are filed by Payroll Control Systems (PCS), as well as payroll tax returns (IRS form 941 and MN Dept. of Revenue form MW5). All MSUSA tax forms are prepared by the office manager/accountant and/or auditor and executed by the Executive Director.

Payroll services are provided by a third party vendor, currently Payroll Control Systems (PCS). The Office Manager transmits payroll data to PCS on a bi-weekly basis. They then generate paychecks, tax filings, and W-2s at year end.

MSUSA will submit a financial report each year, specific to each campus.

ARTICLE VI: ANNUAL AUDIT

The qualifications are that the auditor be either a CPA or an LPA and familiar with Not-For-Profit accounting procedures.

The fiscal committee will review the results and recommendations of the audit and make recommendations to the Board of Directors.

ARTICLE VII: REIMBURSEMENT POLICIES:

Section 1: General Policies

All requests for expense reimbursement must be submitted no later than 60 days from the date on which the expense is incurred. Any request for reimbursement submitted after 60 days must be approved by a resolution of the Board of Directors.

MSUSA shall seek direct billing for expenses whenever it is deemed feasible.

Supplies and equipment not able to be procured through direct billing should be secured by usage of the MSUSA corporate credit card, unless otherwise prohibited.

Section 2: Travel Policies

MSUSA reimburses mileage according to the State of Minnesota Department of Transportation distances between member campuses.

MSUSA will pay mileage for MSUSA facilitators for trips approved by the State Chair.

All mileage checks must be signed for by the person receiving them. The rates for mileage reimbursement are those rates stated on the official MSUSA Mileage reimbursement form.

In all cases, travel shall be limited to that authorized by the current approved budget or by prior consent of two-thirds majority of the Board of Directors.

Officers and staff submit a Travel Expense Statement when seeking reimbursements for travel expenditures.

Campuses and individuals granted personal vehicle reimbursement for Board meetings must sign a mileage request form.

Mileage reimbursements to the campuses will be mailed to the campus, following the meeting.

For MSUSA meetings and conferences, MSUSA shall:

- Reimburse business expenses for all officers and staff members;
- Pay basic accommodation costs, defined to be room and tax (quad occupancy), for each campus student association president, campus representative, diversity representative and committee facilitator;
- Pay standard mileage costs for one or two state vehicles from each state university to transport students. Two vehicles will require board approval. The Board of Directors may approve the costs for any additional vehicles on a case-by-case basis.

Meals, including tax and a reasonable gratuity, excluding alcohol, may be claimed when an officer or staff member is required to be in travel status, under the following conditions:

- Breakfast reimbursements, not to exceed \$8.00, may be claimed if the individual leaves home before 8:00 a.m., or is away from home overnight.
- Lunch reimbursements, not to exceed \$10, may be claimed if the individual is on an overnight-business trip, and/or cannot return to his/her normal office before lunch time.
- Dinner reimbursements, not to exceed \$17, may be claimed if the individual can not return home until after 7:00 p.m., or is away from home overnight.

Meal reimbursements, including tax and gratuity, shall not exceed \$35 per person, per day for general travel (\$40 for Washington D. C.).

Hotel expenses should be paid for using the MSUSA Corporate Credit card unless an exception is granted by the State Chair and Executive Director.

Lodging may be provided if the individual would need to leave before 6 a.m. to arrive at their destination on time, or if they cannot drive back home by midnight.

Lodging may be provided if the individual would be required to drive more than 10 hours in one 24 hour period, in order to meet their MSUSA business obligations.

Lodging may be provided based on extenuating circumstances, at the discretion of the Executive Director and/or Officers.

Travel advances of up to \$200 per participant may be made for the federal lobby trip.

The State Chair and the Executive Director can approve, upon mutual consent, reasonable travel expenses by students representing MSUSA, not otherwise specifically mentioned in these policies on travel reimbursement, when such an expense would be viewed as essential to the mission of MSUSA. This consent approval shall be obtained prior to the travel. We also encourage the individual campuses to reinvest in their students' state involvement.

ARTICLE VIII: COMPENSATION FOR SERVICES POLICY

Board members shall serve without compensation. Board members shall be allowed reasonable reimbursement for expenses incurred in the performance of their duties, as specified in MSUSA policies.

In order to avoid a conflict of interest situation between an individual Board Member and the MSUSA, the following procedure will be observed.

1. If the Board Member is asked or volunteers to perform a service in his or her capacity as a Board Member, the Board Member will not charge or be reimbursed for the service.
Example: A Board Member attorney is requested by the Board to research and/or give an opinion regarding director liability. That task will be done by the attorney as a volunteer Board Member at no charge.
2. If the Board Member is requested by the organization to perform a service, or provide a product for the organization, competitive bids will be sought and/or comparable valuation determined. If the contract is awarded, the Board Member will be paid accordingly for the service or product.
3. If the Board Member desires to provide the service or product as a contribution, he or she will submit a bill to the organization, be reimbursed, and then contribute that reimbursement as a contribution.

ARTICLE IX: STIPENDS

Stipends are paid to facilitators, campus coordinators, campus committees – that include: Diversity Specialists, Legislative/MnSCU Specialists, and PR Specialists twice per fiscal year, upon completion of semi-annual reports. Said reports must be approved by the appropriate person and

authorization given to pay the stipend. Facilitator reports must be approved by the MSUSA state chair.

The maximum stipend amount for facilitators is \$700 per semester.

The full stipend amount for campus coordinators is \$700 per semester.

The full stipend amount for all other campus committee members is \$350 per semester.

ARTICLE X: CREDIT CARD POLICY

The MSUSA Board of Directors has authorized the use of corporate credit cards for paying bills. Said cards will be used to pay budgeted MSUSA bills to vendors for the exact price of the product or service received.

The MSUSA credit cards shall be in the name of the association with the Executive Director, Director of Development and Programs, Director of Government and System Relations, State Chair, Vice Chair, Treasurer, and the Campus Coordinator from each campus as sole persons responsible for their use and care. Responsible parties shall provide documentation for all charges to the card on a monthly basis.

Any misuse, loss, questionable expenditure or other unauthorized use of the credit cards shall be reported to the credit card companies immediately. Failure to resolve any unauthorized use of the cards shall result in reporting the situation to the Board of Directors and, if necessary, the proper legal authorities.

The Office Manager and Treasurer shall work to ensure the following:

- The bills for the credit cards shall be paid on time each month.
- No fees or interest shall accrue because of failure to pay or late payment.
- Accurate records are kept concerning the use of the cards.
- The ATM feature of the cards will not be used.
- All bills are mailed directly to the MSUSA, Inc. address of record for proper processing.
- Any annual fees shall be paid along with the bills in question.
- All parts of the credit card agreements between the vendors and MSUSA be enforced and carried out by all parties.
- All credit card bills and documentation shall be available for review by the MSUSA auditor.
- The credit cards are not linked to home equity, home line of credit, home improvement or other mortgage loans.
- No check card function is used in connection with the credit cards.

ARTICLE XI: INVESTMENT POLICY

It is the policy of the MSUSA Board of Directors (Board) to treat all assets of the Minnesota State University Student Association (MSUSA), including Funds that are legally unrestricted, as if held by MSUSA in a fiduciary capacity for the sake of accomplishing its mission and purposes. The following investment objectives and directions are to be judged and understood in light of that overall sense of stewardship. In that regard, the basic investment standards shall be those of a prudent investor as articulated in applicable state laws.

Investment Assets

For purposes of these policies, investment assets are those assets of MSUSA which are available for investment in the public securities markets as stocks, bonds, cash, or cash equivalents, either directly or through intermediate structures.

Supervision and Delegation

The Board of Directors of MSUSA has adopted these policies and reserves to itself the exclusive right to amend or revise these policies.

Section 1: Investment Consultant, Advisors, and Agents

The Board is specifically authorized to retain one or more investment advisors (Advisors) as well as any administrators, custodians, or other investment service providers required for the proper management of MSUSA's Funds. The Board may utilize an Advisor as an investment consultant (the "Consultant") to advise and assist the Board in the discharge of its duties and responsibilities. In that regard, a Consultant may help the Board to:

1. Develop and maintain investment policy, asset allocation strategies, risk-based fund objectives, and appropriate investment management structures;
2. Select, monitor, and evaluate Investment Advisors and/or investment entities;
3. Provide and/or review quarterly performance measurement reports and assist the Board in interpreting the results;
4. Review portfolios and recommend actions, as needed, to maintain proper asset allocations and investment strategies for the objectives of each fund; and,
5. Execute such other duties as may be mutually agreed.

In discharging this authority, the Board may receive reports from, pay compensation to, enter into agreements with, and delegate discretionary investment authority to such Advisors. When delegating discretionary investment authority to one or more Advisors, the Board will establish and follow appropriate procedures for selecting such Advisors and for conveying to each the scope of their authority, the organization's expectations, and the requirement of full compliance with these Policies.

Objectives

MSUSA's primary investment objective is to preserve and protect its assets by earning a total return for each category of assets (a "Fund"), which is appropriate for each Fund's time horizon, distribution requirements, and risk tolerance. MSUSA currently maintains:

Long-term Reserves and may add other Funds in the future.

These policies apply to all MSUSA Funds, although the specific objectives, risk parameters, and asset allocation will vary, as appropriate, from Fund to Fund.

Section 1: Asset Allocations

Actual asset allocations for each Fund will be established and maintained by MSUSA on the advice of its Consultant and/or Advisors, within the ranges provided in the following table:

Investment Fund	Asset Class		
	Equities	Fixed-Income	Cash and Cash Equivalents
Long-term Reserves	40-60%	40-60%	0-15%

When appropriate, specific objectives for each Fund, including specific asset allocation parameters and performance standards, may be reflected in an appendix attached to these policies. Such specific objectives shall nonetheless be within the foregoing ranges which can only be modified by the Board.

Section 2: Rebalancing Procedures

The Board will monitor the asset allocation of each Fund based on reports provided by MSUSA's Consultant and/or Investment Advisors. The Board may establish any reasonable rebalancing procedure based on either periodic reviews or departures from a range and may use its discretion to determine the timing of rebalancing actions. To achieve rebalancing, MSUSA may either move money from one asset class to another or may direct future contributions and expenditures from particular classes as is most convenient.

Investment Guidelines

To accomplish its investment objectives, MSUSA is authorized to utilize any legal investment structure including separately managed portfolios, mutual funds, exchange traded funds, limited partnerships, and other commingled investment entities. This authority is subject to the requirements and restrictions contained in these policies.

When utilizing mutual funds or other commingled entities, the Board shall see that MSUSA's staff, Consultant, and/or Investment Advisors have selected the investment entity appropriately based on the strategies and provisions contained in the entity's prospectus. In that event, the terms and conditions of the prospectus are deemed to control the entity's internal asset allocation, asset quality, diversification, and other requirements.

For separately managed portfolios, the following additional requirements shall apply:

Section 1: Asset Quality

1. **Common stocks** — The Advisor may invest in any unrestricted, publicly traded common stock that is listed on a major exchange or a national, over-the-counter market, and that is appropriate for the portfolio objectives, asset class, and/or investment style of the Fund that is to hold such shares.
2. **Convertible preferred stock and convertible bonds** — The Advisor may use convertible preferred stocks and bonds as equity investments. The quality rating of convertible preferred stock and convertible bonds must be BBB or better, as rated by Standard & Poor's; or BAA or better, as rated by Moody's. The common stock into which both may be converted must satisfy the standard of Section 1, above.
3. **Fixed-income securities** — The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations with maturities of seven years or less. The Advisor may not utilize derivatives without the prior permission of the Board.
4. **Short-term reserves** — The quality rating of commercial paper must be A+1, as rated by Standard & Poor's; P+1, as rated by Moody's, or better. The assets of any money market mutual funds must comply with the quality provisions for fixed-income securities or short-term reserves.
5. **Other securities** — The Advisor may invest in real estate investment securities (REITs), international securities traded in the United States directly or as depositary shares, international securities traded on recognized foreign exchanges, commodities and any other publicly traded investments that the Committee determines to be appropriate.

Section 2: Asset Diversification

The Advisor will maintain reasonable diversification at all times. The equity securities of any one company should not exceed 5 percent of the portfolio at the time of purchase and the combined debt and equity securities should not exceed 10 percent of the portfolio at any time. The Advisor shall also maintain reasonable sector allocations. In that regard, the maximum allocation to any one economic sector shall be 150% of the sector's weighting, as defined in the published index used for measuring the portfolio's performance (e.g., S&P500, Russell 1000, etc.). These restrictions do not apply to U.S. Government securities.

Section 3: Custody and Securities Brokerage

The Board will establish such custodial and brokerage relationships as are necessary for the efficient management of MSUSA's Funds. Whenever the Board has not designated a brokerage relationship, then MSUSA Investment Advisors may execute transactions wherever they can obtain best price and execution.

Section 4: Cash Flow Requirements

MSUSA will be responsible for advising the Consultant and each Advisor in a timely manner of MSUSA's cash distribution requirements from any managed portfolio or Fund. Each Advisor is responsible for providing adequate liquidity to meet such distribution requirements.

Investment Restrictions

MSUSA's investment assets are to be managed with regard to the following restrictions for tax, risk, or mission purposes:

Section 1: Tax-Based Restrictions

MSUSA is a charitable organization under § 501(c)(3) of the Internal Revenue Code. Consequently, its income is generally exempt from Federal and State income tax with the exception of income that constitutes Unrelated Business Taxable Income (UBTI). Since UBTI can be generated by leveraged investments (resulting in "debt-financed income"), MSUSA will not utilize margin, short selling, or other leveraged investment strategies unless the Investment Committee grants a specific exception as described below.

Section 2: Risk-Based Restrictions

MSUSA will not engage in option strategies (puts, calls, straddles) nor will it invest in any non-publicly traded securities including but not limited to managed futures funds, hedge funds, private equity funds, or other alternative investments unless approved by the Board as provided below.

Section 3: Exceptions to the Investment Restrictions

The Board recognizes the evolving nature of the investment world and that, under some circumstances, MSUSA may wish to utilize newer or more complex investment strategies. Therefore, the Board is authorized to grant exceptions to the foregoing restrictions. For tax-based restrictions, the Board is to determine if a particular strategy or investment will generate UBTI, for which it may rely on advice of counsel. When granting exceptions, the Board must determine that the potential rewards outweigh the incremental risks.

Reporting Requirements

1. Monthly — The Board will obtain written monthly custodial statements. Such statements should contain all pertinent transaction details for each account that holds all or a portion of any MSUSA investment Funds. Each monthly statement should include:
 - the name and quantity of each security purchased or sold, with the price and transaction date; and,

- a description of each security holding as of month-end, including its percentage of the total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income (yield) at market.

In addition, if not included in the custodial reports, the Consultant and/or the Investment Advisor(s) should provide a report for each Fund or portfolio showing the month-end allocation of assets between equities, fixed-income securities, and cash. The monthly review of custodial statements may be delegated to appropriate MSUSA staff.

2. Quarterly — The Board should obtain from its Investment Consultant and/or Investment Advisors, a detailed review of MSUSA's investment performance for the preceding quarter and for longer trailing periods as appropriate. Such reports should be provided as to each Fund and as to MSUSA investment assets in the aggregate. As to each Fund, the MSUSA should establish with its Investment Consultant and/or Investment Advisors the specific criteria for monitoring each Fund's performance including the index or blend of indices that are appropriate for the objectives of each Fund and for the investment style or asset class of each portfolio within a Fund. The Board shall meet with the Consultant to conduct such reviews to the extent it deems necessary.
3. Periodically — The Board should meet with its Investment Consultant at least annually to review all aspects of MSUSA's investment assets. Such a review should include (1) strategic asset allocation, (2) manager and investment entity performance, (3) anticipated additions to or withdrawals from Funds, (4) future investment strategies, and (5) any other matters of interest to the MSUSA.