

Principles and Practices Governing the Financial Relationship between the Society for Organizational Learning and its projects, consortia, networks and other activities.

1. The Founding SoL organization is the 501(c)3 non-profit corporation, sponsoring a variety of projects, initiatives, consortia and other activities. SoL is sponsoring or has sponsored the following: the Global Leadership Initiative, the Sustainability Consortium, Knowledge & Innovation Network, the Public Sector Consortium, and the Youth Education Network. The other activities that Founding SoL may sponsor include, but are not limited to, events, courses, and the sale of educational materials, such as books and videos. The SoL Council shares fiduciary responsibility with the stewards of these activities for the sound financial management of these activities under its umbrella.
2. As the financial agent for these activities, the founding SoL organization provides general accounting and bookkeeping services and manages all activities under these principles:
 - A. **Accounting.** Separate accounting occurs for each project, consortia or distinct activity. The fiscal year end date for the organization is December 31.
 - B. **Vision-driven budgeting and financial self-sufficiency.** Each activity is self-funding financially while pursuing clear objectives in support of the SoL mission. Each activity participates in SoL's planning and budgeting cycle. This includes generating an annual profit and loss statement budget and a cash flow budget approximately three months prior to the new fiscal year. These budgets become part of the larger SoL budget and are reviewed and approved by the SoL Council. These budgets are in support of specific objectives for the activity and are documented in a "business" or strategic plan. It is our goal to manage finances in accord with our larger objectives at all times, with the discipline of financial self-sufficiency.

In the budgeting process and as opportunities arise, we look for synergy in both revenue generation and expense reduction across the SoL community. We make best efforts to manage ourselves to work collaboratively with other SoL local communities.

On a monthly basis, financial reports are prepared by SoL accounting; actual results are compared to budget and a revision of the forecasted results for the year is recalculated with the input of the activity's fiscal agent. If either a cash shortfall or deficit is anticipated, plans are documented by the activity manager or stewards to eliminate them and provided to the SoL Finance Committee and SoL Financial Officer.

As determined by the founding SoL Council of Trustees, grants or loans may be made from general accounts from time to time to encourage investments that would not otherwise be made based on the following principles. Founding SoL makes contributions in kind to all activities as needed and as resources allow.

- C. **Cash Management.** Funds for each activity are managed in the following way:
- i. **Revenue** is recognized when earned or when unrestricted contributions are made; prepayments and restricted contributions are recorded as such and are not available to pay current or past expenses unless there are outstanding current receivables that are deemed to be collectable; SoL staff and the activity's fiscal agent work together to collect all payments due the activity within 30 days of revenue being earned. Processes are in place to collect revenue in advance for events and courses. All general membership fees are usually recorded and advanced revenue and recognized as revenue evenly over the membership period (usually a period of twelve months).
 - ii. **Expenses** are recognized when incurred; we attempt to pay all expenses within 45 days of invoice or from when the expense was incurred. Expenses are not paid if sufficient funds from the relevant activity are not on hand. All activities are expected to inform creditors if payment is delayed beyond thirty days and to inform them when payment can be expected.
 - iii. Each activity is asked to plan to keep on hand **cash reserves** to cover two months worth of normal operating expenses; absolute minimum cash reserves are one month's salary for employees (if there are any employees).
- D. **Contribution back to the SoL community.** All projects, consortia and activities are expected to be active participants in the SoL community and to provide financial support for the immediate administrative services provided and for the general infrastructure to support the SoL community. This fee is agreed to in the budgeting process, and is usually a minimum of 10% of activity.
- E. **Fundraising and revenue generating activities.** Fundraising efforts, capacity building activities and membership development must be coordinated with Founding SoL to best meet our mission, to respect our community and to most efficiently generate revenue. We do this according to policies advanced by the coordinator of these activities.
- In most cases, project and activities return 10% of fundraising revenues to the SoL general budget. The percentage is agreed to in the budgeting process.
- F. **Liabilities and funds at risk.** Activities are only authorized to obligate SoL financially for purchases explicitly described in a budget approved by the SoL Council. The activity's fiscal agent and the activity's coordinator or project manager are the only people who can make these commitments. All other encumbrances must be made jointly with SoL's Managing Director. Any other commitments are seen as personal to the individual entering into the agreement and are not understood to be a SoL obligation.

Principles and Practices Governing the Financial Relationship between the Society for Organizational Learning and its projects, consortia, networks and other activities.

- i. If the activity has a budgeted expenditure, but does not have sufficient funds to cover the financial risk assumed for a course, conference, or other revenue generating activity, these commitments are only to be made jointly with the SoL Managing Director or the Council Finance Committee.
- G. **Contracts.** Written contracts or letters of agreement are maintained for any arrangement made that is valued over \$1,000. This applies to our agreement to pay professional fees or travel and other related expenses. This written documentation includes a description of the service being delivered, dates and any relevant objectives or deliverables, and is on file with the fiscal agent prior to service being rendered.
- H. **Offers of employment.** All activities are assumed to be conducted by community members with support of contractors as needed. The creation of new staff positions (employees of SoL) only occurs either in the budgeting process or with the agreement of the SoL Managing Director.
- I. **The financial learning community.** Each activity shares information on its financial status, learnings, and questions periodically with the SoL Council's Finance Committee. Each activity has a designated "fiscal agent" or finance committee responsible for coordinating with the SoL Council's Finance Committee on matters of both financial operations and policy. The fiscal agents for all activities and the Finance Committee meet at least once per year.
- J. **Review of Policies.** These policies are reviewed by Founding SoL and the Finance Committee during the first quarter of each year and revised as needed to effectively meet our objectives and manage ourselves responsibly.