

OHIMA FINANCIAL MANAGEMENT

POLICIES AND GUIDELINES

The Ohio Health Information Management Association (OHIMA) Board of Directors has a fiduciary responsibility for the Association funds. The Treasurer has the responsibility to safeguard the funds and provide accurate and timely financial statements to the Board of Directors. Maintaining the financial records of OHIMA is the same as maintaining the financial records of a small business. Adequate controls and procedures must be in place to produce accurate reports. The major objectives of this section are to assist OHIMA Directors with information regarding:

- membership dues rebate
- record retention requirements
- tax information
- financial policies and operational guidelines
- investment options

MEMBERSHIP DUES REBATE:

A portion of member dues collected by AHIMA is paid to OHIMA in the form of a dues rebate. The rebate is 20 percent of member dues collected by AHIMA, excluding corporate members. The rebates are paid as follows:

Month Current Dues Paid to AHIMA <u>by Member:</u>	Month Dues Rebated <u>to OHIMA:</u>
January	February
February	March
March	April
April	May
May	August
June	August
July	August
August	December
September	December
October	December
November	December
December	January

The rebate checks are mailed to the OHIMA Executive Director around the 21st of the month along with a memo sent to the OHIMA President stating the amount of the rebate. Due to the small amount of dues received in the summer and fall months, these rebates are grouped together. Along with the check, the OHIMA Executive Director receives a listing of the member's names, which make up the rebate. Any financial adjustments to a member record, which affects rebates, will also appear on the list. The check received in January includes December current dues and deferred dues; e.g. dues paid in one year for the following year. The OHIMA Executive Director should record the dues rebate as income in the year the dues relate to. The rebate check is then mailed to the OHIMA Treasurer for deposit into the OHIMA checking account.

RECORD RETENTION REQUIREMENTS

Record Retention: All official financial records of OHIMA, including financial statements, tax returns, canceled checks, etc., should be retained for seven years. OHIMA Articles of Incorporation, and other historical documents should be kept in permanent storage. All other OHIMA correspondence, program brochures, technical papers, etc., need only be kept for two years.

Record Custody: Custody of financial records up to seven years should remain with the Executive Director. Records from previous fiscal years should be passed on to each succeeding Treasurer.

TAX INFORMATION

The most significant asset of every not-for-profit is their tax-exempt status. OHIMA is classified as a 501(c)(6) by the IRS, which is defined as an association of persons having some common business interest, the purpose of which is to promote such common interest. This type of not-for-profit usually has to pay state sales tax; however, laws vary among the states. A 501(c)(6) organization may not accept donations (which qualify as tax-deductible contributions by the payee). However, sponsorships are appropriate (which might be tax-deductible as advertising/marketing by the payee).

The IRS requires all non-profits to file an informational return called a 990 if gross receipts exceed \$25,000 during the fiscal year. A form 990-EZ may be filed if gross receipts are less than \$100,000 and assets are less than \$250,000.

Special internal revenue code provisions require that unrelated business income is reported and tax paid thereon. OHIMA's net income derived from the sale of advertising in the newsletter or meeting program, and commissions received from *Advance* and *For the Record* are examples of items that constitute unrelated business income and should be reported on the IRS Form 990-T.

OHIMA is required to file Form 1099 (Miscellaneous Income) to individuals paid more than \$600 for services. An example would be a speaker at the annual meeting or the independent contractor who performs administrative tasks. The deadline for filing is January 31st to the individual and Form 1096 (summary of 1099's) to the IRS by February 28th. Instructions for filing the 1099 can be obtained from the IRS. (See separate section on independent contractors)

FINANCIAL POLICIES

Investment Policy

The OHIMA Board of Directors seeks preservation of capital with a consistent, positive return for the Fund, and maintaining a cash position to fund daily operations of the Association.

The following is a list of approved investment instruments (see table for a summary of investment options):

- **Certificates of Deposit** - The amount invested in one banking or savings institution shall not exceed the \$100,000 federal insurance limit. Interest on CDs shall not accrue for longer than five years.
- **US Government Securities** - These investments have no limit and shall include securities issued by federal agencies backed by the full faith and credit of the US government, including treasury bills, and treasury notes. Investments in these instruments shall be a direct investment as opposed to mutual funds.
- **Corporate Bonds or Notes (Commercial Paper)** - These investments shall be limited to ratings of A-1 by Standard and Poor's and P-I by Moody's for commercial paper and to a rating of A or better for corporate bonds.
- **Money Market Accounts** - These investments shall be limited to an amount not to exceed \$100,000 and only with a firm approved by the Board of Directors.
- **Mutual Funds** - These investments shall be limited to a maximum of 60% of the total investment portfolio.

Other policy provisions are:

- An amount equal to three months operating expenses shall be invested in short-term investments with maturity of one year or less. The remaining funds may be invested in long-term instruments, with an average maturity of no longer than five years.
- Management responsibility for investment of association funds rests with the Treasurer. The Board of Directors must first approve any changes in the investment strategy.
- The Audit/Finance Committee or Board shall review the investment policy, at the annual meeting. The Board of Directors must approve any changes to the policy.
- A report of the performance of investments, along with a schedule of investments, shall be made quarterly to the board of directors at regularly scheduled meetings.

INVESTMENT OPTIONS

TYPE	DESCRIPTION	LIQUIDITY	OFFERED BY	RISK OF INVESTMENT LOSING VALUE	POTENTIAL FOR HIGH RETURNS	OTHER INFORMATION
Money Market Funds	Issued by banks and brokerage companies and based on short-term government securities	High – May require a minimum amount for withdrawal (i.e., \$500)	Banks Brokers	Low	Low	May be a viable option for checking account. Some companies limit the number of checks written per month
Certificates of Deposit	Issued by banks and available in various dollar denominations with varying due dates	High – However, penalties are assessed if withdrawn before due date	Banks	Insured to \$100,000 by federal government	Low	
US Government Securities	Issued by federal government and most conservative investment	Low – May be difficult to find buyer	Banks Brokers	Principal is secure if kept to maturity. Market value could decrease/increase before maturity depending on interest rate change.	Low	Usually a minimum purchase price of \$10,000
Corporate Bonds or Notes (Commercial Paper)	Notes issued by corporations	High – However, the sales price could be less than the purchase price	Brokers	Principal is secure if kept to maturity. Market value could decrease/increase before maturity depending on interest rate change.	Low to Medium	Rates are higher than US government securities. Risk depends on strength of corporation issuing bonds
Individual shares of stock	Issued by corporations, traded on national exchanges	High – However, the sales price could be less than the purchase price	Brokers	High, especially in short term -- volatility based on market and financial performance of company	Negative to Positive	Not a good choice if funds are not available to diversify (need lots of money and should only be used for excess funds)
Mutual Funds	Pools of multiple investors money in funds purchasing stocks, bonds, or both	High	Banks Brokers	Low to High, especially in short term – volatility based on market and types of investments	Negative to Positive	Best option for a small organization to invest for long-term and in various markets, such as the stock market or government securities

Reserve Policy

The OHIMA checkbook balance shall be no less than 45% of the total annual operating expense budget. A minimum annual contribution to the checkbook balance of 1% of the annual operating expense budget shall be targeted. This policy will be followed during each budget cycle and budget modification request. The approval of budget(s)/budget modifications outside this policy requires specific explanation by the Board of Directors as to why the policy is not being followed.

Financial Reporting

An audit of the books and records of the OHIMA will be performed every three years. The audit should be completed within 5 months after the close of the fiscal year. The CPA firm will prepare a written report (including a management letter) and present it at the board meeting. The audit report, including audited financial statements, is to be made available to members upon request.

A quarterly financial report will be provided to each member of the Board of Directors. The Board will also be provided with (a) summary of current investments of the association and (b) recap of modifications to the current year budget.

Tax Officers

The following individual shall be authorized to conduct meetings, correspond, communicate by phone and sign any necessary forms as designated tax officers for all tax purposes with the IRS: Treasurer

OPERATIONAL GUIDELINES

Tax Filing

The Treasurer is responsible for ensuring all required tax returns are completed and filed by the due dates, including extensions.

Financial Records

The Treasurer shall maintain the following accounting records:

- Chart of Accounts.
- Cash receipts and disbursements ledger (check book)
- General Ledger (contains journal entries).
- Monthly bank statements and related reconciliations.
- Monthly investment statements
- Invoices, check requests, and other appropriate documentation supporting all expenditures.

Annual Board Review

The Financial Policies and Operational Guidelines will be reviewed annually by the Board of Directors at its August meeting.