

**Financial Operations:** The state association has a mechanism to account for revenues and expenses. **(Priority 1 – Must have)**

*Please give a brief explanation of how your state association **does** or **does not** currently have this component in place:*

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**Financial Controls:** The state association has the adequate financial controls to prevent and detect fraud, protect resources, ensure reliability of financial reporting, maintain compliance with laws and regulations and assist in the effectiveness and efficiency of operations. Appropriate controls are in place included but are not limited to: **(Priority 1 – Must have)**

- Segregation of duties
- Physical and systematic security
- Supervision and authorization
- Regularly scheduled financial reporting
- Record retention.

*Please give a brief explanation of how your state association **does** or **does not** currently have this component in place:*

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**Budget:** The state association develops a yearly budget. The budget supports organizational planning and decision making on how to allocate resources. It also establishes a benchmark against which to monitor financial activity and results. Actual expenses should be monitored against the budget and shared with the board. **(Priority 1 – must have)**

*Please give a brief explanation of how your state association **does** or **does not** currently have this component in place:*

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**Reporting to External Entities:** If applicable, the state association has a schedule in place to properly report to both federal and state regulatory agencies. IRS Form 990 should be filed including an external review of the return. The board of directors should review the completed IRS Form 990 and approve its submission. **(Priority 1 – must have)**

*Please give a brief explanation of how your state association **does** or **does not** currently have this component in place:*

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**Financial Report to the Board of Directors and Members:** The treasurer presents all sources of income and expenses for review by the officers and board of directors. The treasurer also provides an annual report to the membership at the business meeting. Reports can and should be developed in conjunction with a financial professional. **(Priority 1 – must have)**

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**Formal Financial Review or Audit:** The state association conducts a periodic independent external financial review, compilation or audit at least every 3 years. Unlike with reviews or audits, compilation adds no assurance of accuracy at all. **(Priority 1 – must have)**

*Please give a brief explanation of how your state association **does** or **does not** currently have this component in place:*

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**Bonding Insurance:** The state association provides bonding insurance for individual(s) who have access to Association funds. (The Treasurer, Executive Director or Secretary, or the person who has overall responsibility of the State Association funds should be bonded. Bonding insurance is a way of insuring against loss caused by a lack of competence or by fraud or dishonesty. An association management company often provides this for their employees) **(Priority 1– must have)**

*Please give a brief explanation of how your state association **does** or **does not** currently have this component in place:*

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**Savings & Investments (Reserve Fund/Legal Fund):** The state association has funds available (*minimum of 50% of operating expenses*) to provide for unforeseen future contingencies. State associations should have reserve funds that are considered long term in nature and are not expected to be used for routine operating purposes. Income and any capital gains are retained and reinvested within the fund to provide growth. In addition, both the safety of the Fund's principal and the quality of its assets are maintained with an attitude to first conserve principal; and second, to enhance capital value. The portfolio taken as a whole is structured to pursue long-term goals designed to maximize portfolio returns without exposure to undue risk. **(Priority 2 – should have)**

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