

BOARD OF DIRECTORS FINANCIAL MANAGEMENT POLICY
of the ROCKY MOUNTAIN REGION OF THE NATIONAL MODEL RAILROAD ASSOCIATION, INC.

(Approved by the Corporation Board of Directors at the June 2004 Board Meeting)

ANNUAL BUDGET:

The Region President and the Region Treasurer shall jointly propose an annual budget for approval at the Fall Board of Director's Meeting. Allowances from the Investment Fund may be included as budgeted income, in accordance with the By-laws and this Financial Management Policy.

If the proposed budget includes more expenses than income, the Executive Committee shall develop a method to resolve the imbalance before presenting the budget to the Region Board.

The Board of Directors shall authorize funds and amounts that will be available for Region operations during the fiscal year (October 1 to September 30). Approval of the budget shall authorize expenditures of amounts by departments. Per procedures and limitations set forth in the By-laws and this Financial Management Policy, the Region Officers and/or Board of Directors may at any time authorize additional expenses not initially approved in the annual budget:

1) Expenditures up to \$500 in excess of budget will require a majority vote of the Executive Committee for approval.

2) Expenditures over \$500 in excess of budget will require a majority vote of the four officers and six elected directors for approval.

In either case, the source of funds must be identified and any required action taken, in accordance with the By-laws and this Financial Management Policy.

OPERATING ACCOUNTS:

In accordance with Board approved policies and under the oversight of the Executive Committee, the Treasurer shall be responsible for the day-to-day management of the required disbursements, investments and operating accounts. The Treasurer shall report all transactions and current account balances to the Executive Committee at least quarterly and to the Board of Directors at each regular meeting of the Board.

The Treasurer shall deposit budgeted funds not immediately needed for operations in an interest-bearing account (savings). As necessary, the Treasurer shall make transfers between operating accounts and disburse funds through the checking account to maintain Board-approved and budgeted programs. Region income shall be deposited in the operating accounts.

INVESTMENT ACCOUNTS:

The Region Treasurer shall maintain investment instruments for management of restricted funds. An Annual Allowance from investment funds may be used, if needed, for funding the operation of the Region according to the following process:

To determine the Annual Allowance:

Establish an investment fund.

Compute the amount the fund would pay out, at current interest, over a 20-year annuity period. This is the Annual Annuity. The term Annuity is not intended to mean that Region

funds will be invested in an annuity account. It is a method of calculating an annual amount (allowance) that would be available.

Deduct ten percent (10%) from the Annual Annuity as a reserve for future inflation and/or reduced interest rates. The remainder is the Annual Allowance, which may be used to meet Region operating expenses.

If the full allowance is not needed the excess amount shall remain in the Investment Fund to increase future allowances or extend the annuity period at the five-year review.

During annual budget preparation, review the need for funds from the Investment Fund, and use only enough of the Annual Allowance to meet necessary Region expenses.

Review this policy for current applicability every five years. If the policy remains applicable, follow steps 1-3, above, using the then current Investment Fund balance and interest rates. If this policy is no longer applicable, it may be changed or abolished by the Region Board of Directors.

The policy may be reviewed and may be modified any time as deemed necessary by the Region Board of Directors.

Investment funds may be maintained in several accounts such as CD's with different maturity dates, so funds will become available at different times during the year.

If, in the Treasurer's judgement, the accumulated balance in the operating accounts exceeds the anticipated cash flow, the Treasurer may recommend to the Board of Directors that some of the surplus funds be transferred to the investment accounts.

End.