



# Fiscal Procedures Manual

Approved on June 26, 2023

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## **II. AGENCY OVERVIEW**

WVCF was incorporated in 1973 for the exclusive purpose of encouraging, promoting, and supporting educational programs, scholarly programs, scholarly pursuits, athletics, alumni relations, and future developments in connection with Wenatchee Valley College. The foundation is a not-for-profit corporation organized under Washington law and is fiscally and organizationally separate from the college district. The foundation provides supplemental funding for Wenatchee Valley College, its programs and students through scholarships and other financial aid. The college, through its campuses in Omak and Wenatchee and community out-reach programs in other communities, serves the citizens of Chelan, Douglas, and Okanogan Counties.

## **III. FISCAL OVERVIEW**

The purpose of this manual is to ensure effective control over and accountability for all funds, property, and other assets. It is expected that the policies contained within this manual and the procedures outlined in the work plans will provide the internal controls which will safeguard assets, provide accurate and reliable accounting data, promote operational efficiency, and encourage adherence to managerial policies.

## **IV. STANDARDS FOR FINANCIAL MANAGEMENT SYSTEM**

WVCF financial management systems will provide the following:

- Accurate, current, and complete disclosure of financial activities.
- Records will identify adequately the source and application of funds. These records will contain information pertaining to board designated (unrestricted), and donor designated (temporarily restricted and permanently restricted) balances, assets, outlays, income, and interest.
- Effective control over and accountability for all funds, property, and other assets. WVCF will adequately safeguard all such assets and assure they are used solely for authorized purposes.
- Comparison of outlays with budget amounts for each unrestricted account.
- Maintain accounting records that are supported by source documentation.

## **V. FINANCIAL AND PROGRAM MANAGEMENT**

The policies set forth in this section define the WVCF financial management systems. All transactions shall be made in accordance with the best principles of financial trusteeship and fiscal good management. To maintain the financial integrity of WVCF, adequate controls over financial transactions are strictly enforced. Staff involved in the accounting cycle and financial reporting of the foundation is required to receive annual continuing education such as not-for-profit accounting and auditing update. To help strengthen knowledge of applicable current standards as well as gaining an understanding of new upcoming standards.

### **a) Allowable Costs**

All costs incurred by WVCF will be reasonable, necessary, and allocable. All costs incurred will be consistent with WVCF's policies and procedures and conform to limitations or exclusions as

set forth in funding source restrictions. Costs incurred will be appropriate as determined by generally accepted accounting principles and will be adequately documented.

**b) Audits**

WVCF's financial records will be audited annually by a Certified Public Accountant, selected by the WVC board of directors. Auditors will also review and ensure that the internal procedures and controls are in place. Auditors will present their financial report to the budget and finance committee and the State Auditor, as required by state policy regulating community and technical colleges.

**c) Fund Allocation**

All funding sources received are for the purpose of WVCF's operation, to support the college's programs, and to increase endowment balances. Expenditures are charged to funds based on the nature of the expenditure. The accounts and funds classifications are broken down into three categories (see account classification section for further information). Based on the ASU update there should only be two classifications (further detail in the FUND AND ACCOUNT CLASSIFICATION section). Any income received for a temporarily restricted fund will be charged a 5% administrative fee.

**d) Funding Source Revenue**

WVCF receives funding from individual donations, businesses, corporations, foundations, and grants. All donations are administered according to donor restrictions. Where applicable, a contract will be agreed upon between WVCF and the donating party.

**e) Insurance Coverage**

WVCF shall provide appropriate insurance coverage for its board of directors, staff, and other associates as appropriate, in addition to coverage for all related activities, as directed by the board of directors. Insurance coverage will be re-evaluated on a periodic basis.

**f) Budget Creation and Revision**

The executive director will present a rough draft of the upcoming fiscal year budget to the budget and finance committee in March/April. Once the budget and finance committee revises the budget thoroughly, the executive director will present it to the full board for final approval in June. All significant budget revisions, as defined by the executive director spending proposal, will need submission to the board of directors for approval via formal meeting or email, as allowable by the bylaws.

**g) Reporting and Record Keeping**

WVCF is responsible for managing and monitoring each program, scholarship (award), fund, and/or activity supported by donors. The procedures for monitoring and reporting on WVCF's financial performance and the necessary standard reports are described in this section.

## **h) Financial Reporting**

### **1. Board of Directors**

The foundation accountant will prepare monthly financial reports per fiscal procedures manual and provide them to the budget and finance committee for review and eventual distribution to the executive committee and full board of directors. The following is an outline of frequent reports generated and their reporting cycle. For specific reports not listed, WVCF will complete reports per funding source requirement or request.

- Generated Monthly
  - Unrestricted Project Activity Report, 2-month lag
    - Beginning Balance (Last day of Previous Fiscal Year)
    - Previous Net Change (Prior Month/s Ending Balance)
    - 4 Categories per Unrestricted Fund:
      - Revenue (Summary for Period)
      - Expense (Summary for Period)
      - Transfer (Summary for Period)
      - Investment Activity (Below – Summary per Account for Period)
        - Investment Income – Dividends (CF)
        - CF Administrative Fees
        - Broker Investment Fees
        - Unrealized Gains and Losses
      - Ending Balance (Sum of Beginning Balance, Previous Net Change, 4 Categories (Revenue, Expense, Transfers, & Investment Activity))
  - Income Statement, 2-month lag
    - General Operations Income Statement – Detailed (Budget vs. Actuals)
    - Per Fund Restrictions (Without Donor Restrictions & With Donor Restrictions)
  - Balance Sheet Per Fund Restrictions (Without Donor Restrictions & With Donor Restrictions), 2-month lag
  - Gift Report, 1-month lag
- Generated Quarterly:
  - Detailed Unrestricted Expenditure Report
  - Detailed Project Expenditure Report (when requested, such as during a capital campaign)
- Close of Fiscal Year
  - Project Activity Report (All Active Funds Included)
    - Project ID
    - Project Description
    - Beginning Balance (July 1)
    - Net Change
    - Ending Balance (June 30)

### **2. Internal Reports**

Internal reports will also be prepared by the foundation accountant for staff review as directed by the executive director.

### **3. Annual Filings**

- Filed by foundation staff:
  - Online via <http://www.sos.wa.gov/ccfs>
    - Annual Report
    - Charitable Organizational Renewal
    - Trust Renewal Form
  - MISC 1099
  - NEC 1099
  - IRS Form 1096
- Filed by auditor (selected by board of directors):
  - IRS Form 990
  - Audited financial statements

### **4. Athletics Department**

The foundation accountant will provide reporting for the athletic funds after the month has been reconciled. Reports will be uploaded to the “foundation – athletic” shared folder by 25th of each month.

#### **i) Retention and Access Requirements**

Financial records and supporting documents shall be retained as detailed by the WVCF Document Retention Policy.

## **VI. FISCAL PROCESSES**

The foundation accountant is responsible for maintaining all fiscal and accounting records utilizing a double entry accounting system for all funds. Specific fiscal responsibilities include: prepare and track all orders, pay vendors and staff expenses, prepare and send invoices for pledge payments, issue checks, maintain vendor files, prepare deposits, record investment (endowment) activity, reconcile bank statements, and provide budget information to the executive director.

To ensure fiscal processes are being followed by foundation staff, board members are encouraged to perform surprise internal control inspections. This is usually performed by a board or committee member who has some experience with financial matters. Staff, including management, should not be given prior notice of the inspection.

#### **a) Accounts Payable**

##### **1. Payment Processing**

- Internal

Invoices are submitted electronically via the expense management module in Financial Edge NXT by the staff. The executive director’s expenses are submitted by the executive assistant. The

executive director will approve the invoice electronically if the original invoice and if enough supporting documentation is attached. The accountant will verify the correct expense account code was used and the amount on the invoice matches with the amount submitted. Vendors with regular monthly charges are paid on or before their due date.

Physical checks require a signature from the executive director or executive assistant. If the amount exceeds \$5,000, then a second signature is required from a board member (see check signing requirements for further detail). When checks are processed, the second check stub is filed in alphabetical order in the Account Payable drawer. The only stubs that include physical support are those that exceed \$5,000. All invoices are stored electronically as an attachment to the payment in Financial Edge NXT. Checks are run twice a month (middle & end of every month).

- Credit Card Payments

Credit card statements are submitted by the corresponding cardholder via the expense module in FE NXT along with the receipts as support. The executive director's credit card statement will be submitted by the executive assistant. Once statements have been approved by the executive director the accountant will verify the payment method as "bank draft." Once verified, the accountant will process payment via the Cashmere Valley Bank online banking site selecting the proper credit card accounts.

- Department

Payment requests from the college departments (e.g., Athletics, Machining, Nursing, etc.) must be submitted to the foundation accountant for fund balance verification. The accountant will submit a request via the expense management module in Financial Edge NXT with the request/invoice attached. If monies are lacking in the specified fund, then the requesting department will be notified, and no further action will be taken until further notice.

All payment requests are reviewed/approved by the executive director electronically. If the executive director is absent, the executive assistant is appointed.

- Scholarships

The business office will invoice WVCF quarterly for scholarship award reimbursement. With foundation coordinator oversight, payment should be processed by the accountant via FE NXT payables under invoices. To expedite the invoice process, the invoice can be copied from a prior quarterly issued payment. If copied, cells need to be updated to reflect the appropriate college invoice.

- Endowment Allocation

In alignment with the board approved annual endowment allocation, a distribution request in early fall shall be submitted to the Community Foundation of North Central Washington. The annual allocation shall be held at Cashmere Valley Bank for the fiscal year to process invoices from WVC for scholarships and programs. The approved allocation spreadsheet should be signed and dated by a board officer and the executive director. The spreadsheet and minutes shall be used as support documentation for the distribution request.



Any requests not included in the annual endowment allocation should follow the endowment agreement. If the request is over \$20,000, support via email should be obtained from a board officer.

At the end of each fiscal year, the balance of each fund at Cashmere Valley Bank shall be transferred to the appropriate fund at the Community Foundation of North Central Washington if it exceeds \$100. The Cashmere Valley Bank balance is typically made up of new gifts, the annual allocation amount, and any unused allocation amount.

## **2. Reimbursement**

Staff may request reimbursement for items purchased solely for use of the foundation with personal funds via the expense management module. The request must have proper support documentation (i.e., receipt) attached in cases where use of foundation credit card or check payment was not feasible or timely. For mileage reimbursement, an internal mileage form will be properly completed with support documentation such as accurate mileage from a second source (e.g., google maps). All reimbursements are subject to electronic approval from the executive director.

## **3. Check Signing Requirements**

All checks require one signature from either the executive director, executive assistant, or a board member who is an authorized check signer. If the check exceeds \$5,000.00, two signatures are required. Authorized signers are the executive director, executive assistant, foundation president, foundation vice president, and foundation treasurer. For internal control purposes, the check signing process must guarantee that there is not a conflict of interest, i.e., the individual signing the check is not the person receiving the check.

## **4. Void Checks**

Reasons for voiding a check include, but are not limited to, lost check, incorrect check, or printer problem. If a vendor requests a reissuance of a lost or stolen check, the accountant will process the request with the "stop payment" fee deducted from the check. If the check has been processed and updated in the computer system, it must be voided and either reissued or reversed to maintain accurate expenditure totals. Check must be stamped or nullified "VOID" and filed with copies of the canceled checks. Checks must be voided in Financial Edge system at year-end if there is a 7-month outstanding date.

### **b) Cash Receipts**

#### **1. Cash Log**

Foundation staff (other than the accountant) receive all checks or cash and creates a cash log with date, donor name, amount, and fund ID of the gift's designation. Each cash log entry is initialed by two foundation staff members other than the accountant. In the event that two foundation staff members are not available, one may be a qualified Wenatchee Valley College staff member (e.g., executive assistant, fiscal analyst, etc.) A scan of the cash log, checks received, and any check support documentation is then uploaded to SharePoint for digital

documentation. .

## **2. System Recording and Deposit**

All cash and checks will be forwarded to the foundation accountant physically and electronically. The foundation accountant will assign the proper revenue account and fund distribution, record this information in a new deposit in the treasury navigation bar in Financial Edge NXT, and complete a deposit slip in duplicate. The scanned check will be attached to each individual pertaining contribution. Deposits will be deposited at the bank by a foundation staff other than the accountant. Deposits are made on a regular basis (once a week on Thursday's) and/or as needed.

Funds received that do not have a designation listed by the donor are considered unrestricted and designated by the foundation board of directors.

## **3. Tax Receipts**

In a timely manner, the accountant or executive assistant will record gifts in the corresponding Network for Good constituent record. Tax receipts will be produced and mailed by the executive assistant. The executive director will personally recognize the gift via phone call, video message, or handwritten note.

## **4. Posting Entry**

The foundation accountant compares the recorded deposit entry total from Financial Edge NXT to the bank's deposit slip and, if totals match, then the entry is posted.

## **5. Filing**

Documentation for all cash, checks, other corresponding documents that were included with the check, and bank deposit slip will be scanned and saved in the secure folder in SharePoint: *Departments Files – Accounting – Cash Receipts – FY – Month – Listed by Deposit Number (Automatically Generated by Accounting Software)*

## **6. Online Payments**

Donor credit cards are automatically charged when they submit their gift via the foundation's online donation form through Network for Good. An automated e-receipt and "thank you for your gift" message is sent to the donors. Recurring gifts are automatically processed by Network for Good based on the start date and frequency selected by the donor.

## **VII. BANK RECONCILIATION**

Bank statements are accessed online through Cashmere Valley Bank's website by the foundation accountant. The monthly bank reconciliation is conducted by the foundation accountant, and the reconciled balance is compared to the general ledger. The executive director reviews the bank reconciliation by going over the checklist and signing the coversheet if he/she agrees. The reconciliation cover sheet, software reconciliation report, bank statement, cash log, and merchant service disbursement report will be filed in the drawer labeled "reconciliation" in the

corresponding month and fiscal year and scanned (saved in SharePoint in the appropriate folder). The prior month will be reconciled by the 25<sup>th</sup> of the following month.

The same reconciliation process will be followed for other financial accounts such as Stifel or Wells Fargo.

## **VIII. GIFT-IN KIND**

All in-kind gifts shall be documented and acknowledged in the appropriate form. Refer to the WVCF gift acceptance procedure for further detail.

## **IX. JOURNAL ENTRIES**

The foundation executive director has oversight of all journal entries. The batch validation report from Financial Edge NXT along with proper support is required by the executive director to electronically approve the journal entry batch in FE NXT. All journal entries require solid support documentation and must record their purpose and intention. The validation report and support should be attached to the proper journal entry batch via FE NXT before submitting for approval. The posted journal entry report from FE NXT should be stored electronically in the proper accounting folder in SharePoint: department files – accounting – journal entries – FY – month entry was created. After the prior month has been closed, reconciled, and presented to the budget and finance committee, any further adjusting entries must be communicated to the board. If changes are made after reports have been communicated to the full board, the board will be notified that year-to-date adjustments have been made.

## **X. INVESTMENTS**

The Community Foundation of North Central Washington holds the WVCF endowments and long-term funds. The WVCF accountant receives a monthly report with a breakdown of dividends, interest, realized gains/losses, unrealized gains/losses, administrative fees, investment fees, transfers, and gifts. A journal entry will be created monthly to apply the appropriate fees to the corresponding funds. Endowments will be invested for 1 full fiscal year prior to its first allocation.

Historically, WVCF has utilized Stifel and Wells Fargo for CD's and a Stifel account for liquidating stock gifts. Refer to the WVCF gift acceptance procedures for further procedure detail.

## **XI. PLEDGES**

Pledges will be recorded as they are received in the WVCF database.

## **XII. FUND AND ACCOUNT CLASSIFICATION**

The fund and account classifications are broken down into three categories and are identified with a 5-digit sequence as follows: unrestricted funds: 1 - - - - -; temporarily restricted: 2 - - - - - and permanently restricted: 3 - - - - -. All funds are overseen by the board of directors. The use of the unrestricted funds is at the discretion of the board. The temporarily restricted funds correspond to programs in the college and other one-time designated scholarships. Any gift received for a temporarily restricted fund is assessed a 5% fee. The permanently restricted funds are labeled as

endowments. The WVCF manages each endowment according to the contractual agreement signed by the executive director and the donor. All temporarily and permanently restricted funds must be administered in accordance with their contractual obligations, as applicable.

Based on the ASU update there should only be two classifications: without donor restrictions and with donor restrictions. Due to this update funds/accounts that have a “1” as a leading number are without donor restrictions and funds/accounts that have a “2 or 3” as a leading number are with donor restrictions.

### **a) Unrestricted Fund**

WVCF has three unrestricted funds (aka board designated funds). Unrestricted contributions of \$100,000 or more will be deposited into 1745. All other unrestricted contributions will be deposited into 1100.

#### **1. 1100 - General Support**

- Expenses are administration, programming, events, and gifts/grants/awards. All expenses are in alignment with the annual unrestricted budget approved by the board.
- Revenue is from unrestricted contributions, assessments/investments, and allocation from the WVC Foundation Endowment (1745).

#### **2. 1732 – Reserve**

- In alignment with the annual unrestricted budget approved by the board, transfer from 1732 to 1100 is initiated to cover expenses. Transfer is after the annual allocation from 1745 to 1100.
- Revenue is from investment activity. Additional contributions may be made to this fund by the public.
- The target balance for 1732 is three months of operating (administration, programming, and events) expenses.

#### **3. 1745 – WVC Foundation Endowment**

- This fund holds the assets from fund 1720 (Arneil, James & Kathleen Trust) and 1745 (Ted Zacher – Unrestricted Board Designated Fund). The board approved the consolidation of the two funds as a board-designated endowment in March 2021.
- Expense for this fund will follow the foundation endowment spending policy. The annual allocation will be made to 1100. At any time, the board may approve to allocate funds beyond the endowment spending policy target rate.
- Revenue is from investment activity. Additional contributions may be made to this fund by the public.

### **b) Donor Restricted Funds**

The foundation accountant, with assistance from the foundation's investment partners at the Community Foundation of North Central Washington, will provide information as stated on the endowment spending policy to the budget and finance committee by spring quarter. The budget and finance committee will determine the appropriate spending target per the endowment spending policy.

The foundation accountant will provide financial standing per fund to the foundation coordinator for annual reporting to the founder/advisor.

### **XIII. YEAR END CLOSE**

A separate "year-end checklist" is kept on file and will be used as a guide for the foundation accountant in year-end closing procedures. The document will be reviewed annually by the accountant, executive director, and board treasurer in advance of the closing of the fiscal year by the budget and finance committee.

### **XIV. DROP BOX**

The locked drop box, located near the front reception desk of the Wenatchi Hall administration wing, is checked for deposits daily by a foundation staff member other than the foundation accountant. Departments use this drop box to submit checks, cash, or invoices to WVCF. If any checks/cash are submitted, the proper "cash log" procedures will be followed.

### **XV. EMPLOYEE GIVING**

When staff/faculty choose to contribute to the foundation annual fund, they complete a payroll deduction form, which is submitted by foundation staff to the college business office for automatic withdrawal. At the middle of each month the business office remits a consolidated check for employee withdrawals along with a breakdown report. The check is deposited in the annual fund (operating) unless it contains instructions for a specific designation.

### **XVI. WVC FOUNDATION HOLDING ACCOUNT**

To reduce duplication of payment, most department expenses filter through the college business office. The college will apply the expenses to the foundation holding account (146 143 1U071) and request reimbursement at a future date. Before the department expenses are finalized, they require a fund balance confirmation by the foundation accountant and be accompanied by the executive director's signature.

### **XVII. WVC-WVCF ANNUAL AGREEMENT**

Per annual agreement with WVC, the college "shall employ, equip and provide supplies and office space" to foundation employees. See agreement for further details.

The foundation will supplement its operating budget (administration, programming, and events expenses) with funds available in 1100 – General Support.

## **XVIII. REMOTE OPERATIONS**

In the circumstance that the WVCF must operate remotely, staff will follow the following temporary fiscal procedures.

### **a) Donation Log**

A trusted foundation staff member who is not the accountant will check the mail and digitally scan the checks to the accountant and executive director. The accountant will retrieve the checks and deposit them. The group email between the staff member, executive director, and accountant will serve as the donation log during remote operations. The donation log (email chain) will be saved as PDF on the foundation shared drive. Staff will check mail on a weekly or bi-weekly basis.

### **b) Tax Receipts**

During remote operations, donors will be called or emailed by the executive director to inform them that their donation was received. The executive director will confirm the purpose and the amount of the donation verbally.

### **c) Journal Entries**

During remote operations, the foundation accountant will electronically attach the support along with the validation report to the corresponding journal entry batch, email the executive director the list of journal entries needed to be revised and approved. Using the attachments, the executive director will approve or deny the journal entry digitally through Financial Edge NXT (Blackbaud software). The physical signature for approval will be backdated to the date of the digital approval once the foundation is no longer operating remotely.

### **d) Reconciliations**

During remote operations, monthly reconciliations will follow the regular fiscal procedures. The foundation accountant will physically submit the reconciliation documentation to the executive director, who will then provide a physical signature to approve the reconciliations.