

# **FLATHEAD AUDUBON SOCIETY**

## **FINANCIAL POLICIES AND PROCEDURES MANUAL**

**EFFECTIVE FISCAL YEAR 2021 - 2022**



## 1. Introduction

The purpose of this Financial Policy is to describe all accounting policies and procedures currently in use at Flathead Audubon Society and to ensure that the financial statements conform to generally accepted accounting principles; assets are safeguarded; guidelines of grantors and donors are complied with; and finances are managed with accuracy, efficiency, and transparency.

All Flathead Audubon Society's officers, board members and volunteers with a role in the management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

These policies will be reviewed annually, revised as needed and approved by the Board of Directors.

## 2. General Accounting

### a. Basis of Accounting

#### **POLICY:**

The organization uses the cash basis of accounting. Flathead Audubon Society's fiscal year runs from July 1<sup>st</sup> to June 30<sup>th</sup>.

#### **PROCEDURES:**

Throughout the fiscal year, expenses are paid when an approved invoice or reimbursement request is received.

### b. Journal Entries

#### **POLICY:**

Journal entries are created and posted through the QuickBooks nonprofits accounting software. Manual adjusting entries are created only for the purpose of entering information that cannot be otherwise entered through the standard functions of the software.

#### **PROCEDURES:**

The Treasurer is authorized to create and post Journal Entries. Journal Entries should be created with a concise explanation in the Description field that accurately describes the nature of the Journal Entry as a whole. Each Journal Entry will be assigned a unique number.

### c. Operating Reserve Funds

#### **POLICY:**

The target minimum amount of operating reserve funds to be maintained at any time will be 3 months of average operating costs. The calculation of the average annual operating costs includes all recurring and predictable expenses. Before withdrawing funds from investments, first priority for obtaining funds for programs and operations will be with the current budget and income from annual budget.

#### **PROCEDURES:**

The amount of the operating reserve funds will be calculated each year after approval of the annual budget and reported to the Board of Directors. The operating reserve will be funded with surplus unrestricted operating funds.

## **d. Bank Reconciliations and Online Monitoring**

### **POLICY:**

All bank statements will be opened and reviewed in a timely manner by the Financial Reviewer. The Financial Reviewer will reconcile within 10 days of the date the bank statement is available. The Treasurer will review the reconciliations of the bank accounts which prove that the balances presented on the financial reports agree with the records of the financial institution. Both the Treasurer and the Financial Reviewer should have online, read-only access to the bank account.

### **PROCEDURES:**

- a. All bank statements are received and handled by the Financial Reviewer. The Financial Reviewer reviews the statements for unusual balances and/or transactions.
- b. The Financial Reviewer completes a timely reconciliation as follows: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of inter-account transfers, an investigation of any rejected items, a comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.
- c. The Financial Reviewer will investigate any checks that are outstanding over six months.
- d. The Financial Reviewer will attach the completed bank reconciliation to the applicable bank statement, along with all documentation. The reconciliation report will be filed and copies kept for 3 years.
- e. Both the Treasurer and Financial Reviewer should use the online access to periodically review transactions to check for unauthorized transactions and ensure the current balance is consistent with statements and financial records.

## **e. Bank and Investment Accounts**

### **POLICY:**

Bank accounts and investment accounts may be opened only upon authorization by the Board of Directors. Bank and savings accounts may only be opened at financial institutions which are federally insured. All accounts must be opened with the organization's employer identification number (EIN).

The Treasurer will recommend and the board will vote to approve a Financial Reviewer whose duties are listed in this policy procedure document.

The authorized signers on the bank accounts are as follows:

- a. President
- b. Treasurer
- c. Financial Reviewer

The authorized signers on the investments accounts are as follows:

- a. Treasurer
- b. Financial Reviewer

Signature cards for all bank and investment accounts will be updated whenever there is a change in the person(s) holding the above board positions.

The target minimum amount of investments funds to be maintained at any time will be the prior 3 years of average operating costs. Funds in the investment account, up to 4% of the total per year, will be deemed available for the financing of FAS's programs.

Before the Treasurer can initiate the transfer of funds from the investment accounts to the bank account, there must be a motion that is approved by the board. The motion will include the purpose and calculations used to determine the amount of the request to be transferred.

Investment funds will be invested with a local investment firm or community foundation approved by the Board of Directors. Investment fund portfolios for the following fiscal year will consist of the following percentages; 0 – 30% of funds in equity (stocks) markets, 60 – 75% of funds in bonds markets, and 0 – 10% of funds in short-term, liquid accounts.

**PROCEDURES:**

The investment fund portfolio will be evaluated by the Finance Committee who will make recommendations to the board for their acceptance for the following fiscal year at the annual budget meeting. A percentage for equity (stocks) funds, bonds market funds and short-term, liquid accounts will be determined for the upcoming portfolio.

## **f. Contracts and Corporate Obligations**

**POLICY:**

The President and Treasurer are authorized to enter into contracts that have been approved by the Board as a part of budgets or plans. Either the Treasurer or President can approve another board member to sign on their behalf. The Board of Directors must authorized any contracts outside of these parameters and all contracts with a financial value of \$1,000 or greater.

## **3. Financial Planning & Reporting**

### **a. Budgeting Process**

**POLICY:**

The Board of Directors will set the annual budget to direct how funds are acquired and spent. Board approval is necessary in order to spend significant funds or make significant financial commitments to projects that have not already been incorporated into the approved budget.

The organization will strive to create surplus budgets that feature realistic revenue projections and conservative expense projections to insure resiliency and growth as an organization.

**PROCEDURES:**

The Treasurer will work with the Finance Committee members to create the annual budget. The annual operating budget draft for the next fiscal year will be submitted to the Board of Directors for approval no more than 60 days prior to the end of the current fiscal year. The Board of Directors will review and approve the budget at its last annual meeting or via email approval prior to the start of the new fiscal year.

### **b. Financial Reports**

**POLICY:**

The Treasurer will prepare periodic and annual financial statements to be submitted to the Board of Directors for review and approval.

The Treasurer will prepare financial reports on a monthly basis and provide them to the Board of Directors for review and acceptance.

**PROCEDURES:**

The monthly financial reports will include: current bank balances including restricted cash and unrestricted cash, saving account balances, investment accounts balances and current membership numbers including basic and supporting membership totals. The Profit/Loss actual versus budget statement will be reviewed at monthly board meetings along with any other financial documents deemed necessary for that meeting.

### **c. Tax Compliance**

**POLICY:**

With approval from the Board of Directors, a CPA will be hired to prepare the annual Return for Organization Exempt from Income Tax. The form shall be filed by the annual filing deadline (May 15<sup>th</sup>) each year. If the return cannot be filed by the due date, an extension will be filed as soon as it is determined to be needed and no later than the return due date.

**PROCEDURES:**

The Treasurer communicates with the CPA to determine information needed to prepare the return. The Treasurer prepares all information needed and provides it to both the Financial Reviewer and the CPA in a timely manner so that there is time for questions or corrections. The CPA's final tax return will be sent to the Executive Committee for immediate review. After this review, the Treasurer will then file the return with the Internal Revenue Service by the annual deadline.

All other appropriate government filings including those required by the state tax board and attorney general's office will be completed and filed with the appropriate agency.

## **4. Revenue/Donors**

**POLICY:**

All funds received will be deposited into the organization's bank account, with no monies removed prior to the deposit to make payments or for any other purposes. All cash receipts should be deposited into the bank account as soon as possible.

**PROCEDURES:**

The Financial Reviewer receives incoming mail, opens all items, reviews and distributes as applicable. The Financial Reviewer enters all checks into the database program, stamps all checks with an endorsement stamp preprinted with "for deposit only," the organization name and bank account number. The checks are forwarded to the Treasurer for processing and deposit.

The Treasurer processes the deposit and takes it to the bank for deposit. The deposit receipts are filed in a receipts file.

All cash received will be counted, verified, and signed off by the Financial Reviewer and another available board member or volunteer. If the Financial Reviewer is not present, a member of the Executive Committee could substitute for the Financial Reviewer. Receipts will be given upon request. The Financial Reviewer will enter the amount of the cash into the members/donors database record. The cash will be given to the Treasurer who will immediately post the transaction into the accounting system. The cash will be kept in a locked, secure location and deposited within 48 business hours.

Upon receipt of a donation, the Financial Reviewer will enter the donation into the database program. The Publicity Committee chairperson or their committee prepares a written acknowledgement to the donor for every donation received. The acknowledgement or thank you will be sent out to the donor within one week of receiving the donation. Receipts should include the statement that no goods or

services were received in exchange for this donation and “Flathead Audubon Society is a 501(c)3 organization, as defined by the Internal Revenue Service, EIN 81-0447830.”

Any non-cash donations with a value exceeding \$50 will be recorded in the database program and a letter acknowledging the donation will be sent to the donor within one week of the receipt of the donation.

Funds received through the PayPal system will be processed and recorded the same as checks or cash.

## **5. Expense and Accounts Payable**

### **a. Cash Disbursements and Expense Allocations**

#### **POLICY:**

All disbursements from the organization’s funds will be made by check, with the exceptions of certain electronic payments. No authorized signer will ever sign a blank check. No check shall ever be made payable to “Cash.” Unused check stock shall be maintained in a secure location with access limited to the Treasurer.

#### **PROCEDURES:**

The Treasurer reviews all requests for payment and:

1. Verifies expenditure and amount
2. Approves for payment if in accordance with budget
3. Prints checks, signs and mails checks with appropriate backup documentation
4. Staples invoice to check stub and files documentations in the appropriate file

### **b. Expense Reimbursements**

#### **POLICY:**

Board members and volunteers may be reimbursed for expenses incurred on behalf of the organization. To receive reimbursement, the following requirements must be met:

1. The expense must have been authorized by either the President or Treasurer for budgeted expenses or the Board of Directors for all other expenses.
2. The expense must have been incurred for goods or services purchased for the organization.
3. The expense must be submitted for reimbursement within 60 days from the date the expense was incurred.
4. If the expense is for travel, the travel must be for work related to the organization. No more than the standard business mileage rate established by the IRS and meal rates per State of Montana may be reimbursed for business use of a vehicle.

#### **PROCEDURES:**

Officers, board members and volunteers requesting reimbursement must submit the required reimbursement paperwork to the authorized person for their approval. The approved paperwork is then submitted to the Treasurer who processes the request for payment and sends the check out within one week.

## **6. Contractors**

### **POLICY:**

All personal services contracts must be first authorized by the Board of Directors through annual budgeting or a specific motion. Search and selection of a personal services contractor can be accomplished by committee or by a committee chair person. Final selection of a personal services contractor must have final approval by the Executive Committee. Flathead Audubon Society has adopted a non-discriminatory policy that applies to any personal services contract.

Any personal services contractor wishing to enter into a contractual agreement with Flathead Audubon Society must have their own liability insurance, have no conflict of interest with the Board of Directors, comply with the terms of the contractual agreement and comply with the billing process. The billing process is as follows:

### **PROCEDURES:**

1. Submit invoice to committee chairperson or designated person after the end of the billing period.
2. The committee chairperson or designated person will review the invoice for appropriate charges and forward the approved invoice to the Treasurer within 5 days of receipt.
3. The Treasurer will issue payment for the invoice within 5 days of receipt, record the transaction and file the relevant paperwork.