



## **MINNESOTA STREETCAR MUSEUM**

Como-Harriet Streetcar Line  
Excelsior Streetcar Line

P.O. Box 16509  
Minneapolis, Minnesota 55416-0509

Policy No. 10

### **FINANCIAL OPERATIONS**

**1.0 Purpose.** The purpose of this document is to establish uniform policy and procedures that will apply to and govern all aspects of the financial and accounting operations of the Minnesota Streetcar Museum, Inc., hereinafter referred to as “MSM” and the “Museum.”

#### **2.0 Overall Principles.**

**2.1** Financial policies and procedures supplement responsibilities, behavior and values prescribed and expressed in other Museum policies, especially: Policy No. 1, Member Conduct Code and Disciplinary Policy; Policy No. 3, Conflict of Interest Policy; and, Policy No. 5, Whistleblower Policy. The Museum’s financial policies and procedures are consistent with Generally Accepted Accounting Principles (GAAP).

**2.2** Museum Officers, Managers, Superintendents and members with financial management or oversight responsibilities or who receive, collect or obligate MSM funds will ensure they are performing their duties within the policies, and procedures established by the previously listed policies. The MSM Treasurer is available to provide guidance and assist all in their efforts to improve fiscal operations and increase accountability for Museum funds.

**3.0 Applicability.** These financial policies and procedures apply to, and will be used by, all Museum Officers, Department Managers/Superintendents and Museum members who receive, collect or obligate MSM funds or handle these funds in the course of performing their volunteer duties on behalf of the Museum.

#### **4.0 Financial Policies**

**4.1** The Minnesota Streetcar Museum will employ sound business, financial and accounting practices to conduct its fiscal operations. Museum Officers, managers and Superintendents are responsible for monitoring and controlling their fiscal operations, accounting and financial performance through:

**4.1.1 Adherence to high ethical standards.** Business practices will be guided by ethical and moral standards befitting the fact that Museum funds are donated or obtained by the Museum that is managed by volunteers. Leadership will promote compliance with all ethical standards, applicable statutes, and financial/accounting principles when exercising authority over the collection and disbursement of Museum funds.

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- 4.2 The institution of a system of internal controls.** The Minnesota Streetcar Museum will maintain an effective system of internal controls integral to its management practices and financial operations. A satisfactory system of internal controls includes, but is not limited to, the following:
- 4.2.1 Segregation of Duties.** The Museum will provide for a proper segregation of duties that safeguards its assets. The objective is to eliminate or minimize opportunities to conceal errors and irregularities. Assignment of work to Museum Officers, Managers and Superintendents should be based on the rule that no one individual controls all phases of an activity or transaction.
  - 4.2.2 Standard Operating Procedures.** As necessary, the Museum may develop and enforce operating procedures for members to follow in performing their duties and functions. Such operating procedures will explain the implication of financial transactions and define responsibilities and accountability for Museum resources.
  - 4.2.3 Competent Personnel.** The Museum will maintain high standards of Officer, Manager, Superintendent and member competence and integrity. Competence will be established through a combination of recruitment of volunteers with appropriate financial or commercial experience and training if possible, so that Museum volunteers may accomplish their assigned duties in the prescribed manner and help the Museum achieve its goals.
  - 4.2.4 Transaction Authorization and Documentation.** The Museum will establish a system of authorization that provides effective management control over assets, liabilities, revenues and expenditures. Evidence of authorization will be maintained in the accounting files to document that:
    - 4.2.4.1** Proper authorizations are obtained;
    - 4.2.4.2** Authorizations are issued by Museum Officers, Managers and Superintendents acting within the scope of their authority;
    - 4.2.4.3** Transactions conform to the terms of the authorizations; and,
    - 4.2.4.4** An MSM Organization Chart providing Museum staff names and functional titles that are authorized to approve financial expenditures and commitments will be maintained.
  - 4.2.5** The Board of Directors shall appoint 2-3 individuals who shall be authorized signatories on the museum's financial accounts.
  - 4.2.6** Specific internal control procedures by which funds are deposited and checks written are found in section 6.2 of this policy.
  - 4.2.7** The system of internal controls should be continuously monitored, reviewed, evaluated and improved as necessary. When detected, deficiencies will be promptly corrected. This policy recognizes that the objective of an internal control system is to provide reasonable, but not

absolute, assurance that assets are safeguarded, and errors and irregularities are minimized. The benefits of such a system should be greater than its cost.

**4.3 The retention of financial and accounting records for appropriate periods.**

The Museum will document its financial activities and maintain sufficient accounting records to:

- 4.3.1** Ensure all transactions are properly and accurately recorded. Budget and expense data will be treated consistently by all Museum personnel;
- 4.3.2** Provide sufficient evidence and justification for all transactions;
- 4.3.3** Maintain accountability for assets and resources;
- 4.3.4** Document accountability of Museum Officers, Managers and Superintendents who execute and process financial transactions;
- 4.3.5** Permit preparation of accurate, informative and reliable reports;
- 4.3.6** Support Museum management during internal reviews and external audits.
- 4.3.7** Examples of financial and accounting records to be maintained are:
  - 4.3.7.1** Timekeeping and payroll records (if required);
  - 4.3.7.2** Procurement files including purchase orders and contracts;
  - 4.3.7.3** Vendor invoices, contractor/subcontractor claims;
  - 4.3.7.4** Volunteer reimbursement claims;
  - 4.3.7.5** System reports including general ledgers, sub-ledgers and other reports;
  - 4.3.7.6** Revenue collection (cashier) records;
- 4.3.8** A more detailed discussion of record retention procedures is provided in MSM Policy No. 8, Membership, Personnel and Administration.

**4.4 Financial reports that account for the Museum's funds.** The Museum is obligated by federal and state statute, rules and regulations and to its members and donors, to account for its use of its funds. To satisfy this obligation, the Treasurer and Bookkeeper prepares and issues periodic financial statements. The objectives of financial reporting are as follows:

- 4.4.1** Financial reporting should assist in fulfilling our Museum's duty to be accountable and should enable users to assess that accountability;
- 4.4.2** Financial reporting should assist users in evaluating the operational results of the Museum for the year;
- 4.4.3** Financial reporting should assist users in assessing the level of operations of the Museum and its ability to meet its obligations as they become due;

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- 4.4.4 Financial reports that are effective and useful exhibit certain common characteristics, such as being understandable, reliable, relevant, timely, consistent, and comparable.
- 4.4.5 The primary use of financial reports is to assess the Museum's accountability and efficiency in its use of its funds. Financial reports accomplish this by:
  - 4.4.5.1 Comparing actual financial results with the adopted budget;
  - 4.4.5.2 Assessing financial condition and results of operations;
  - 4.4.5.3 Assisting in determining compliance with finance-related laws, rules and regulations; and,
  - 4.4.5.4 Assisting in evaluating efficiency and effectiveness.
- 4.4.6 The users of financial reports issued by the Museum fall into three groups:
  - 4.4.6.1 Governmental agencies such as the U.S. Internal Revenue Service, Minnesota Secretary of State and Attorney General;
  - 4.4.6.2 Charitable Foundations and other major donors; and,
  - 4.4.6.3 Museum members.
- 4.4.7 The Museum financial reporting function includes, but is not limited to, preparation of the following reports:
  - 4.4.7.1 MSM Annual budget;
  - 4.4.7.2 Quarterly summary of financial activities for propriety and accuracy;
  - 4.4.7.3 Quarterly budget reports to compare actual revenues and expenditures to budget; and,
  - 4.4.7.4 Year-end reports that will be posted on the Museum's website as soon as possible after the end of the fiscal year (FY).
- 4.4.8 The Museum will apply GAAP and other commonly used standards to prepare financial and other required reports. Exceptions should be disclosed in the form of qualifications or footnotes to the financial statements or reports.

## 5.0 Roles and Responsibilities

- 5.1 The fiduciary responsibilities of the Museum's Directors, Officers, Managers, Superintendents and other staff and committees are listed and discussed in several other Museum policies and in Appendix A of this policy.
  - 5.1.1 Within each Museum Department, Officers, Managers and Superintendents are responsible for ensuring their budget allocation is spent consistent with the Museum's annual budget and any other financial guidelines established by the MSM Board of Directors.

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- 5.1.2 Museum Officers, Managers and Superintendents operating within these principles and guidelines can request transfer of funds between budget line items to the Museum's Board of Directors.
- 5.2 *The Chair of the MSM Board of Directors.* The Museum Board Chair has overall responsibility and authority for Museum financial matters. To discharge these responsibilities, the Museum's By-Laws has established the Treasurer's position and the Finance Committee to manage the financial operations of the Museum. The Treasurer will submit to the Chair and Board of Directors regular financial reports and other special analyses as needed.
- 5.3 *MSM Board of Directors.* The Museum's Board of Directors has the following duties and responsibilities.
  - 5.3.1 Approve the Museum's annual budget.
  - 5.3.2 Review periodic financial reports submitted by the Treasurer.
  - 5.3.3 Approve any changes to the annual budget during the execution year.
  - 5.3.4 Approve the submission of income tax returns rendered to the Federal Internal Revenue Service and the Minnesota Attorney General.
  - 5.3.5 Approve all expenditures costing over \$5,000 unless the expense was already identified as a line item in the Department's budget, or the expense is a part of a larger amount that had been already approved by the Board.
  - 5.3.6 Consider—and if warranted, grant—exceptions to the Museum's financial policies.
- 5.4 *MSM Treasurer.* The duties and responsibilities of the Museum's Treasurer are:
  - 5.4.1 Maintain knowledge of the organization and personal commitment to its goals and objectives;
  - 5.4.2 Understand financial accounting for nonprofit organizations;
  - 5.4.3 Serve as Chief Financial Officer (CFO) of the Museum and is Chair of the Finance Committee;
  - 5.4.4 Keep accurate financial records for the Museum. Ensure that appropriate financial reports are made available to the Board on a timely basis;
  - 5.4.5 Prepare the annual budget and present the budget to the Board for approval;
  - 5.4.6 Recommend new financial policies or changes to existing financial policies or procedures;
  - 5.4.7 Disburse corporate funds and issue checks and drafts in the name of the corporation as ordered by the board;
  - 5.4.8 Review the annual audit, if one is done, and answers board members' questions about the audit;

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- 5.4.9** Submit the IRS Form 990 and Minnesota Non-Profit Income Tax Return with attachments in a timely manner and within the established deadlines; and,
- 5.4.10** Perform other duties prescribed by the Board or by the Chair.
- 5.5** *MSM Finance Committee.* The MSM Finance Committee advises and assists the Treasurer and the Board Chair on the annual budget submission, new execution year budget requests, requests for transfer of execution year funds between Departments or accounts, and changes to existing or drafting of new financial policies and procedures. The Committee serves as a forum to identify and coordinate responses for budget concerns which affect or impact more than one Department and assesses the budgetary implications of strategic plan initiatives. The Finance Committee does not exercise any direct authority over the Museum's budget but, after review and analysis, the Committee makes recommendations to the Board Chair and Board of Directors for decision.
- 5.6** *MSM Department Superintendents, Managers and Officers.* The Museum's Officers and Department Managers/Superintendents must ensure their Department's budget is spent consistent with the Museum's annual budget and applicable policies and procedures (including those outside the financial area).
  - 5.6.1** Department Managers/Superintendents, and Officers, will submit their annual budget estimates to the Museum's Treasurer on a timely basis and in compliance with the request for the budget input from the Treasurer.
  - 5.6.2** Any changes to the execution year budget that appear to be necessary will be reported to the Museum Treasurer as soon as it is identified. The Treasurer will analyze the budget change request and, if necessary, consult with the Museum's Finance Committee to find a solution to the problem. Ultimate approval of any changes to the budget or transfer of funds between Departments or accounts will be approved by the Museum Board of Directors.
- 5.7** *MSM Members.* Because of the all-volunteer nature of the Museum, members will, on occasion, purchase items at local stores or by sales through the internet. When these financial transactions occur, the following policies apply.
  - 5.7.1** If MSM members purchase items for Museum use, the member must obtain permission from the Officer or Manager/Superintendent responsible for the budget account prior to the purchase. This rule does not apply to routine purchase of common items such as hardware and streetcar maintenance items, gasoline and oil for garden and lawn care equipment, postage and stamps, office supplies required for routine Museum business, etc.
  - 5.7.2** Designated Museum members are authorized to purchase small items for Museum use at local hardware stores, office supply stores, copy shops, building supply material outlets, over the internet, etc. When a member purchases items at these locations, the Museum is exempt from paying

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any applicable state sales tax, and every effort should be made to not pay sales tax. The museum's letter of tax exemption should be printed and presented to the store cashier/clerk to verify the sale-tax exempt status of the Museum and the purchase being made.

- 5.7.3 When a Member purchases items using their personal funds, the member should submit a Request for Reimbursement form so that they can be reimbursed for the item(s). Follow procedures outlined in section 9.0 of this policy to claim reimbursement for such purchases.
- 5.7.4 When a member purchases items for Museum use from a store that provides a charge or bill-later account for the Museum, the member must ensure that they obtain the receipt for the item and that the receipt is provided to the Treasurer as soon as practicable after the purchase.
- 5.7.5 Indicate on all receipts what the item is/was being used for so the accountant/bookkeeper can correctly enter the expense onto the Museum financial records.

**6.0 Financial and Cash Management/Internal Control Procedures.** In this section, cash is defined as currency, personal or corporate checks, donations using a credit or debit card and money orders.

**6.1** *Collection of daily and Weekly Operations Funds at the Demonstration Railways.* To meet his/her obligation to deposit all receipts in a timely manner, the Museum's Treasurer will appoint a Chief Cashier at each of the Museum's demonstration railways. The Chief Cashiers will, in turn appoint Assistant Cashiers as necessary at each demonstration railway to collect, account and deposit the daily and weekly cash receipts. The duties of the Cashiers are:

- 6.1.1 Collect and record the cash receipts in accordance with the Treasurer's separate written instructions and the procedures found in the following paragraphs of this section;
- 6.1.2 Complete the bank deposit slip and place the cash receipts in the appropriate bank depository;
- 6.1.3 Periodically remove cash from the donation boxes located at both demonstration railways and include these in a regularly scheduled deposit. Identify these donations separately from receipts generated from token and merchandise sales; and,
- 6.1.4 Render any reports or deposit summaries required by the Treasurer.

**6.2** *Cash handling procedures--Receiving Checks and Money Orders.*

- 6.2.1 All checks and money orders should be made payable to "Minnesota Streetcar Museum."
- 6.2.2 All checks should be restrictively endorsed at the time of receipt with "For Deposit Only."
- 6.2.3 The numeric amount of the check must agree with the written amount.

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- 6.2.4 Checks must have the current date (no postdated checks will be accepted).
- 6.2.5 Change should not be given for a check over the amount due.
- 6.3 *Safeguarding Handling and Storage of Cash.*
  - 6.3.1 A mail receipt log shall be used to document all cash (i.e., checks and money orders) collections received through the mail.
  - 6.3.2 Collections should be held in a secure manner until deposited. This may be accomplished by such means as a fireproof safe, a locked desk drawer, or other locked device. The amount of collections should be considered when choosing the locking device.
  - 6.3.3 At night and on weekends, cash registers should be emptied and funds secured.
  - 6.3.4 Access to secure locations via keys or combinations should be limited to authorized individuals only.
  - 6.3.5 Collections should be handled by as few people as possible.
  - 6.3.6 If cash is transferred to another person, accountability procedures should be followed.
  - 6.3.7 Safe combinations should be changed regularly and whenever security may have been compromised or when a volunteer with knowledge of the combination leaves the Museum.
  - 6.3.8 Locks should be changed whenever security may have been compromised.
  - 6.3.9 The Museum Key Control Officer shall ensure that keys are returned when a volunteer who was issued a key leaves the Museum.
- 7.0 **Donations.** In this section, cash is defined as currency, personal or corporate checks, donations using a credit or debit card and money orders.
  - 7.1 *Cash donations.*
    - 7.1.1 All cash donations received through the mail will be deposited in a timely manner.
    - 7.1.2 All donors will receive a letter acknowledging the donation regardless of the amount of the donation.
    - 7.1.3 All one-time donations in the amount of \$250.00 or more must be acknowledged by a letter and a receipt which lists the name of the donor, the date the donation was received, the dollar amount of the donation and the fund to which the donation is credited. The receipt must include the statement: "No goods or services were provided in exchange for this donation."

**7.2** *Donation of Non-cash Property—In-kind Donations.*

- 7.2.1** All donations of non-cash property, materials, historical artifacts or photos, or other items such as tools, books, equipment, etc., will be acknowledged by a letter unless the donor specifically requests that an acknowledgement letter is not necessary.
- 7.2.2** The Museum cannot appraise or assign a value to the items being donated if the purpose of the donation is to claim the value of the item on the donor's state or federal income tax return. The Museum should only list, and if necessary, describe, the items donated as accurately as possible. Refer the donor to various U.S. Internal Revenue Service publications (e.g., IRS Publication 526 and 561) for guidelines on charitable contributions and how to assign fair market value to donated items.
- 7.2.3** The donor must file IRS Form 8283 with their yearly tax return if the amount of their deduction for all non-cash gifts is more than \$500. The Museum Treasurer will complete part IV of the 8283 when this form is presented by the donor.

**7.3** *Grant and Major Donation Applications.*

- 7.3.1** The Museum periodically applies for donations and grants from charitable foundations and organizations. These donations and grants are usually designated for capital projects or for restoration projects.
- 7.3.2** All grant applications and associated correspondence will be kept on file on a yearly basis in accordance with MSM's records and files policy found in section 4.0 of MSM Policy No. 8, Membership, Personnel and Administration and in MSM Policy No. 4, Document Retention and Destruction Policy.
- 7.3.3** The Treasurer will designate permanently restricted or temporarily restricted accounts, as required, to account for donations and grants that the donor designates for a specific purpose or project.

**8.0** **Purchase of Materials Supplies and Services.**

- 8.1** The purchase of a single item or service, or a number of like items, does not require advanced approval if:
  - 8.1.1** The item or service has previously been approved or included in the current year's budget; and,
  - 8.1.2** The cost of the purchase is less than \$2,500.00
- 8.2** The purchase of a single item or service, or a number of like items, requires approval by the MSM Treasurer before commitment can be made to purchase or reimburse for purchase the item(s) or service(s) if:
  - 8.2.1** The item or service has previously been approved or included in the current year's budget; and,
  - 8.2.2** The cost of the purchase is greater than \$2,500.00

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- 8.3** The Purchase of any item **or service** that is not provided for in the current year's Budget (i.e., an unprogrammed expense) requires approval before a commitment is made to purchase the item or service. The following graduated steps for approval apply:
- 8.3.1** The purchase of any item **or service** \$1,000 or less that is not provided for in the current year's Budget (i.e., an unprogrammed expense) requires approval of the MSM Treasurer before a commitment is made to purchase the item or service. Such requests must specify the source of the funds to cover the additional (unprogrammed) expense.
  - 8.3.2** The purchase of any item **or service** over \$1,000 that is not provided for in the current year's Budget (i.e., an unprogrammed expense) requires majority approval of the Finance Committee before a commitment is made to purchase the item or service. Such requests must specify the source of the funds to cover the additional (unprogrammed) expense.
  - 8.3.3** The purchase of any item **or service** over \$5,000 that is not provided for in the current year's Budget (i.e., an unprogrammed expense) requires majority approval of the MSM Board of Directors before a commitment is made to purchase the item or service. Such requests must specify the source of the funds to cover the additional (unprogrammed) expense.
- 8.4** The purchase of any single item or service over \$5,000 shall require a minimum of three competitive bids before a purchase is made.
- 8.4.1** The Department Superintendent or Manager shall form an ad-hoc committee to request bids, review bids, and ultimately provide a recommendation to the Superintendent on which vendor to select.
  - 8.4.2** Neither the committee nor the Superintendent is required to select the lowest bid but shall select the bid that best aligns with the museum's needs.
- 8.5** The purchase of one item, or group of like items, which cost exceeds \$250 but is a recurring expense (e.g., utility bills, insurance premiums, a service under contract) does not require subsequent approval after the first approval is obtained unless the later purchase exceeds the amount of funds allocated to that budget account or is for a service or item that is outside the original scope of the contract.
- 8.6** Open charge accounts may be approved at local stores for the purchase of small items needed for streetcar maintenance and cleaning and for miscellaneous shop supplies that do not exceed \$50 per individual item.
- 8.7** Individual volunteers can purchase without prior approval single items or services not to exceed \$250 in individual or unit cost. However, volunteers must first coordinate their purchase with the head of the MSM Department against which the purchase will be charged to ensure that:
- 8.7.1** The Department Superintendent approves the purchase; and,

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- 8.7.2** There are sufficient funds in that budget line item to pay for the items to be purchased.
- 8.8** Reimbursement for these expenses can then be claimed using the MSM Request for Reimbursement form.
- 8.9** Purchasers are cautioned not to purchase, or commit to purchase, an item or service that requires approval until that approval is obtained, because if the request for purchase is subsequently disapproved the purchaser may be responsible for paying for the item or service out of their own pocket.
- 8.10** All vendors should be made aware of the museum's non-profit status so they do not charge state sales tax. Purchasers should have a copy of the museum's sales tax exemption letter with them when negotiating purchases to provide proof of our sales tax-exempt status.
- 8.11** Exception to the above policies or to the procedures outlined below will be submitted to the MSM Treasurer who will consult, if necessary, with the appropriate Superintendent/Manager before any commitment to spend funds is made.
- 8.12** Approval of purchases, if required in accordance with the above policies, can be done by submitting an e-mail message to the MSM Treasurer using the format specified in section 8.13 below.
- 8.13** Electronic requests for approval of expenses (using e-mail) will be submitted following this format.
- 8.13.1** Name or description of the item(s) or service(s) desired to be purchased.
- 8.13.2** The name, full address and telephone number of the supplier of the item or service.
- 8.13.3** The unit cost and total cost of the item(s) or service. Indicate if this is an estimate.
- 8.13.4** The budget account (4 digit number) against which the purchase will be charged.
- 8.13.5** The purpose or intent of the purchase of the item(s) or service(s).
- 8.13.6** Any additional information or explanation deemed necessary or appropriate. This would include where the funds will come from if the item(s) or service(s) desired to be purchased are not on the budget or the budgeted amount is being exceeded.
- 8.14** Requests for approval of expenditures should be submitted sufficiently far in advance to account for delays in processing and transmittal of the request. In other words, give the approval process time if it's being done using a purchase order that requires mail transit time and processing time by the MSM Treasurer. A request for approval that requires immediate action should be submitted electronically using e-mail using the format specified above.

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- 8.15** After the purchase of the item(s) or service(s) has been approved, volunteers should ensure that the vendor submits an invoice or bill to the MSM business address. Ensure that the invoice or bill indicates the P.O. number, the electronic request serial number, or a description of what the purchase is for, so the museum's Treasurer and accountant/bookkeeper can identify the financial transaction and can debit the proper account.
- 8.16** The Treasurer and/or Bookkeeper shall consult with the MSM member who coordinated the purchase before paying the invoice to ensure that the item has been received, the amount of the invoice is correct, etc.
- 8.17** Wherever possible, the museum should receive an invoice before any payment shall be made, rather than receiving a verbal request for payment, and then receiving a receipt after the fact.
- 9.0 Member Reimbursement.** When a Member has approval to purchase items for Museum use and they pay for the items with their personal funds, the member should submit a Request for Reimbursement form so that they can be reimbursed for the expense of the item(s). To claim reimbursement for such purchases the Museum member must follow these procedures.
- 9.1** Complete the Request for Reimbursement form.
- 9.2** Include all purchases on the form.
- 9.3** Attach all original receipts for the purchased items. Make a copy of the request for payment form and all supporting receipts for member personal records in case we need follow-up on the request for payment.
- 9.4** Indicate on the receipt what the item is/was being used for so the Museum's accountant/bookkeeper can correctly enter the expense onto the Museum financial records.
- 9.5** Send the Request for Reimbursement form with all attachments to the Museum Officer, Manager or Superintendent who controls the budget account that will pay for the purchases, for their approval and forwarding to the MSM Treasurer.
- 9.5.1** The individuals who can approve Request for Reimbursement forms are the General Superintendent, Assistant General Superintendent(s), Chief Mechanical Officer, Chief Engineer, Superintendent of Operations, Assistant Superintendent(s) of Operations, Board Chair, and Treasurer.
- 9.5.2** Individuals approving Request for Reimbursement forms must only do so for purchases within their departments—for example, the Superintendent of Operations should not approve a purchase made in the Mechanical department.
- 9.5.3** Individuals approving Request for Reimbursement forms must complete their due diligence to ensure that the purchase being reimbursed for has been received by the museum.

- 9.6** Once approved, the MSM Treasurer will issue a check for reimbursement to the member who submitted the Request for Reimbursement form.
- 9.6.1** Checks will be not be made payable to third parties.
- 9.7** Payments should be issued directly from the museum by check to the vendor wherever possible. Pre-planned payments, non-tangible expenses (such as permits, services, etc.) should always be made by museum check and should not be paid for by members for subsequent reimbursement.
- 9.8** All transportation expenses that volunteers incur are at their own expense unless otherwise budgeted for and approved by the board of directors.
- 9.9** Requests for reimbursement shall be submitted to the museum within 60 (sixty) days of the member incurring the expense. Any expenses submitted later than 60 days after incurring the expense shall not be reimbursed.
- 10.0 Invoices.** The MSM Treasurer and MSM Bookkeeper are the only parties who may create invoices on behalf of MSM. This is to ensure that the invoices are created correctly in the Museum's accounting software, and so that they can verify that the invoice has been paid in a timely manner.
- 10.1** All goods or services that the museum sells or offers for sale must be recorded in either an invoice or using a Point of Sale (PoS) system.
- 10.2** Sales of retail items in the Linden Hills Station, Excelsior ticket booth or car barn, sales of fares, etc. must be recorded in the relevant site's PoS system.
- 10.3** Online sales on the Museum's website must be recorded in the Museum's online store software.
- 10.4** All other items (including but not limited to surplus goods for sale, etc.) must be recorded by an MSM invoice.
- 11.0 Charitable Organization.** MSM is a not-for-profit educational and charitable organization that depends on donations and the purchases of its customers in order to provide a regular income. It is policy that the Museum does not discount or waive its standard fees for other parties. Similarly, it does not provide donations (such as passes, merchandise, etc.) to other parties. Any deviation from this policy requires a majority vote of the Board of Directors to override.
- 11.1** Every effort should be made to set the cost of services and goods for sale at price point that results in a modest profit for the Museum.

APPROVED BY THE BOARD OF DIRECTORS:

DATE: December 7, 2019

  
ATTEST: James A. Vaitkunas, Corporate Secretary

APPENDIX:

A – Fiduciary Responsibilities of MSM Directors, Officers, Managers/Superintendents and Members

## Fiduciary Duties of Directors of Charitable Organizations

A Guide for Board Members from the Office of Minnesota Attorney General.

This Guide is provided by the Minnesota Attorney General's Office to assist board members with the important responsibilities assumed when they volunteer their time. It is only a guide and is not meant to prescribe the exact manner that board members must act in all situations. For more assistance, there are a number of resources in Minnesota that provide, at little or no cost, information, direct assistance and materials for charities, their officers and directors. A list of these resources can be obtained from the Charities Division, Minnesota Attorney General's Office, 1200 NCL Tower, 445 Minnesota Street, St. Paul, MN 55101-2130, telephone: (651) 297-4613. TDD: (651) 296-1410.

The Attorney General's Office has prepared this Guide for Board Members to help directors understand their responsibilities as stewards of their organizations. Under Minnesota law, directors of a Minnesota nonprofit corporation are responsible for the management of the business and affairs of the corporation. This does not mean that directors are required to manage the day to day activities of a corporation or to act in the role of an Executive Director. It does mean that directors must appoint officers and assign responsibilities to them so that the officers can effectively carry out the daily tasks of running the corporation. It also means that directors must supervise and direct the officers and govern the charity's efforts in carrying out its mission. In carrying out their responsibilities, the law imposes on directors the fiduciary duties of care, loyalty and obedience to the law. Minnesota courts have held that the law imposes the highest standard of integrity on the bearers of these duties.

This Guide is provided by the Minnesota Attorney General's Office to assist board members with the important responsibilities assumed when they volunteer their time. It is only a guide and is not meant to prescribe exactly how board members must act in all situations. Each organization possesses a distinct composition and experiences different circumstances and outcomes. This guide is merely provided as a reference tool and outline to assist directors in performing their duties. It does not contain all of the provisions, exceptions, limitations and requirements of the law. For the exact requirements of the law, please refer to the source of the law itself. Many of the guidelines in this guide are taken from the Minnesota Nonprofit Corporation Act, located in Minnesota Statutes Chapter 317A. For more assistance, there are a number of resources in Minnesota that provide, at little or no cost, information, direct assistance and materials for charities, their officers and directors. A list of these resources can be obtained from the Minnesota Attorney General's Office, 1200 NCL Tower, 445 Minnesota Street, St. Paul, MN 55101, telephone: (651) 296-3353 or 1-800-657-3787. TTY: (651) 297-7206 or 1-800-366-4812. Upon request this material can be made available in alternative formats.

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### Overall Responsibilities

Directors of Minnesota nonprofit corporations must discharge their duties in good faith, in a manner the director reasonably believes to be in the best interests of the corporation, and with

the care an ordinarily prudent person in a like position would exercise under similar circumstances.

### **To Exercise the Proper Duty of Care:**

1. Active Participation. A director must actively participate in the management of the organization including attending meetings of the board, evaluating reports, reading minutes, reviewing the performance and compensation of the Executive Director and so on. Persons who do not have the time to participate as required should not agree to be on the board.
2. Committees. Directors may establish committees having the authority of the board and may rely on information, opinions or reports of these committees. Committees operate subject to the direction and control of the board. As a result, directors are still responsible for the committees and should periodically scrutinize their work.
3. Board Actions. A director who is present at a meeting when an action is approved by the entire board is presumed to have agreed to the action unless the director objects to the meeting because it was not lawfully called or convened and doesn't participate in the meeting, or unless the director votes against the action or the director is prohibited from voting on the action because of a conflict of interest.
4. Minutes of Meetings. Written minutes should be taken at every board meeting. The minutes should accurately reflect board discussions as well as actions taken at meetings.
5. Books and Records. A director should have general knowledge of the books and records of the organization as well as its general operation. The organization's articles, bylaws, accounting records, voting agreements and minutes must be made available to members and directors who wish to inspect them for a proper purpose.
6. Accurate Record Keeping. A director should not only be familiar with the content of the books and records, but should also assure that the organization's records and accounts are accurate. This may mean the director must take steps to require regular audits by an independent certified public accountant. At the very least, the director should be aware of what the financial records disclose and take appropriate action to make sure there are proper internal controls.
7. Trust Property. A director has the duty to protect, preserve, invest and manage the corporation's property and to do so consistent with donor restrictions and legal requirements. Instituting proper internal controls will aid in the protection of assets.
8. Resources. A director must assist the organization in obtaining adequate resources to enable it to further its charitable mission.
9. Charitable Trusts. A trustee of a charitable trust has a higher standard of care than a director of a nonprofit corporation. A trustee has the duty to exercise the care an ordinary person would employ in dealing with that person's own property. A trustee with a greater level of skill must use that higher skill in carrying out the trustee's duties.
10. Investigations. A director has a duty to investigate warnings or reports of officer or employee theft or mismanagement. In some situations a director may have to report misconduct to the appropriate authorities, such as the police or the Attorney General.

Where appropriate, a director should consult an attorney or other professional for assistance.

Traditionally, directors have an absolute duty of complete, undivided loyalty to the organization. This means that directors should avoid using their position or the organization's assets in a way which would result in pecuniary or monetary gain for them or for any member of their family. A director should put the good of the organization first and avoid engaging in transactions with the organization from which the director will benefit.

**To Exercise the Duty of Loyalty:**

1. Conflicts of Interest. Under certain circumstances, a contract or transaction between a nonprofit corporation and its director or an organization in which the director has a material financial interest is acceptable. However, if the transaction is challenged, the director will have the burden of establishing that the contract or transaction was fair and reasonable, that there was full disclosure of the conflict and that the contract or transaction was approved by members or other directors in good faith.
2. Written Policy. Boards should establish a written policy on avoiding conflicts of interest.
3. Loans. A nonprofit corporation may not lend money to a director or the director's family members unless the loan or guarantee may reasonably be expected, in the judgment of the entire board, to benefit the corporation.
4. Charitable Trust. In charitable trusts, transactions which otherwise might constitute a conflict of interest are permissible if the conflict was clearly contemplated and allowed by the original settlor of the trust.
5. Corporate Opportunity. Directors of business organizations are under a fiduciary obligation not to divert a corporate business opportunity for their personal gain. A director of a nonprofit corporation is also subject to this duty. This duty means that a director may not engage in or benefit from a business opportunity that is available to and suitable for the corporation unless the corporation decides not to engage in the business opportunity and conflicts of interest procedures are followed.
6. Internal Revenue Code. Other prohibitions relating to the duty of loyalty are specified in the rules of the Internal Revenue Code regarding self-dealing. These rules apply to private foundations. Directors have a duty to follow the organization's governing documents (articles of incorporation and bylaws), to carry out the organization's mission and to assure that funds are used for lawful purposes. Also, directors must comply with state and federal laws that relate to the organization and the way in which it conducts its business.

**To Exercise The Duty of Obedience:**

1. State and Federal Statutes. Directors should be familiar with state and federal statutes and laws relating to nonprofit corporations, charitable solicitations, sales and use taxes, FICA and income tax withholding, and unemployment and workers' compensation obligations. They should also be familiar with the requirements of the Internal

## FINANCIAL OPERATIONS

Revenue Service. Directors should see to it that their organization's status with state and federal agencies is protected.

2. Filing Requirements. Directors must comply with deadlines for tax and financial reporting, for registering with the Attorney General, for making social security payments, for income tax withholding, and so on. Additionally, if an organization is incorporated under the Minnesota Nonprofit Corporation Act, its directors have a duty to maintain its corporate status by submitting timely filings to the Secretary of State's Office.
3. Governing Documents. Directors should be familiar with their organization's governing documents and should follow the provisions of those documents. Directors should be sure proper notice is given for meetings, that regular meetings are held, that directors are properly appointed and that the organization's mission is being accomplished.
4. Outside Help. Where appropriate, directors should obtain opinions of legal counsel or accountants.

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