

POTOMAC VALLEY AUDUBON SOCIETY

**Fiscal Operations  
Policy Manual**

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## **INTRODUCTION**

The POTOMAC VALLEY AUDUBON SOCIETY'S (PVAS) Fiscal Operations Handbook has been developed as a policy to set forth general guidelines about financial controls and procedures of the organization.

Interested parties are encouraged to consult the Executive Director or Treasurer for additional information regarding operation controls and procedures described in this manual.

## **FINANCIAL PLANNING AND BUDGETING:**

With respect to fiscal planning and budgeting, the employees and volunteers responsible for financial reporting should not jeopardize the programmatic or fiscal integrity of the organization. Accordingly, they may not cause or allow budgeting that:

- i. Deviates from board-stated policies and priorities.
- ii. Contains too little detail to enable a reasonably accurate projection of revenue and expenses.
- iii. Fails to separate capital and operational items or disclose planning assumptions.
- iv. Plans the expenditure of more funds in a fiscal year than what is estimated will be received in that period.
- v. Reduces the current cash assets to an amount below a reserve amount designated by the board.

## **POLICY: FINANCIAL CONDITION**

With respect to the actual, ongoing condition of the organization's financial health, the Executive Director may not:

1. Allow actual allocations to deviate from board priorities and policies.
2. Indebt the organization to an amount greater than can be repaid by unencumbered revenue within 90 days and, in no event, beyond the fiscal year. The Board will set the amount annually. See Addendum A for current spending limits.
3. Use any long-term reserves without first seeking board approval.
4. Allow cash to drop below the amount needed to settle payroll and debts in a timely manner. The Working Capital Amount will be calculated by the Finance Committee and published annually following the approval of the budget.
5. The Board will develop and adopt an investment policy.

## **CONTROL 1: ANNUAL BUDGET PROCESS AND WORK PLANS**

1. The Executive Director sends out a budget call to all committee chairs in early February, requesting that they submit budgetary needs for the coming year.
2. The Executive Director, with input from the Treasurer and committee chairs, develops and prepares a preliminary annual operational budget (in accordance with current strategic five-year plans as adopted by the Board of Directors annually) in March.
3. The Executive Director prepares planning assumptions (justifications) and submits the preliminary budget with assumptions to the Finance Committee to review, modify as needed, and finalize the proposed budget in April. The President should be included in the Finance Committee review of the proposed budget.
4. The Executive Director sends the proposed budget to all Board members and committee chairs prior to the May Board meeting. Committee chairs are to be invited to attend the Board meeting.
5. The Executive Director presents the proposed budget and planning assumptions to the Board of Directors for consideration and approval in May. The Board of Directors may, after discussion, direct modifications and approve the budget as amended. The proposed budget then becomes the annual budget.
6. After the board approves the annual budget, the Executive Director manages the annual budget effective July 1 of each fiscal year. She/he receives monthly financial reports and statements from the Treasurer. These reports are also forwarded to the members of the Executive Committee and Board.

## **CONTROL 2: FINANCIAL RECORDS**

1. PVAS maintains the Chart of Accounts that is prepared by the Treasurer and reviewed by the Finance Committee annually. The Chart of Accounts is a listing of all the accounts in the general ledger. It is designed to capture financial information to make good financial decisions. The Treasurer is also responsible for establishing "Classes" to track income and expenses for each of the various PVAS programs.
2. PVAS also maintains a cash flow projection, general ledger, accounts receivable and payable, cash receipt and disbursements and other financial reports (e.g. statement of financial condition, revenue and expense statements) as directed by the Executive Director. These reports, which are prepared monthly by or at the direction of the Treasurer in accordance with the chart of accounts and should reflect actual income and expenses compared to the approved annual budget.

3. The Executive Director shall not make on his/her own authority any purchases greater than the dollar limit established by the Board of Directors. Refer to Addendum A for current limits.
4. PVAS will not receive, process, or disburse funds under controls insufficient to meet audit standards.
5. The Treasurer will maintain records of Board-approved investments.

### **CONTROL 3: BANK ACCOUNTS**

1. The Treasurer, upon Board approval, opens and closes all bank and other corporate financial accounts (e.g. credit, certificates of deposits), in Federal Deposit Insurance Corporation (FDIC) secured bank accounts.
2. The Treasurer has signature authority on all accounts. The President, Vice President, Treasurer, and Executive Director have signature authority on the operational (checking) account, as well as other financial instruments.
3. The Treasurer has the authority to withdraw and transfer funds for organizational purposes. The Treasurer has authority to deposit funds.
4. The Treasurer and/or Bookkeeper, under supervision and review of the Treasurer, receives and copies checks. The Treasurer prepares the bank deposit form and ensures timely deposit of funds. The Bookkeeper posts all deposits in the appropriate account and class.
5. Once the deposit is made, the deposit form and copies of the deposited checks are filed with back up financial files.
6. Bank and other corporate financial information (e.g. rules, and regulations, account numbers) are retained, maintained, and updated by the Treasurer.

### **CONTROL 4: CHECKS**

1. The Treasurer receives and processes all check requests and invoices. This request must include an invoice, applicable receipt, or other written/financial documentation (e.g. Reimbursement Request). All invoices require review and approval prior to check processing. Check Requests, invoices and other documentation shall be approved by signature of the Treasurer, President or Executive Director. The program/class and general ledger account should be provided if known to assist the bookkeeper.
2. The Bookkeeper prepares the check and forwards it to the Treasurer for signature.
3. Checks are processed every two weeks, according to the due date of specific payments.

4. The Treasurer authorizes approval of payment by signing the check. In the absence of the Treasurer other board-designated signatories may sign checks. (See Control 3 item 2)
5. Checks for more than \$400 require two signatures. The Treasurer ensures the second signature is obtained in a timely manner.
6. The Treasurer is responsible for mailing all signed checks.
7. All processed payments should be stamped paid and the check stubs / cancelled checks are retained with appropriate backup paperwork and are maintained by the Bookkeeper. Processed payments should be filed by vendor and fiscal year.

#### **CONTROL 5: HANDLING CASH**

1. No petty cash is maintained by the organization.
2. Two PVAS members count cash donations and /or other cash transactions at the transaction site. Both counters write the amount and sign their names to the account. Cash donations are then given to the Treasurer for deposit.

#### **CONTROL 6: BANK AND OTHER FINANCIAL ACCOUNT RECONCILIATION**

1. The Treasurer receives and forwards all PVAS bank account statements to the Bookkeeper.
2. Each month, the Bookkeeper reconciles all bank account statements and prepares a printed report for each account. (These reports are included in the monthly financial report). Treasurer reviews Bank Reconciliations monthly and approves the reconciliations as noted by his/her signature / initials and date of review
3. All bank account statements are filed by the Bookkeeper.

#### **CONTROL 7: ACCOUNTS RECEIVABLE**

1. PVAS invoice terms are net 15 days. Any bank charges for returned checks will be passed along.
2. The Bookkeeper, with the Treasurer's written authority, may write off as uncollectible any unpaid debt that exceeds 180 days past due. The Board or Directors will approve the write off of bad debts.

#### **CONTROL 8: ACCOUNTS PAYABLE**

1. The Treasurer receives, reviews and processes all accounts payable within 30 days of receipt.

2. The President of the PVAS Board, or his/her designee settles invoices for which payment amounts are disputed.
3. To complete the accounts payable process, the Treasurer and Executive Director follow the appropriate steps as stipulated under Control 4, Corporate Checks.

#### **CONTROL 9: GRANTS RECEIVABLE**

1. To process grants receivable, the Treasurer, Executive Director, or his/her designee follow appropriate steps as stipulated under Control 3, Bank Accounts.
2. The Executive Director receives the donor award letter and sends a copy to the Treasurer.
3. The Treasurer will take steps as necessary under the provisions of each grant to track and account for income and expenditures charged against the grants.
4. The Executive Director prepares a letter to the donor, acknowledging receipt and amount of the grant receivable. A copy of the letter and the grant award letter are retained in the Executive Director's files.
5. PVAS's Executive Director and President shall regularly discuss upcoming grant and fundraising opportunities that have significant budgetary and/or public relations implications. The President, in turn, will keep the Executive Committee informed about all such matters in a timely manner, so the Committee can determine whether any of these matters warrant further review and discussion by the Committee or, if necessary, by the full PVAS Board.

#### **CONTROL 10: SCHOLARSHIPS AND SPONSORSHIPS**

1. The Scholarship Committee informs the Treasurer of scholarship recipients who will attend Audubon Discovery Camp. The Treasurer allocates funds from the scholarship fund income to the Audubon Discovery Camp account.
2. The Scholarship Committee informs the Treasurer of the names of scholarship recipients who will attend other camps. The Treasurer ensures that checks are sent to the appropriate camps.
3. Funds donated to sponsor interns for Audubon Discovery Camp or school programs are allocated for that account. The Executive Director is responsible for sending thank you letters to the donors and recording the donations in the database.
4. Funds donated by events sponsors are accounted for as income for that event.

### **CONTROL 11: MEMBERSHIP DUES, CONTRIBUTIONS AND OTHER INCOME**

1. For membership dues, interest and all other income, the Treasurer and Executive Director, follow the appropriate steps as stipulated under Control 3, Bank Accounts, above.
2. To complete the above process for membership dues, the Chair of the Membership Committee sends a letter to the member acknowledging receipt and amount of dues paid by the member. The Chair of the Membership Committee retains a copy of the acknowledgement with other documentation (e.g. member application).
3. If the income received is a contribution, the Executive Director is responsible for ensuring that a letter of acknowledgement is sent to the donor and recording that contribution in the database.
4. Incoming checks will be processed in an expeditious manner.
5. Annually, if not more frequently, a statement of receipt should be prepared and mailed to all donors as required by the Internal Revenue Service. When services or goods are provided, the fair value of the goods and/or services must be provided to the donor in addition to the amount of their total contribution.

### **CONTROL 12: CAPITAL ASSETS AND DEPRECIATION**

1. PVAS maintains a capital asset and depreciation account for office equipment, furnishings, improvements and other capital assets with an estimated useful life of greater than one year and valued above \$500 individually. The Executive Director approves all purchases for capital assets.
2. Capital assets in excess of \$500 are depreciated over their useful lives, normally considered to be five years for office equipment and office furnishings, twenty-five years for Buildings and Improvements, fifteen years for Land Improvements and three years for all other equipment. The depreciation of capital assets acquired by sale, loan or gift requires written documentation and approval by the Executive Director.
3. The Treasurer directs an annual inventory of all capital assets and records such on the Inventory of Equipment done before annual audit.
4. The Executive Director approves the Inventory Report.
5. The Inventory Report is maintained and updated on an ongoing basis by the Treasurer.

### **CONTROL 13: INDEPENDENT AUDIT, FEDERAL, AND STATE REPORTING**



1. PVAS will require an annual independent audit conducted in accordance with generally accepted auditing standards, soliciting bids from certified public accounting firms to conduct the audit.
2. The Treasurer will review the bids and make a recommendation to the President who will then submit the proposal to the Board for approval.
3. The Treasurer coordinates activities of the audit with the Auditor and others as needed. She/he also schedules and participates in an audit exit interview with the audit firm, President, Executive Director, Finance Committee Chair, and Bookkeeper.
4. The Treasurer receives the audit report, and presents it to the Board of Directors for approval at the first board meeting after its receipt.
5. The Treasurer retains the audit, all background information and other federal and state reports in the appropriate files. Financial information is retained for no less than 7 years.

#### **CONTROL 14: PAYROLL**

1. The Treasurer issues payroll checks on a bi-weekly basis.
2. The Bookkeeper retains all payroll records. The Treasurer maintains all payroll tax reports.
3. The Bookkeeper posts information for payroll in the general ledger.

#### **CONTROL 15: TRAVEL AND EXPENSE REIMBURSEMENT**

1. PVAS reimburses employees and volunteers for approved program expenses and travel and conference/meeting expenses in accordance with policies outlined by the Board.
2. To receive a reimbursement the employee should fill out a reimbursement request form and submit it, along with appropriate documentation to his/her supervisor for approval. A volunteer should submit reimbursement requests to the Executive Director for approval.
3. Approved forms are submitted to the Treasurer for payment.
4. If an individual employee or volunteer has approved expenditures for the organization, the individual should file a request for reimbursement within 45 business days of the expense.

#### **CONTROL 16: ENDOWMENTS, RESTRICTED FUNDS/ASSETS**

PVAS may be the beneficiary of special funds such as endowments and restricted funds or assets. The Board of Directors considers and approves each proposed fund and its purpose/restrictions to ensure its compatibility with the mission and capacity of the organization.

Addendum E lists each fund, its purpose, and restrictions, and will be updated as each fund is adopted.

## **CONTROL 17: CREDIT CARDS**

1. PVAS has credit cards available to some staff members and the President (See Addendum A). Individual cards may be used for the purchase of supplies, materials, or equipment. Purchase orders are preferred for purchases over \$1000. Credit cards may also be used for budgeted business-related travel expenses. Use of credit cards must be consistent with policies and procedures established for spending authority and fiscal controls (See Addendum A).
2. Cardholders agree to submit to the Treasurer receipts and detailed expense reports addressing all charges incurred in a timely fashion to meet the monthly credit card billing cycle.
3. A purchase is considered approved if that amount is within the approved budget or covered under an active restricted or designated grant. All other purchases require authorization by the appropriate supervisor.
4. Cardholders agree to use the card for business purposes only. PVAS prohibits the personal use of any PVAS credit card.
5. The Finance Committee will review charges made by cardholders on a quarterly basis. Any charges disallowed will be the responsibility of the cardholder.
6. Each card is the property of PVAS and must be surrendered upon termination of employment or by demand of the Executive Committee. The Executive Committee will authorize credit card users.

## **Addendum A**

### **PVAS Fiscal Operations Policy Manual**

#### **Policies approved by the Board at the September 6, 2006 meeting:**

##### **PVAS CHECK-SIGNATURE REQUIREMENT.**

The Board approved the Executive Committee recommendation that PVAS change its current policy of requiring two signatures on all checks over \$200 by raising the threshold amount to \$400 and exempting regular employee paychecks and payroll tax payments from any threshold requirement. To provide a check and balance against this liberalization of the rules, the Executive Committee also recommended that the Finance Committee regularly monitor the Treasurer's activities

##### **EXECUTIVE COMMITTEE EXPENDITURE LIMIT.**

The Board approved an Executive Committee recommendation that the Executive Committee be allowed to obligate expenditures of up to \$1,000 without approval by the Board.

##### **EXECUTIVE DIRECTOR EXPENDITURE LIMIT.**

The Board approved a Finance Committee recommendation that the Executive Director shall not have the right to enter into new contracts or funding commitments for amounts in excess of one thousand dollars (\$1,000) for or on behalf of EMPLOYER (Potomac Valley Audubon Society) without first obtaining the express consent of EMPLOYER (Revision adopted 3/3/13.)

##### **PROGRAM DIRECTOR EXPENDITURE LIMIT.**

The Board approved a Finance Committee recommendation that the Program Director shall not have the right to enter into new contracts or funding commitments for amounts in excess of five-hundred dollars (\$500) for or on behalf of EMPLOYER (Potomac Valley Audubon Society) without first obtaining the express consent of EMPLOYER. (Revision adopted 3/3/13.)

##### **AUTHORIZED CREDIT CARD USERS**

As of January, 2008, the authorized credit card users are Peter Smith, President, Kristin Alexander, Executive Director, and Ellen Murphy, Education Director.

## **Addendum B**

### **Reserve and Working Capital**

**Approved unanimously by Board of Directors January 7th, 2009:  
Reserve Fund**

#### **Reserve Fund Definition:**

As used by PVAS, the Reserve Fund shall be synonymous with operating reserve, another currently used terminology in non profit accounting. The Reserve Fund or Operating Reserve shall be funds designated annually to be used to offset possible operating losses due to unexpectedly low revenue or high operating costs (a.k.a., rainy-day reserve). These may be unrestricted but board-designated funds. (Board-designated net assets or reserves are unrestricted net assets that have a defined use or purpose, as determined by an organization's board. Reserves can be established for many purposes, including: emergencies/rainy days, capital improvements and building replacements, investments in future programs, internal lines of credit, etc.)

#### **Reserve Amount:**

PVAS shall retain an amount as a reserve approximately equal to the average of fixed liabilities and essential operating obligations necessary for one accounting quarter. As examples of fixed liabilities we mean payments on loans or notes, rents, utilities, telephone service, other service contracts, and other fixed liabilities that are bound by contract or formal agreement. As examples of essential operating obligations we mean salaries of essential employees (currently identified as the Executive Director and the Director of Youth Education), program expenses required by grant or contract, and other operating expenses that would not be eliminated by reduction or elimination of previously planned events, programs, and routine operations.

The Finance Committee shall review requirements upon approval of the coming fiscal year budget and establish a dollar amount to be set as the reserve fund. The Finance Committee will establish the reserve amount for the coming fiscal year no later than June 30 of the current fiscal year.

As general policy the reserve shall be retained in cash equivalent assets such as interest bearing accounts, bank certificates of deposit (bank CDs), and/or other secured investment assets that may be approved by the board.

For the Fiscal Year 2008-09, the reserve shall be set at the \$55,000, which is currently held in three bank CDs.

#### **WORKING CAPITAL**

#### **Working Capital Definition:**

Working Capital is the cash available for day-to-day operations. It allows bills to be paid while awaiting income which may include proceeds from membership dues, donations, grants, program fees, events, and other unspecified sources. In accounting terms, it is current assets less current liabilities.

## **Working Capital Amount**

PVAS shall maintain a checking account balance necessary to pay normal and obligated expenditures for an average month based on the previous year's expenditures and anticipated monthly cash flow requirements for the coming fiscal year's budget.

The Finance Committee shall review requirements upon approval of the coming fiscal year budget and establish a dollar amount to be set as the working capital amount for the coming fiscal year. The Finance Committee will establish the reserve amount for the coming fiscal year no later than June 30 of the current fiscal year.

It shall be the job of the treasurer to monitor the checking balance and advise the Finance and Executive Committees of anticipated shortfalls in the working capital amount. The Finance Committee and Executive Committee will work together to determine an action or actions necessary to maintain the working capital amount in the PVAS checking account. Such actions may include deferring discretionary expenditures until the working capital amount is restored, transferring funds from the Reserve Fund, or other action(s) as may be appropriate to the immediate circumstances.

For the Fiscal Year 2008-09, the working capital amount shall be set at the \$25,000 in any given month.

**Addendum C**  
**PVAS Fiscal Operations Policy Manual**  
**PVAS Purchase Policy**

**Approved by the Board on October 8<sup>th</sup>, 2010**

**PURCHASES OF \$2,500 - \$24,999**

For purchases of \$2,500 - \$24,999, a Request for Quote (RFQ) is required. PVAS will identify a minimum of three viable suppliers and send out RFQ's with appropriate details and provide a deadline for bid. If three suppliers are not found, the Executive Committee will provide written explanation justifying the selected supplier. Once competitive bids are received, PVAS' Executive Committee will review the bids with consideration for: reputation/qualifications of the company, value of bid, environmental considerations, and relationship with company.

**PURCHASES/CONTRACTS OF \$25,000 OR ABOVE**

For purchases/contracts of \$25,000 or above, a Request for Proposal (RFP) is required. RFP's will be advertised publically and are open to all qualified bidders. The public notice will be posted at least three weeks prior to the bid opening. The Executive Committee will review and accept the bid taking into consideration: reputation/qualifications of the company, value of bid, environmental considerations, and relationship with company. If the purchase or contract is funded by a government agency that has other requirements, PVAS must follow those requirements.

**Addendum D**  
**PVAS Fiscal Operations Policy Manual**  
**Electronic Fund Transfers**

**Proposed by the Finance Committee February 8, 2011. Amended September 18, 2011:**

**APPROVED AGENCIES FOR ELECTRONIC FUND TRANSFERS**

An increasing number of agencies are requiring Electronic Fund Transfers, including the IRS. The finance committee agreed to authorize the following accounts for Electronic Fund Transfer:

1. US Government (example: IRS)
2. The State of West Virginia
3. Money Movers of America (currently serving on-line camp registration)
4. National Audubon Society
5. Hoxton Financial Inc.

## **Addendum E**

### **Endowments and Restricted Funds/Assets**

**1. The Potomac Valley Audubon Society Endowment Fund**

Established in 2004 and held by the Eastern West Virginia Community Foundation. The Board of Directors has elected to reinvest all investment income from the fund until such time as the Board designates otherwise.

**2. Liz Neely Memorial Education Fund**

This fund was created in 2010 in Memory of Liz Neely. The purpose is to sponsor one full salary for a summer intern (the “Liz Neely Intern”) each summer for Audubon Discovery Camp. (Approximately \$2000.) The fund is to be invested as safely as possible in a manner that will allow this amount to be withdrawn annually without penalty, yet yield as much interest as possible. The fund is to be used for this purpose until there is not enough money to support an intern’s summer stipend. At that time, the remainder of the fund shall be used to fund the partial intern salary to drain the account. Once the account is empty, it shall be closed until further funds dedicated to the fund are available.