Policy 4360: Financial Operating Policy

Purpose

The policy provides guidance consistent with the Marine Technology Society (MTS) Articles of Incorporation, Bylaws, and United States Internal Revenue Service (IRS) regulations concerning the administration of MTS Finances.

MTS is a unified entity comprised of a headquarters staff and Sections and Professional Committees. MTS is made up of volunteer members. Its activities are governed by a Board of Directors (hereafter, "Board") and are conducted by standing and ad-hoc committees, Sections and Professional Committees. A paid staff carries out administrative and managerial functions.

Compliance with IRS regulations is mandatory for MTS to maintain its tax-exempt status. Overall responsibility for the financial affairs of MTS rests with the Board, as does management oversight responsibility. This policy prescribes procedures for recurring activities and events.

Exempt Status

MTS is chartered under the provisions of the Not-For-Profit Corporation Statutes in the State of New York. It is operated exclusively for scientific and educational purposes as defined in Section 501(c)(3) of the IRS Code which provides the basis for MTS' federal income tax exempt status.

In accordance with both the New York State Law and the IRS code, no part of the earnings of MTS shall be to the benefit of any private individual or elected MTS officials apart from bona fide payments for services to staff employees of MTS.

No MTS funds may be used to participate in any political campaign on behalf of or in opposition to any candidate for public office.

Applicability

The Financial Operating Policy applies to all financial accounts and funds associated with MTS activities. There is only one MTS recognized by the IRS. All accounts, including MTS Headquarters, Sections, and Professional Committees constitute funds of MTS.

Accountability must be maintained as separate accounts administered by MTS Headquarters, Sections, and/or Committees. Each component has budgetary management of their individual accounts, with the Board maintaining oversight responsibility of budgets and financial activities. However, since all funds are fiscally unified, transfers from one account to another may be accomplished upon the direction of the Chief Executive Officer (CEO), under the auspice of the Treasurer and Vice President of Budget and Finance (VP B&F).

Fiscal Year

The MTS fiscal year is 1 July through 30 June.

Method of Accounting

The financial records of MTS are kept on an accrual basis, in accordance with U.S. Generally Accepted Accounting Principles (US GAAP). Section and Committee books must be kept on an accrual basis.

Budget

The MTS Board must approve an annual budget for the upcoming fiscal year by May of each calendar year. Authorized uses of the budget can be found in *Appendix A*.

A draft of the annual operating budget, prepared jointly by the VP B&F and the CEO, shall be submitted to the Board in accordance with the Finance Reporting Schedule found in *Appendix B*. This schedule may be amended by the VP B&F as required.

Authorization to spend money is contingent upon a budget being approved by the Board. If the Board does not act on the budget prior to the beginning of the fiscal year, the President shall prescribe an interim obligation authority to the CEO until approval of the budget by the Board. The level of this interim authority shall not exceed the expenditure rate of the immediately preceding year.

Section and/or Professional Committees must submit an annual budget for the upcoming fiscal year for approval by the Board. A Section or Committee that does not submit and receive approval for their annual budget may not spend any funds until such approval is granted. The budget must adhere to the guidelines and forms found in the Section and Committee Handbook. A draft of the budget shall be submitted to HQ staff by 15 January. Sections and Committees that do not submit an annual budget by the deadline shall not be eligible to request Special Project support during the coming fiscal year. Special Projects are considered throughout the year by formal request to the Board using guidelines and forms found in *Appendix C.*

Responsibility of Funds

As specified in the Bylaws, the VP B&F has oversight of and supervision over the maintenance of the official records of MTS. S/he shall also be responsible for the supervision of the collection and disbursement of all MTS funds.

Financial Reports

Financial reports are prepared monthly for review by the CEO and VP B&F. The reports prepared include but are not limited to:

- Balance Sheet
- Status reports for investments
- Revenue and Expense Statement Comparison to Budget Report

Each Section and Committee shall provide to HQ staff an end of year financial status report of revenues and expenses that describes the financial affairs of the group. Copies of these reports will be made available to the Board.

Financial Review

Quarterly, the Board reviews the finance reports along with a report of variances greater than 10%. The CEO prepares the variance report. These reports shall be maintained on file. Financial reports will be made available to any member who requests them.

An annual audit will be completed within four months of the end of the fiscal year by a Certified Public Accountant (CPA). The audit results shall be provided to the CEO and the Board.

An annual review of the investment portfolio will be done in the last quarter of the calendar year.

Categories of Funds

There are four approved categories of funds which may be established and identified in reports, annual reviews, audits, and accounting.

Operating Funds - Headquarters

Operating funds (Headquarters) are maintained in MTS Headquarters (HQ) bank account(s) and are used to execute the approved annual budget of MTS. Individual commitments and/or disbursements of these funds up to 25,000 USD may be authorized by the CEO. Commitments over 25,000 USD or partial payments for obligations greater than 25,000 USD must be authorized by the Board; either through the annual budget process or as an ad-hoc consideration. Expenditures and/or contracts over 25,000 USD require a signature by the CEO and one of the following: President, VP B&F, or President–Elect. For clarity, commitment limits are defined as any one commitment or series of commitments with an aggregate value exceeding 25,000 USD.

Operating Funds - Section, Student Section, and Committee Funds

Operating funds (Section and Committee) are maintained by the responsible entity (Section, Committee, etc.) in a separate and properly designated MTS bank account and is considered an extension of the "Operating Funds" of MTS Headquarters. All Section and Committee funds must be in the same financial institution as MTS HQ unless an exception is granted by MTS HQ. Exceptions have been granted to India, Japan, and Hawaii.

Reserve Funds

Reserve funds are maintained in a separate account overseen by the VP F&B, and are used only in the event of long-term disruption in anticipated revenue stream as described in *Appendix D*. The investment and custodianship of these funds is detailed in the MTS Investment Policy Objectives and Guidelines found in *Appendix E*.

Conference, Workshop, Special Event Registration Fees

The registration fee for each activity shall be determined by the activity chair. The following guidelines will apply:

1. Registration fees for MTS members must be lower than non-MTS members unless the fee is complimentary.
2. Registration fees shall consider the cost, duration, size of the activity and provide for a reasonable surplus.

Proceeds from Workshops, Conferences and Section Meetings

Disbursement of Funds from Section & Committee Activities

Surplus funds from section and committee activities including section meetings, luncheons, picnics, social events, and fundraisers are retained by the section. If MTS HQ administers the collection and distribution of activity funds, 3% will be deducted from the funds before disbursement into the section bank account to account for credit card processing fees.

Disbursement of Funds from Other MTS events (Conferences, Workshops, Tech Surge, and Symposia)

All events undertaken by a section and/or committee are done on behalf of MTS and therefore the risk and opportunities are a shared responsibility. It is critical that each event is budgeted for and either provided as part of the annual budget or by special request. Sections and committees should strive for a 10% surplus for each event. If an event incurs a loss, section and/or committee funds will first be used to cover the loss. If a section and/or committee is unable to cover the loss, the loss must be absorbed by the overall operating budget of MTS which will affect global programs. Any surplus over the event's annual budget, will be shared by the organizing entity (75%) and MTS headquarters (25%). If MTS HQ administers the collection and distribution of event funds an additional 3% to cover credit card processing fees will be added to the surplus distribution retained by MTS HQ

These surplus funds are defined as funds from TechSurges, conferences, workshops, and/or symposia that are:

1. Conducted for an industry-wide audience, a community-at-large or for the national membership, and
2. Sponsored/conducted by MTS entities such as MTS Sections and/or MTS Professional Committees.

The CEO, in consultation with the Board, has ultimate control to change, amend, or modify the funding distribution for any activity. Such action may be deemed appropriate when it is essential for MTS fiscal solvency or other dominant professional considerations.

Membership Fees and Rebates

Fees for the various categories of membership authorized in the Bylaws shall be reviewed by HQ annually. If changes are recommended, they are to be submitted by the CEO to the Board for approval.

A portion of revenues generated from new member fees shall be shared with the home Section of that new member. The rebate for each membership shall be a one-time payment of 20% of the annual membership fee, provided no later than 30 September following the fiscal year end that the member joined.

Capital Assets

Capital assets of MTS over $5,000 including computers, office machines and furniture will be capitalized and depreciated in accordance with U.S. Generally Accepted Accounting Principles. Expendable office supplies shall be expensed upon receipt.

Insurance

The CEO, in consultation with the VP F&B, shall prepare, as part of the annual budget, recommendations on insurance coverage to include but not be limited to bonding indemnification, liability, and property damage.

Travel

Use of MTS funds for members to attend conferences, symposia, or workshops are authorized at the discretion of HQ and based on budgetary restrictions. However, as a learned professional Society, it is anticipated that members who participate in the activities of MTS will normally be responsible for the expenses they incur with their participation. In return, members' participation contributes strongly to the professional growth of the individual. Employers of MTS members, in return, benefit greatly by the professional growth of their employees and the visibility gained by their organizations through participation in these events. Because of these benefits, it is expected that the member will be able to obtain travel costs reimbursement from their employer, from other sources, or use personal funds.

The MTS annual budget identifies the annual level of support for Board, Staff, Council members (Section and Committee Chairs), and others to travel to Board meetings or other events. Detailed travel policies can be found in *Appendix F.*

Proposals and Requests for Funding

MTS regularly solicits support in the form of gifts, sponsorships, grants, contracts, and cooperative agreements from individuals, organizations, and government entities. To ensure close alignment between funder intent and MTS priorities, all requests for funds must be approved by the CEO (<$100,000) and/or the Executive Committee of the Board (requests >$100,000) prior to the funding solicitation being made. MTS will only solicit and accept funds that align closely with established program and strategic priorities.

Appendix A: Headquarters, Section, and Committee Operating Fund Uses

MTS Operating Funds

These funds shall be used to address the revenues and expenses associated with the day-to-day operations of MTS. Monies shall be maintained in checking and money market accounts. Disbursements shall be by check or electronic means.

Funds maintained by Sections and Committees are also designated as Operating Funds and **are considered an extension of the "Operating Funds" of MTS Headquarters**. All monies received and expended as Operating Funds must be done so for the purposes of MTS and approved by the Board via the budget and/or special project funding approval process.

Funds held in Section and Committee accounts deemed to be more than the Section or Committee's immediate needs may, by mutual agreement between the Section/Committee Chair and the CEO, be returned in whole or in part to MTS Headquarters.

Section and Committee Funds Held by MTS Headquarters

Section and Committee Funds held by MTS Headquarters will be identified in the financial records of MTS Headquarters.

Expenditures

All payments for expenditures shall be done relative to activities associated with MTS programs.

Conference, Symposia, Competition, Workshop Expenditure

MTS Headquarters, Sections, and Committees may expend funds for events initiated and sponsored by MTS Headquarters, Sections, or Committees. Categories of expenses include arrangements, exhibits, technical program, publications, publicity, registration, facilities, and essential volunteer member expenses.

Volunteer Expenditures

Use of operating funds to support volunteer expenses shall be included in the event budget and must adhere to the MTS Travel and Other Expense Reimbursement Policy found in *Appendix G*.

Volunteer includes but is not limited to Board members, Section and Committee Chairs, all other Section or Committee executives (e.g., finance, publicity, web managers, etc.), and event volunteers.

Intellectual Property Expenditures

The cost for printing of publications and production of digital materials (intellectual property) and their distribution shall be included in the budget for any event. All intellectual property is considered the property of MTS and a copy or copies shall be forwarded to headquarters immediately following the event.

Equipment Expenditures

MTS Headquarters, Sections, and Committees may expend funds for equipment such as computers as well as supplies to support the equipment operation and use. An annual inventory of assets over $5,000 must be done as part of an annual financial report submission. If equipment is to be purchased with US federal funds, all purchases must conform to Policy 4362: Cost Principles for US Federal Sponsored Projects.

Special "Emerging" Projects

Expenditures for Section or Committee Emerging Projects can be provided by MTS Headquarters upon receipt and approval of Section/Committee Request for Special Project Funding found in *Appendix C.*

Appendix B: Financial Reporting Schedule

Financial Reporting	Target Date	Notes
Monthly financial statements to CEO, VPBF, Sr. Dir. Operations	monthly	within 30 days of month end
2nd quarter FS, investment, and variance report to board	15-Feb	CEO presents at February board call
3rd quarter FS, investment, and variance report to board	1-May	CEO presents at Spring board meeting
Contact auditor to schedule September audit	1-Jun	
Section and committee year end financials to MTS National Headquarters	15-Jul	Mgr. Community Engagement responsible
All audit submissons due from HQ and accountant	25-Aug	
Year-end FS, investment, and variance report to board	15-Sep	CEO presents at Fall board meeting
Rebate funds transferred to sections by HQ	30-Sep	
Final year-end FS and audit report to board	15-Nov	Auditor shares report during November board call
1st quarter FS, investment, and variance report to board	15-Nov	CEO presents at November board call
990 Filing submitted to IRS	15-Nov	Unless extended to spring

Annual Budget	Target Date	Notes
S/C chair budget submissions due to Mgr. Community Engagement	15-Jan	
VP strategic budget submission request sent to VPs by CEO	15-Jan	
Staff budget requests due to CEO	15-Feb	
HQ returns budget submissions to S/C chairs for adjustment as needed	15-Feb	
VP strategic budget requests due to CEO	28-Feb	
CEO 1st draft budget shared with VP Budget and Finance	1-Mar	
Adjusted budget submission due from S/C chairs	10-Mar	
CEO 2nd draft budget shared with ExCom	15-Apr	
CEO 3rd draft budget shared with Board	1-May	via email; multiple iterations possible as needed
Final Budget presented by CEO for approval of the Board	1-Jun	for approval on June board call
HQ advises S/C chairs of budget decision	15-Jun	
Section and committee activity reports due to HQ	1-Sep	

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Appendix C: Section/Committee Request for Special Project Funding

Please fill out the entire form as accurately and completely as possible. After completing the form, please make a copy for your records and send the original directly to the Chief Executive Officer, MTS. You may send electronically if you have an electronic signature. You may use additional sheets where necessary. Please note that this request is for one fiscal year (July 1-June30).

Name _____

Signature _____ **Date** _____

Phone _____ **E-mail** _____

Section/Committee _____ **Proposed Program Title** _____

Program Description (Provide the following information on additional sheets of paper, as needed)

1. Purpose of the Program (include benefit to MTS as a whole and/or MTS membership group).

2. Describe desired outcome or deliverables (For example, if a publication, number of publications, publication schedule, audience, distribution)

3. Proposed Budget. Please include as many expenses [and income sources] as possible and include a column that includes the amount requested for additional funds from HQ for each expense line. Use separate sheet (excel sheet) if necessary. Provide sufficient detail to allow for the understanding and evaluation of each expense.

4. Total Amount Requested for this fiscal year (July 1-June 30):$_____
5. Is this program contingent upon receiving funds on a yearly basis? If yes, for how many years?

6. How will you sustain the program?

7. What matching funds from other Sources will be provided?

8. An annual report for this special program is a requirement for funding. Who will be providing this report by June 30?

Check Yes/No	Comment
Recv'd HQ	
VP Review	
President Review	
Action Taken	

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Appendix D: Reserve Funds

Purpose

The Reserve policy will be implemented in concert with the other governance and financial policies of MTS and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

These funds will be maintained in a separate account, overseen by the CEO and VP of B&F to achieve the following objectives:

1. To enable the organization to sustain operations through delays in payments of committed funding or periods of economic uncertainty without jeopardizing ongoing operations,
2. To promote member and public confidence in the long-term sustainability of the organization by preventing chronic cash flow crises that can diminish its reputation and force its leaders to make expensive short-term crisis-based decisions, and
3. To create an internal line of credit to manage cash flow and maintain financial flexibility.

Definitions and Goals

The Reserve Funds are defined as designated funds set aside by action of the Board. The minimum amount to be designated will be established in amounts sufficient to maintain ongoing operations and programs for a set period, measured in months. These Reserve Funds serve a dynamic role and will be reviewed and adjusted in response to both internal and external changes.

They are a source of internal funds due to an unanticipated loss of a major revenue source or uninsured losses so that operations can be maintained until a replacement revenue stream is developed or operations can be adjusted accordingly.

The target level to be maintained in Reserves should be sufficient to cover anticipated expenditures for core operations and major programs for a period of 24 months. The Reserve target level, including prudent exceptions to the 24-month timeframe, will be calculated annually by the CEO and VP B&F using the Reserve Framework below, and reviewed by the Board as part of the annual budget process. Due to the inclusion of non-core operating expenses on some grants (e.g. travel support, sponsorship), the full anticipated annual expenditure from grants need not be included in the calculation of reserve levels.

Accounting for Reserves

The Reserve Fund will be recorded collectively in the financial records as Board Designated Reserves. These Funds will be managed, overseen and invested by the CEO and VP B&F as detailed in *Appendix E*. Additional funds managed by MTS HQ, including cash float, held in MTS bank accounts, and high-liquidity holdings, such as those held by cash management services partners, are not considered part of the Reserve Fund.

Funding of Reserves

The Reserve may be funded with annual operating surpluses and or unrestricted legacies/bequests (if any), earnings on investments and other sources the Board may deem appropriate.

Use of Board Designated Reserves

Use of the Board Designated Reserves ("Reserves") requires that the Board identify the need for access to Reserves and confirm that the intended use is consistent with their purpose as stated above in Purpose, Definitions, and Goals.

This step requires analysis and investigation of the availability of any other sources of funds before accessing Reserves and the evaluation of the time-period required to replenish the fund.

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The MTS Board has the sole authority for approving the use of any of the Reserve Fund. This decision will be made in consultation with the CEO and VP B&F. A motion accompanied by the analysis and determination of the use of funds and plans for replenishment to restore the Fund to the target minimum amount must be approved by the Board. The organization's goal is to replenish the funds used within twelve (12) months to restore the Reserve Funds to their target minimum amounts. If the use of Reserves will take longer than twelve (12) months to replenish, the request will be scrutinized more carefully. After review and approval by ExCom, the request will be submitted to the Board for final approval.

At any time that a borrowing from the Reserve is outstanding, the status of the borrowing and payments made against the proposed repayment schedule shall be reviewed at the regularly scheduled Board calls or meetings.

Reserves in Excess of 150%

While maintaining robust financial reserves is a hallmark of strong nonprofit stewardship, allowing reserves to accumulate indefinitely without strategic purpose may limit the organization's ability to deploy resources in support of its mission. This provision establishes guidance to ensure that reserve levels remain aligned with long-term risk management needs and that any excess funds are intentionally evaluated for appropriate use.

At least annually, the CEO and VP B&F will evaluate the current Reserve Funds minimum balance in accordance with this appendix to determine if funds can be withdrawn. If the Reserve Fund is in excess of 150% of the minimum required balance, the excess may be withdrawn and used for the creation/augmentation of an endowment and/or for the advancement of MTS' charitable purpose, as determined by the Board.

Reporting and Monitoring

The CEO and VP F&B are responsible for ensuring that the Reserve funds are maintained and used only as described in this Policy. Upon approval for the use of Reserve funds, the CEO and VP B&F will maintain records of the use of funds and plan for replenishment. They will provide regular reports to the Board of progress to restore the funds to the target minimum amounts, if required.

Relationship to Other Policies

MTS shall maintain Board-approved financial and investment policies, which may contain provisions that affect the creation, sufficiency, and management of the Reserve Funds.

Review of Policy

This Policy will be reviewed no less than every five (5) years and no more than every three (3) years by the VP B&F in consultation with the CEO, or sooner if warranted by internal or external events or changes. Changes to the Policy will be submitted by the CEO and VP B&F to the Board for approval.

Central Component	Need Definition	Core Annual Operations	Reserve Duration (mos)	Reserve
Membership	Sustain core operations through periods of economic uncertainty without jeopardizing ongoing operations	$XXX,XXX	24	$XXX,XXX
Publications		$XXX,XXX	24	$XXX,XXX
Communications		$XXX,XXX	24	$XXX,XXX
Education		$XXX,XXX	24	$XXX,XXX
HQ General & Administrative		$XXX,XXX	24	$XXX,XXX

Major Programs		Base Annual Operations	Reserve Duration (mos)	Reserve
MATE	Sustain program operations to weather economic uncertainty, develop new sustaining revenue streams, and/or winddown program operations.	$XXX,XXX	24	$XXX,XXX
SeaMATE Store		$XXX,XXX	24	$XXX,XXX
Ocean Exchange		$XXX,XXX	24	$XXX,XXX
Ocean Enterprise Initiative		$XXX,XXX	24	$XXX,XXX

Contingency	Unanticipated major expenditure not otherwise contemplated in this policy such as an emergency, uninsured losses, and/or loss of indirect cost recovery from grant cancellation.			$XXX,XXX

Total Reserve	$XXX,XXX

Appendix E: Investment Policy, Objectives, and Guidelines

Purpose

MTS maintains Board Designated Reserves, the purpose, objectives, and goals which are described in *Appendix D*. This statement of investment policy is set forth to:

1. Define and assign the responsibilities of all involved parties.
2. Provide risk and reward attributes desired and how they will be measured.
3. Establish a basis for evaluating investment results.
4. Provide a guideline for fiduciary review and management.

Goal and Risk

Goal:

The goal is to provide income if needed and to have the value of the Reserves grow, net after fees, at a rate greater than inflation.

Measurement: Annual Monte Carlo simulations with a 75% or greater probability of success.

Annualized Goal: 6.7%

The Reserves are to be managed so that a consistent growth rate can be accommodated without necessitating investment strategy changes. Therefore, the portfolio should be constructed for target returns that encompass a 4% growth rate, a 2.5% inflation rate, and a 0.2% consulting fee. The overall earning goal for the Reserves is 6.7%.

This shall be measured through a review based on a rolling five-year performance.

Risk:

The portfolio will be constructed with a standard deviation of 15% or less.

Investment Strategy

The investment strategy is predicated on the following principles:

1. Diversify investments across global asset classes.
2. Diligently control expenses.
3. As it is not possible to predict the future, avoid strategies that involve market timing, global macro investing, and similar strategies.

Asset Allocation

Asset Class	Minimum	Maximum	Preferred
Equities	50%	70%	**65%**
Large Cap			46%
Small Cap			4%
International			15%
Fixed Income	20%	50%	**34%**
Individual Bonds			17%
Index Bonds			17%
Cash and Equivalents	0%	15%	1%

Rebalancing

The Investment Consultant (IC) will provide to the CEO and VP B&F, a quarterly asset class and sub-asset class diversification report and may make a recommendation to rebalance the portfolio based on the asset allocation guidelines in this policy. The CEO and VP B&F have the authority to approve or disapprove the rebalancing recommendation. If the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the CEO and VP B&F will instruct the IC to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible. If any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the CEO and VP B&F expects that the IC will work with the Individual Manager to bring the portfolio into compliance.

The IC will use capital flows to rebalance the portfolio. When a withdrawal or contribution is ordered, the IC will add or subtract proportionately from the various asset classes so that the end effect will move the Reserves toward the preferred allocation.

Diversification Requirements

No individual security holding shall exceed 5% of the overall equity portfolio. No sector of holdings shall exceed 20% of the equity portfolio or 150% of the S&P 500 Sector allocation, whichever is less.

Responsibility Matrix

Fiduciary Level	Written Investment Policy	Investment Strategy & Performance	Investment Strategy & Asset Allocation	**Additions/Withdrawals to/from the Reserve Funds**	Rebalancing & Administrative Issues	**Security Selection**	**Fiduciary Review**
Board of Directors	APPROVES	INFORMED	INFORMED	APPROVES	INFORMED		INFORMED
VP Budget and Finance	MONITORS	MONITORS	APPROVES	RECOMMENDS & MONITORS	APPROVES	INFORMED	PARTICIPATES
CEO	MONITORS	MONITORS	APPROVES	RECOMMENDS & MONITORS	APPROVES	INFORMED	PARTICIPATES
Investment Consultant	RECOMMENDS & MONITORS	RECOMMENDS & MONITORS	RECOMMENDS & MONITORS	INFORMED	RECOMMENDS & MONITORS	MONITORS	RECOMMENDS, MONITORS & CONDUCTS
Investment Managers						APPROVES	

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Portfolio Constraints

Allowable Assets

1. Cash Equivalents
    a. Treasury Bills
    b. Money Market Funds
    c. Commercial Paper
    d. Banker's Acceptances
    e. Repurchase Agreements
    f. Certificates of Deposit
2. Fixed Income Securities
    a. U.S. Government and Agency Securities
    b. Corporate Notes and Bonds
    c. Mortgage-Backed Bonds
    d. Preferred Stock
    e. Fixed Income Securities of Foreign Governments and Corporations
    f. Planned Amortization Class Collateralized Mortgage Obligations (PAC CMO's) or other "early tranche" CMO's
    g. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMO's
3. Equity Securities
    a. Common Stocks
    b. Convertible Notes and Bonds
    c. Convertible Preferred Stocks
    d. American Depository Receipts (ADRs) of Non-U.S. Companies
    e. Stocks of Non-U.S. Companies (Ordinary Shares)
4. Mutual Funds
    a. Mutual Funds which invest in securities consistent with the investment objectives of the Fund

Prohibited Assets

1. Prohibited investments include, but are not limited to the following:
    a. Limited Partnerships
    b. Venture Capital Investments
    c. Private placements
    d. Hedge Funds
    e. Hedge Fund-of-Funds
    f. direct purchase or sale of options, including futures contracts
    g. Investments which may violate the MTS Accountability, Conflicts, and Ethics (ACE) Policy

Prohibited Transactions

1. Prohibited transactions include, but are not limited to the following:
    a. Short Selling

b. Margin Transactions
c. Any transaction that creates a conflict of interest with staff or board

Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Unless a specific type of derivative security is allowed in the statement of investment policy, the investment manager(s) must seek permission from the Board of Directors to include derivative investments.

Conflict of Interest Statement

Remuneration

The IC does not receive any other compensation from any source about its work with the Marine Technology Society. This means no soft dollar arrangements, ' '12b1's, or other forms of remuneration, thus avoiding conflicts of interest.

Multiple Clients

It is anticipated that the IC offers clients a broad range of financial planning and consulting services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities, state or municipal government entities, institutions, family foundations, community foundations, non-profit organizations. Recommendations and advice provided to one client may differ from the recommendation or advice provided to another.

Appendix F: Travel and Other Expense Reimbursement

Guidelines for MTS Funded Travel

It is a fundamental, overarching principle that MTS members and/or employees traveling on official MTS business "must exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business." This guidance also applies to anyone who is funded by MTS to travel.

Advance Approval

All trips involving air travel or at least one overnight stay must be approved in advance by the MTS President or his/her designee.

Necessity of Travel

In determining the reasonableness and necessity of travel expenses, Personnel and the person authorizing the travel shall consider how MTS will benefit from the travel and weigh those benefits against the anticipated costs of the travel. The same considerations shall be considered in deciding whether a particular individual's presence on a trip is necessary. In determining whether the benefits to MTS outweigh the costs, less expensive alternatives, such as participation by telephone or video conferencing shall be considered.

Personal Travel Expenses

Individuals traveling may incorporate personal travel or business with their MTS-related trips; however**,** Personnel shall not arrange MTS travel at a time that is less advantageous to MTS or involving greater expense to MTS to accommodate personal travel plans. Any additional expenses incurred as a result of personal travel, including but not limited to incremental airfare, extra hotel nights, additional stopovers, meals or transportation, are the sole responsibility of the individual and will not be reimbursed by MTS.

Travel Arrangements

If MTS has negotiated a hotel contract for a conference, personnel should stay there. If MTS has negotiated a transportation contract, personnel should make use of that.

Expense Report

Expenses will not be reimbursed unless the individual requesting reimbursement submits a written Expense Report. The Expense Report shall be submitted at least monthly or within two weeks of the completion of travel if travel expense reimbursement is requested and must include:

- The individual's name
- Date, origin, destination, and purpose of the trip, including a description of each MTS-related activity during the trip
- The name and affiliation of all people for whom expenses are claimed (i.e., people on whom money is spent to conduct MTS business)
- An itemized list of all expenses for which reimbursement is requested

Receipts

MTS reimburses based on actual expenses. Receipts are required for the following:

- Common carrier transportation
- Lodging, including any associated taxes or fees.
- Rental car
- Meals reimbursed under the actual expense method greater than $50 dollars
- Reimbursable (paid to traveler) authorized expense greater than $50 dollars

Receipts must be from the vendor (not a credit card receipt or statement) showing the vendor's name, a description of the services provided (if not otherwise obvious), the date, and the total expenses, including tips (if applicable).

Most Advantageous Mode of Transportation

Commercial air service is now considered most advantageous mode of transportation over 350 miles, any deviation requires a cost comparison and approval by the President or his/her designee.

Air Travel

For domestic travel, personnel shall book Economy class air travel. Air travel reservations should be made as far in advance as possible to take advantage of reduced fares but balanced by health and safety concerns. MTS will reimburse or pay only the cost of the economy class fare available for direct, non-stop flights from the airport nearest the individual's home or office to the airport nearest the destination. Economy Plus class may also be approved in advance by the MTS President for travelers with medical circumstances.

For international travel, Hawaii, and Alaska, where a flight duration is more than six hours, Economy Plus (also termed Economy Comfort, etc.) is allowed with prior approval from the CEO.

Frequent Flyer Miles and Compensation for Denied Boarding

Personnel may accept and retain frequent flyer miles and compensation for denied boarding for their personal use. Individuals may not deliberately patronize a single airline to accumulate frequent flyer miles if less expensive comparable tickets are available on another airline.

Use of Personal Frequent Flyer Miles for MTS-Related Air Travel

MTS will not reimburse for the use of personal frequent flier miles for MTS travel.

Group Hotel Points and Frequent Flyer Miles

MTS maintains business reward accounts with major airlines (e.g., United PerksPlus, Delta SkyBonus) that accrue reward miles for MTS-funded employee or volunteer travel. Use of miles from the MTS business reward accounts to offset work-related and allowable travel costs (e.g., economy class ticket) for MTS employees or volunteers may be approved by the CEO.

Comparable business reward accounts with any large hotel operators (e.g., Marriott, Hilton) are not currently offered. In some circumstances, hotel operators will allocate reward points to an individual as part of a Group Sales Agreement. The CEO is authorized to collect hotel reward points associated with Group Sales Agreements on behalf of MTS. Use of hotel reward points to offset work-related and allowable hotel costs for MTS employees or volunteers may be approved by the CEO. Any points collected by the CEO to an individual account remain the property of MTS and must be transferred to an account designated by the Executive Committee of the Board prior to termination of CEO employment with MTS.

Selection of hotel vendors from Group Sales Agreements will follow the established MTS procurement process. Consideration of reward point collection will not be factored into procurement decisions.

An annual accounting of hotel points and frequent flyer miles accrued and expended will be shared with the MTS Executive Committee of the Board.

Lodging

Personnel will be reimbursed at the single room rate for the reasonable cost of hotel accommodations. Convenience, the cost of staying in the city in which the hotel is located, and proximity to other venues on the individual's itinerary shall be considered in determining reasonableness. Personnel shall make use of available corporate and discount rates for hotels. "Deluxe" or "luxury" hotel rates will not be reimbursed.

Out-of-Town Meals

Personnel are reimbursed for the reasonable and actual cost of meals (including tips). Business justification for reasonable alcohol expense must be detailed on expense report.

Airport Parking

When Personally Owned Vehicle (POV) is elected for traveling to common carrier terminals from residences or official duty stations, instead of by taxi, Transportation Network Company (TNC) (e.g., Uber, Lyft) or airport shuttle service, reimbursement may only be claimed for mileage and parking. However, reimbursement of airport parking is limited to the amount it would cost for round-trip taxi fare plus tip on the same trip. Travelers may use an estimating tool, such as (http://www.taxifarefinder.com), to estimate the cost of round-trip taxi fares.

Ground Transportation

Personnel are expected to use the most economical ground transportation appropriate under the circumstances and should generally use the following, in this order of desirability:

- Courtesy Cars
- Airport Shuttle or Bus
- Taxis, Ride-Share, or other Vehicle Services
- Rental Cars - Rental cars must be approved prior to the trip by the MTS President or his/her designee.

Parking/Tolls

Parking and toll expenses, including charges for hotel parking if POV or rental car is authorized, incurred while traveling on MTS business will be reimbursed.

Non-Reimbursable Expenditures

MTS will not reimburse any expenses that could be perceived as lavish or excessive. Expenses that are not reimbursable include, but are not limited to:

- Travel insurance
- First class tickets or upgrades
- When lodging accommodations have been arranged by MTS and the individual elects to stay elsewhere, reimbursement is made at the amount no higher than the rate negotiated by MTS. Reimbursement shall not be made for transportation between the alternate lodging and the meeting site.
- Limousine travel, Valet service, Car washes
- Movies, Spa, Exercise or other entertainment charges
- Membership dues at any country club, private club, or athletic club or similar recreational organization
- Participation in or attendance at golf, tennis, or sporting events, without the advance approval of the Board or CEO or his/her designee
- Purchase of golf clubs or any other sporting equipment
- Purchase of clothing or toiletry articles
- Business conferences and entertainment which are not pre-approved by the Board, CEO, or his/her designee
- Expenses for spouses, friends, or relatives. It is the responsibility of the Personnel to determine any incremental cost for double occupancy and related expenses and appropriately adjust the reimbursement request.
- Overnight retreats without the prior approval of the Board, CEO, or his/her designee.
- Personal phone calls
- Hotel room service or mini bar charges

Board of Directors and MTS Employees Additional Guidance

In addition to the above guidance, the following additional guidance applies to the Board and employees.

MTS Sponsored Board Dinners

Board members may invite their spouse/significant other to attend MTS sponsored board dinners at no cost to the board member. Other guests invited to these events will be the responsibility of the inviting Board member.

Rental Car

Rental car use is reimbursable only if it is equal to or less than the cost of to/from ground transportation or has been pre-approved by the MTS President or his/her designee in advance.

Personally Owned Vehicle

Personnel are compensated for use of their personal cars when used for MTS business except for commuting between home and normal workplace. When using their personal car for such travel, mileage will be allowed at the currently approved IRS rate per mile.

In the case of personnel using their personal cars to take a trip that would normally be made by air, e.g., Minneapolis to Milwaukee, mileage will be allowed at the currently approved rate; however, the total mileage reimbursement will not exceed the sum of the lowest available round trip economy airfare.

Conference Registration

Conference registration in association of Board duties will be arranged by MTS HQ. For other conferences Board members must be preapproved to attend and conference fees will be paid or reimbursed.

Shared Interest

In the normal course of non-MTS travel, a Board member may be aware of an opportunity to conduct MTS business and further MTS' purpose in their capacity as a member of the Board during their trip or by extending it. In such cases and when pre-approved by the MTS President or his/her designee, a claim for reimbursement may be submitted for prorated or incremental travel expenses incurred.

Entertainment and Business Meetings

Reasonable expenses incurred by employees for meetings or other types of MTS-related entertainment will be reimbursed. MTS employees must have the activity pre-approved by the CEO. The CEO must have his/her activity pre-approved by the MTS President or his/her designee. Detailed documentation for any such expense must be provided, including:

- Date, place and nature of entertainment and expense.
- Names, titles, and corporate affiliation of those entertained.
- Description of the MTS purpose for the activity including the specific MTS matter(s) discussed.
- Vendor receipts (not credit card receipts or statements) showing the vendor's name, a description of the services provided, the date, and the total expenses, including tips (if applicable).

Other Expenses

Reasonable MTS-related telephone and fax charges due to absence of employees from the individual's place of business are reimbursable. In addition, reasonable and necessary gratuities that are not covered under meals may be reimbursed. Emergency secretarial work and/or postal charges incurred in the completion of MTS work are also reimbursable. Additional guidance on home office expenses and reimbursement are detailed in the Personnel Handbook.