



## **Board Policy: Contracts and Encumbrances**

### **Policy Statement**

It is the policy of The Mountaineers to define authority for signing contracts and encumbrances of organization assets.

### **Application**

1. For the purposes of this policy:
  - A. A contract is any agreement, whether in writing or not, which involves payment or receipt by the organization of money, goods, or services.
  - B. An encumbrance is any agreement, whether in writing or not, which creates an interest, claim, or lien on any real or personal property of the organization.
2. Contracts involving organization expenditures which have been approved in an annual budget or by the board of directors may be authorized by, as appropriate:
  - A. The Chief Executive Officer, or
  - B. The division, branch, or committee chair who has primary responsibility to implement the budgeted item.
3. For contracts involving Mountaineers expenditures which have not been approved in an annual budget:
  - A. Branch or division chairpersons may authorize contracts for branch or division expenditures for \$5,000 or less provided that:
    - i. The expenditure is reviewed with the branch or division treasurer and the CEO,
    - ii. The branch or division has sufficient cash on hand to fund any operating deficit in the current fiscal year, plus the unbudgeted expenditure, plus a minimum balance equal to 10% of the annual budgeted revenue, and
    - iii. The contract is reported to the Finance Committee at or before its next meeting.
  - B. The Executive Committee shall review all other contracts, and if they are approved, refer them to the board for approval of the expenditure.
4. All encumbrances of Mountaineers assets and agreements to lease, purchase, or sell real property shall be made by the President following approval by the board. In addition, all encumbrances of assets managed by branches shall be authorized according to branch governing documents.



5. All contracts with a value of more than \$1,500, and all encumbrances of more than one year's duration, shall be in writing.

**Policy Owner:** Chief Executive Officer