

This document contains the (draft) Finance Policy for Kantara Initiative, Inc. a non-profit 501(c)(6) industry association incorporated in the US state of Delaware. This policy applies to Kantara Initiative, Inc. and all its subsidiaries and affiliates.

1. Budget and Audit

1.1. Fiscal Year. Kantara Initiative, Inc. operates on a calendar year basis.

1.2. Budget Preparation. The Treasurer and Executive Director, with assistance from the Finance and Audit Committee, prepares an annual budget for approval by the Board of Directors (“Board”). Budgets will have a reasonable amount of written substantiation (including definition) to support the line items.

1.3. Forecasts. At least as frequently as the end of each calendar quarter, the Treasurer and Executive Director will prepare a revised full-year forecast for Board review (the original budget will not be changed). This report will provide the Board with current information regarding actual expenditures and income vs. original budget and a reforecast of planned expenditures and income for the remaining months of the budget year.

1.4. Budget Managers. The Treasurer and Executive Director will appoint a Budget Manager for each line item of the approved budget. The Budget Managers have first level responsibility for the approval of all expenditures of Kantara Initiative funds associated with their assigned line items. Financial Services is responsible to ensure no funds are dispersed that are not approved in accordance with rules defined in the “Approvals” section of this Policy.

The Treasurer shall provide Financial Services with the annual budget, the specific Budget Manager assigned to each expense line item, and the contact information for each Budget Manager. A Budget Manager may be either a Kantara Initiative, Inc. employee, contractor or a representative of a Kantara Initiative, Inc. Member.

The budget shall keep separate budget items for the Membership program, the Assurance program, and each subsidiary and affiliate (Profit and Loss Unit), so that separate Profit and Loss (P&L) statements may be produced and tracked for each. Where no practical basis for planning to split a budget item among the P&L units is available, previous years’ spending should be used as a guide where possible.

1.5. Revenue and Income Recognition.

1.5.1 Membership Fees

Membership Fee revenue is recorded when a Membership Fee invoice is paid. The corresponding income will be recognized as Kantara Initiative, Inc. Membership Income over the Member’s Membership Year (1/12th per month).

1.5.2 Assurance Program Fees

Assurance Program Fee revenue is recorded when an Assurance Program Fee invoice is paid. The corresponding income will be recognized as Kantara Initiative, Inc. Assurance Program Income over the year of Program participation (1/12th per month).

1.6. Annual Financial Audit. There shall be an audit of Kantara Initiative, Inc. finances conducted by a qualified independent auditor every year. Results of the audit report shall be distributed to the Board of Directors and to any Program Participant requesting a copy.

2. Approval Authorities. Any obligation or payment of Kantara Initiative, Inc. funds must be approved, as defined in this section, prior to execution.

2.1. Contracts.

2.1.1. The Executive Director, the Secretary, and the Treasurer are the only persons authorized to approve contracts for Kantara Initiative.

2.1.2. Contracts must have two (2) separate approvers when either:

- the specified value of the contract exceeds \$10,000, or
- the foreseeable cost of terminating the contract exceeds \$10,000.

In the absence of any two parties listed in 2.1.1. above, the President or Vice-President may provide the second approval.

2.1.3. Once approved, the contract is executed by the Executive Director, or in the absence of the Executive Director, by an elected Officer of Kantara Initiative, Inc. A record of the full contract must be retained for the duration of the contract term plus seven years.

2.1.4. No Kantara Initiative, Inc. contractor, Member, or Participant may imply any commitment of Kantara Initiative, Inc. funds without clear prior approval as detailed above.

2.2. Disbursements

2.2.1. The Budget Manager conducts the first-level review and approval for all expenses to be charged to his/her assigned line item(s). Vendors and contractors submit monthly invoices, as appropriate, to the Budget Manager. Upon approval, the Budget Manager electronically sends the invoice to a party authorized to distribute Kantara Initiative, Inc. funds (see 3.3 of this policy) for payment specifying which budget line item to charge. Authorized funds distributors may not pay any bill without an associated budget line item without approval by the Treasurer.

2.2.1(a). Vendors and contractors must submit invoices for services that exceed US\$10,000 no later than the 15th of the month after the amount owed is projected to exceed \$10,000.

2.2.1(b). Vendors and contractors must submit invoices that clearly indicate the period (month and year) in which services were provided. For invoices for services that were delivered over multiple periods (months), a period-by-period subtotal must be provided.

2.2.2. The Executive Director and Treasurer shall be copied on all invoice approvals submitted by the Budget Managers to Financial Services for payment.

2.2.3. Expense items up to \$5,000 require only the Budget Manager's approval. When the Budget Manager is the Executive Director, this limit is raised to \$15,000.

2.2.4. Expenses that exceed the limits established in 2.2.3 must be approved by both the Budget Manager and the Executive Director. When the Executive Director is the Budget Manager, the second level approver is the Treasurer (or the Secretary in the Treasurer's absence).

2.2.5. All expenses in excess of \$15,000 must be approved by the Treasurer (or the Secretary in the Treasurer's absence) in addition to all cumulative approvals required by 2.2.4. When the Treasurer is also the Budget Manager, the second level approver is the Executive Director (or the Secretary in the Executive Director's absence).

2.2.6. Invoices submitted by the Executive Director, shall be approved by the President, or in the President's absence, the Vice-President.

2.2.7. Within any given quarter, Budget Managers are not permitted, except with the specific pre-approval of the Treasurer, to expend more than the forecasted amount for the particular line item within that quarter. Funds may not be moved between line items without permission from the Treasurer.

2.2.8. Budget Managers may not authorize payment of any invoices that fall outside of approved budget line items. Any exception to this rule requires the written approval of the Treasurer.

2.2.9. The Treasurer must ensure that the Board is notified when unrestricted current net assets drop below an established minimum reserve amount in any current month. This may be included in regular finance reporting to the Board. In the absence of a documented Board-approved minimum reserve amount, the minimum reserve amount shall be defined as the half of the budgeted expenses for the current fiscal year.

2.2.10. Reimbursements for staff expenses (e.g. flights, meals, ...) must be claimed as part of a general expense budget line item in the current year's budget.

2.2.11. Expense items claimed by staff (e.g. travel) must be legitimate, reasonable and appropriate for the business activity, as judged by the (Budget Manager for the budget line item; if BM is claimant, ED; if ED is claimant, Treasurer; escalate to the Board as necessary). For example, a budget line item for "Executive Director travel expenses" should not be used to cover expenses for event sponsorship.

2.2.12. Anyone claiming reimbursement for out-of-pocket expenses must provide evidence of the cost and nature of each expense item. Such evidence might take the form of a receipt or an invoice. (Electronic/digital evidence is preferred.)

2.2.13. All evidence supporting reimbursements must be retained through the end of the fiscal year in which the reimbursement is paid plus 7 years.

3. Controls and Oversight.

3.1. Finance Committee. The Finance and Audit Committee reviews the appropriate budgets, monthly financial statements, quarterly forecasts, financial review reports, and any audit reports, recommendations or findings prior to presentation to the Board, and other needed financial matters. The Finance and Audit Committee consists of at least one (1) Board member, plus the Treasurer, and the Executive Director. The Finance and Audit Committee is chaired by the Treasurer.

3.2. Budget Preparation. The Finance and Audit Committee helps the Executive Director prepare the annual budget for submission to the Board.

3.3. Financial Services and Funds Distribution. An independent, qualified accounting firm shall be contracted to perform Financial Services for Kantara Initiative, Inc. Financial Services will manage all Accounts Payable and Accounts Receivable in accordance with this Finance Policy.

3.3.1. The Executive Director and the Treasurer are authorized to write checks or otherwise distribute funds for Kantara Initiative, Inc. Together, both the Executive Director and the Treasurer may authorize Financial Services to distribute Kantara Initiative, Inc. funds.

3.3.2. The Executive Director, the Treasurer, and Financial Services shall not pay any expenses without the appropriate approvals as detailed in the “Approval Authorities” section of this Finance Policy.

3.4. Authoritative Program Lists.

3.4.1. Membership List: An official Kantara Initiative, Inc. membership list will be maintained on behalf of the Board, showing date of Agreement signature, first month of the Membership Year, and membership class. This list must include a payment status for each member (e.g. paid, payment due, not-in-good-standing).

3.4.2. Trust Status List: An official Kantara Initiative, Inc. trust status list will be maintained on behalf of the Assurance Program, showing status, the effective date of the current status, the class of service, the scope of the certified service, and other details.

3.5. Billing Contact Tracking.

3.5.1. An up-to-date list of the Billing contacts for each Kantara Initiative, Inc. Member will be maintained by the Membership Manager (see 5.2.1). This contact list will be distributed to Financial Services, the Secretary and the Treasurer whenever changes are made to the list.

3.5.2. An up-to-date list of the Billing contacts for each Kantara Initiative, Inc. Assurance Program Participant will be maintained by the Assurance Program Manager (see 5.2.2). This contact list will be distributed to Financial Services, the Secretary and the Treasurer whenever changes are made to the list.

3.6. Neutral Transactions. In any financial expenditure where Kantara Initiative, Inc. Participants, Members, or Directors are recipients of Kantara Initiative, Inc. funds, the Executive Director and Treasurer must ensure that the transaction is established with arms-length, neutral considerations, always seeking the most efficient and optimal use of Kantara Initiative, Inc. funds. Vendors are to be selected only if they are the best candidate to supply the service, without preference given to being a Kantara Initiative, Inc. Participant, Member, or Director.

3.7. Payments in Kind. Absolutely no payments in kind are authorized without specific Board approval.

4. Program Fee Invoicing

4.1. "Program Year". A "Program Year" starts the first day of a particular month. For new Participants and Members, if the Program Agreement is signed after the 15th of the month, the 12- month Program Year begins on the first day of the following month. If the Program Agreement is signed on the 15th or earlier, the Program Year begins on the 1st day of that month. Program benefits will be provided upon receipt of the executed Program Agreement.

4.1.2. The Membership Agreement is the Program Agreement for the Membership Program.

4.1.3. The Assurance Program Agreement is the Program Agreement for the Assurance Program.

4.2. Program Fee Schedules. The Board of Directors shall establish, and modify as appropriate, a Program Fee Schedule for each of the Assurance Program and Membership Program. All new Participants and Members and all Member and Participant renewals shall be invoiced in accordance with the then-current Program Fee Schedule.

4.3. Board of Director Fees. Kantara Initiative, Inc. Membership Fee Schedule does not include a different Membership Fee for Members that are elected to the Board of Directors.

4.4. Advance Payments. Participants and Members may make advance payments. Any such payment will be held as deferred revenue and applied to future invoices. Kantara Initiative, Inc. will retain the interest received from these deposits as miscellaneous income.

4.5. “Good Standing”. The Kantara Initiative, Inc. Bylaws state that a Member not fulfilling its Annual Membership Fee obligations (“subject to a reasonable opportunity to cure”) shall be in breach of the Member Agreement.

To provide further clarification, “reasonable opportunity to cure” shall mean a period of not less than 14 days after a “30 Days Past Due Notice” from the Treasurer is delivered to a Participant or Member (see “Invoicing Current Participants or Members” section of this policy). If the obligation has not been satisfied, and acceptable terms have not been arranged with the Treasurer during this period, then a Participant or Member may be determined by the Treasurer to be “**Not in Good Standing**”.

4.6. Terminations. If a Participant or Member fails to submit payment in a timely fashion following receipt of the “Final Notice”, the Program Manager may take action as provided in the Program Agreement to terminate the Participant or Member, or take other remedies available. Upon termination, outstanding invoices are immediately due.

4.6.1. Program Implications of Termination: When a Participant or Member is determined to be “Not in Good Standing”, then such Participant or Member is to be removed from the appropriate Program List(s) (reference § 3.4) by the Program Manager. This change is to be reflected as quickly as possible in any public version of the Program List(s).

4.6.2 Accommodation of Late Payment: A Participant or Member may arrange a late payment with the Treasurer in advance of “Final Notice.” Such payment is to include a 2% charge, in addition to the invoiced amount, for compounded for every month payment is not received by the end of each month following the delivery of “Final Notice.”

5. Invoicing and Fee Collection

5.1. Invoice Status Tracking Report. A Invoice Status Tracking Report will be maintained by each of the Membership Manager and Assurance Program Manager; this report will be updated on a monthly basis. It will include, at a minimum, the following:

Participant or Member Name

Applicable Fee

Date of current (or next) Invoice Renewal Date

Days Past Due (for participants or members where no invoice is outstanding, this will be a negative value showing the number of days until the next invoice will be due)

5.2. Invoicing New Participants or Members.

The Program Manager (designated by the Executive Director) has the primary responsibility for communications regarding program participants or members with both current and prospective participants or members.

For new Participants or Members, the invoice will be initiated immediately upon receipt of the new program application.

The Program Manager will initiate the generation of a program invoice for the new Participant or Member.

The standard due date for the new program fee invoice is 45 calendar days after the date of the invoice, unless other provisions are made with the Treasurer.

The Program Manager will send the Program Invoice to the new Participant or Member Billing contact. Copies will be sent to the Treasurer, and the Executive Director.

5.3. Invoicing Current Participants or Members. The renewal date for all Program fees is the first day of the first month of the Participant's or Member's "Program Year." Program renewal invoices are issued by the Program Manager 60-45 days prior to the end of a Participant's or Member's current Program Year. The invoice must be received by the Participant or Member a minimum of 45 days prior to the renewal date.

All Invoicing and follow-up communications will be sent by email to both the Participant's or Member's Billing contact and the Participant's or Member's Primary representative. In addition, email copies will be sent to the Treasurer and Executive Director (and any delegates they may assign).

These billing communications will be sent using the following schedule:

60-45 days before Due Date –Renewal Invoices for all current Participants or Members whose renewal date is 60 days hence are prepared. The Renewal Invoice must include the following information:

- Billing Address of Member
- Name and email address of Billing Contact of Participant or Member.
- Invoice Number
- Invoice Date
- Due Date (Program Renewal Date)
- Program Level
- Invoice Amount
- Program term (e.g. January 1, 2xxx through December 31, 2xxx)
- Information on acceptable forms of payment
- A single accounts receivable contact (Program Manager) to whom the Participant or Member may address questions regarding the invoice.

- Contact information for Financial Services and the Treasurer.

Minimum of 45 days before Due Date – Program Manager sends an electronic invoice to the designated Participant or Member contact(s). If requested by the Participant or Member, a paper copy of the invoice also will be mailed by the Program Manager. The transmittal email must include:

- Request for acknowledgment from Participant or Member of receipt of the invoice.
- Request for verification of Participant or Member Billing contact information.

30 days before Due Date – Program Manager sends an email re-requesting confirmation of receipt of invoice if no response has been received.

7 days before Due Date – Program Manager sends an email reminder that the program fee is due in one week.

5.4. Past Due Notices, NIGS and Terminations Payment of Program fees is due no later than the first day of the Program Year. Participants or Members who do not pay on time will be subject to the following schedule and actions:

1 day Past Due – Email from the Program Manager notifying the Participant or Member that payment has not been received and is now Past Due.

30 days Past Due - 1st notice from the Treasurer (“your payment is 30 days past due” and “we will be taking action to place you in Not-in-Good-Standing Status”).

45 days Past Due - 2nd notice from Treasurer (“Please respond and pay immediately”) notifying the Participant or Member that the Participant or Member has been declared to be “Not In Good Standing” (NIGS) and can no longer realize Participant-or-Member-Only benefits. This notification of being placed in NIGS will also include a FINAL NOTICE (“you have 14 days to pay or your program benefits will be proposed for termination by an action of the Board of Trustees”).

60 days or more Past Due - Treasurer requests the Board vote to terminate Participant or Member.

Immediately upon Board vote to terminate, the former Participant or Member is notified in writing (email) by the Treasurer that program participation (refer to § 4.6) in Kantara Initiative, Inc. has been terminated.

For Terminations, there will be no refund of program fees.

6. External Funding Process. One way for Kantara Initiative, Inc. Work Groups and Discussion Groups (collectively "Groups") to fund an Activity is through contributions to Kantara by external parties.

6.1. Process Overview. Groups should follow the steps outlined below to process External Funds through Kantara for their Activity:

1. Group Leadership will notify the Leadership Council and Kantara Staff with information about the possible External Funding opportunity including:
 - a. the name(s) of the External Funder(s), if known,
 - b. expected process for receiving the funds,
 - c. anticipated amount to be received,
 - d. how the funds are expected to be paid out,
 - e. details about the Activity for which the External Funds will be used.
2. Kantara Staff will work with the Board of Directors, Treasurer and Group Leadership to plan how to receive and distribute the External Funds (e.g. via bank transfer, paying invoices or executed contract, etc.).

6.2. Process Notes for External Funding.

- 5% of the External Funds will be collected by the Kantara Initiative, Inc. as an administrative fee.
- External Funders can ear-mark their contribution to a specific Group Activity by including a letter accompanying the contribution stating the Activity they are supporting.
- There is no requirement for the Kantara Initiative, Inc. to accept External Funds that are offered.
- If the External Funds received exceed the amount paid out for the Activity, the Group Leadership, Kantara Staff, and Treasurer will work with the External Funder(s) to determine how to manage the excess funds (e.g. return the unused portion or roll it into the Kantara general fund for redistribution). The consequent change to the budget must be presented to the Board of Directors.
- If a Participant of the Group sponsoring the Activity is interested in receiving some of the External Funds, he/she must recuse him/herself from votes relating to the Activity.

7. Policy Revisions.

May 29, 2009	Version 1.0 Policy Approved by Board of Trustees
July 8, 2010	Addition of External Funding Policy Approved by Board of Trustees for revision Version 1.1
December 2, 2022	Version 1.2 approved by the Board of Directors