



MASTER GARDENER
FOUNDATION
OF YAKIMA COUNTY

FISCAL POLICIES & PROCEDURES

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I. PURPOSE OF THE MANUAL

This manual has been designed as a reference for volunteers and the Board of Directors (the Board) of the Master Gardener Foundation of Yakima County (MGFYC, the Foundation).

MGFYC was incorporated in 2003 in the state of Washington as a non-profit corporation. It is a tax-exempt entity under section 501(c)(3) of the Internal Revenue Code as administered by the Internal Revenue Service.

The main purpose of the Foundation is to enhance and supplement the efforts of the WSU Extension Master Gardener Program (WSU MG Program) in Yakima County by providing financial support. The Foundation is a separate legal entity from WSU MG Program and is governed separately as outlined in the Articles of Incorporation and the Bylaws of the Foundation. WSU MG Program is administered by Washington State University Extension and makes all decisions related to WSU MG Program activities.

The manual includes fiscal policies established by the Board of Directors of the Foundation and fiscal procedures designed to implement those policies and provide simple methods to manage the Foundation's financial affairs. This manual does not cover any fiscal or administrative policies related to the WSU MG Program.

The manual will be updated periodically to reflect changes and clarifications in policies and procedures. The Board will work with the Treasurer to update this manual as needed.

II. FISCAL MANAGEMENT POLICIES

A. Generally Accepted Accounting Principles (GAAP):

Except where noted, MGFYC follows Generally Accepted Accounting Principles (GAAP) for nonprofit organizations.

B. Basis of Accounting:

MGFYC uses the cash basis of accounting where revenues are recorded in the period in which they are received, and expenses are recorded in the period in which they are paid.

Circumstances may arise in the future where MGFYC may be required to use the accrual basis of accounting to comply with grant agreements or other regulatory requirements. The Treasurer will work with the Board and seek outside help, if needed, to make the appropriate change to the accrual basis of accounting.

C. Restricted Revenue:

The Foundation accounts for restricted revenue based on imposed restrictions by the donor or granting agency. These funds include funds restricted for a particular use or a specified period of time and funds that carry permanent restrictions (ie. endowment funds). The Foundation recognizes revenue and releases the related restriction when the imposed restriction has been satisfied by the performance of the defined activity or by the passage of the defined period of time.

D. Capitalization Policy:

MGFYC treats as a fixed asset for financial purposes the amounts paid for all tangible personal property (property) such as furniture, fixtures, equipment, software, and leasehold improvements, that exceeds \$2,500 per invoice (or per item as substantiated by the invoice); or the amount paid for property with an economic useful life of more than 12 months. Amounts paid for property meeting the criteria above will be recorded as fixed assets and depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

Pursuant to this policy, the full acquisition cost of property that does not meet these criteria will be expensed in the year of purchase.

E. Donated Materials, Equipment, and Services:

The Foundation records noncash contributions of tangible property as in-kind contributions. Noncash contributions are recorded at the fair market value on the date of donation. Fair market value is the price at which the item would be sold by a willing seller to a willing buyer.

Donated services provided by professionals in their professional capacity are recorded as "in-kind revenue" and "in-kind expense."

Other volunteer time is not recorded in accordance with generally accepted accounting principles.

F. Inventory:

MGFYC tracks inventory of all materials and supplies owned and used for MGFYC purposes. A physical inventory may be performed based on quantities and value of inventory held each year.

The Foundation does not track or maintain inventory records for materials, supplies and other tangible property held by the WSU Extension Master Gardener Program (MG Program) in Yakima County that were acquired with the financial support of the Foundation. This includes all inventory held by the MG Program at the Diagnostic Clinic and Demonstration Gardens.

G. Functional Expenses:

The Foundation uses distinct cost centers to record costs of its support to the various WSU MG Program activities and Foundation management functions. Each cost center contains the specific expense account line items needed to record the specific expenses of performing its respective functions.

H. General Ledger:

MGFYC maintains a complete double-entry General Ledger reflecting the complete chart of accounts and segregating costs by function and by restricted funding source requirements.

I. Budget:

The Foundation adopts a comprehensive organization-wide budget including the financial support to be provided to the WSU MG Program for each fiscal year. The budget reflects all anticipated revenues from all sources and all anticipated expenses. Formal adoption of the budget constitutes authorization for volunteers serving as team leads in the Foundation's and WSU MG Program's activities to incur budgeted expenses.

J. Financial Statements:

The Board of Directors receives a statement of financial position (balance sheet) and statement of activity (income statement) each month and presented by the Treasurer at the monthly Foundation meeting following the month for which the statements are prepared. The financial statements facilitate identification of restricted and unrestricted funds and comparison of actual revenues and expenses to budget.

K. Internal Financial Review:

The Board annually convenes a Financial Review Committee to perform an annual internal financial review of the Foundation's finances. The Treasurer or any other volunteer designated to assist the Treasurer with bookkeeping tasks shall provide access to the financial records, provide reports, and assist the Financial Review Committee as needed to complete the internal review. The Treasurer or any other volunteer designated to assist the Treasurer with bookkeeping tasks shall not take part in the actual procedures performed as part of the internal review to avoid any potential conflict of interest.

The Financial Review Committee is responsible for:

1. Working with the Treasurer to initiate and complete the internal review no later than May each year.
2. Conducting the internal review using guidelines established by the Board.
3. Providing a report to the Board with the findings and recommendations at the next Foundation meeting following the completion of the internal review.

L. Investments:

MGFYC follows the guidance contained in the Cash Management and Investment Policy to manage the Foundation's operating and excess cash reserves.

M. Insurance:

The Foundation carries general liability insurance to cover its property and activities at the various venues in which it operates as well as Directors and Officers insurance which covers the Board of Directors in their official capacity as officers of the Foundation.

N. Lines of Credit and Borrowing:

The Board with the approval of the Foundation general membership may entertain and recommend entering into borrowing agreements such as lines of credit or long-term debt financing with qualified lending institutions as needed. The President is authorized to sign borrowing agreements upon approval of the Foundation general membership.

O. Records Retention and Destruction

MGFYC follows the guidance provided in the Accounting Record Retention and Destruction Policy to retain and destroy accounting records of the Foundation.

III. PURCHASES AND DISBURSEMENT PROCEDURES

A. Check and Payment Processing:

Checks for expense reimbursements and other routine payables are processed at least once a month. Checks are prepared using the Foundation's chosen accounting software.

Routine payables include payments for utilities, insurance premiums, subscription renewals for post office box service, software licenses (QuickBooks, Zoom, Mailchimp) and other similar items. These payables may be set up for automatic payment using the Foundation's checking account information or the debit/credit card issued to the Treasurer.

MGFYC uses three-part check stock. The check document is the top portion, the detail which accompanies the check is under it, and at the bottom is the check stub which will be attached to supporting information for filing. Void checks are marked VOID. The voided check is retained in the file for reference and review.

The check stub/payment acknowledgement for each payment is attached to any invoice or supporting documentation and filed for reference and future review. (See Accounting Record Retention and Destruction Policy for further guidance of holding periods).

B. Expense Reimbursement Process and Approval

Those seeking reimbursement from MGFYC for Foundation or WSU MG Program-related expenses fill out an Expense Reimbursement Form to include details about payee, amount, and indication of cost center and expense category along with the supporting documentation substantiating the expense (receipts, invoices, etc.). The Expense Reimbursement Form must include the signatures of the person requesting the reimbursement and the person approving the reimbursement. Submission of expense reimbursements and the related approvals may be accomplished via electronic means to facilitate the reimbursement process.

All expense reimbursements must be approved by a Foundation representative or a WSU MG Program team leader. In circumstances where there are WSU MG Program teams or activities with no leader the expense reimbursement may be approved by the WSU MG Program Coordinator.

No additional approvals are required for certain amounts above any threshold or for any other circumstances as long as the expense reimbursement request is within the approved budget for the Foundation or WSU MG Program team requesting it.

Prior to processing the reimbursement, the Treasurer will check the balance of the budget for the specific line item and for the cost center overall to make sure the expense is within the approved budget for the year. If an expense request exceeds the budget for the line item, the Treasurer will work with the team leader(s) to reallocate budget amounts to the line item or code the expense to a different line item with sufficient budget to cover the reimbursement. If an expense request exceeds the budget for the cost center the Treasurer will notify the team leader(s) and ask that the team leader(s) add a request for a budget increase at the next monthly Foundation meeting. **Expense reimbursement requests will not be paid unless there is sufficient budget left to cover the requested amount.**

The preferred method of payment for expense reimbursements is direct deposit/electronic payment to the payee indicated on the Expense Reimbursement Form. To facilitate the payment processing, the Treasurer will obtain the required banking information from the payee to complete the payment. The banking information will only be used to setup a one-way direct deposit/electronic payment between the Foundation's bank and the payee's bank. The banking information provided (paper or electronic) will be destroyed once the direct deposit/electronic payment has been setup.

C. Check Signatures:

The Board authorizes check signers through Board resolution. Currently, the President and Treasurer are authorized check signers and authorized representatives on all the Foundation's banking and investment accounts.

The Treasurer is the primary check signer with the President acting as secondary check signer. Checks for properly approved expenses as detailed in subsections A and B of section III Purchases and Disbursement Procedures above only require one signature.

D. Distribution of Checks:

Once checks are signed, the stub and supporting documentation are separated for filing and the check is placed in envelope for mailing.

E. Filing Paid Invoices:

Once checks have been separated from paid invoices, the expense reimbursement request, supporting receipts or invoices, and check stub are stapled together and filed in the folder for the month in which the expense was paid. The documents noted here may also be scanned and electronically filed in a similar manner as the paper filing system.

IV. PROCEDURES FOR RECEIPT AND DEPOSITS FOR CASH AND CHECKS

A. Physical and Electronic Receipt of Funds:

The Treasurer or any other volunteer designated to assist the Treasurer with bookkeeping tasks retrieves the mail from the Foundation's post office box and sort the mail and separates all checks received. The checks are recorded in the Foundation's accounting system with appropriate coding indicating the nature of the funds, restrictions, and any other pertinent details. The checks are restrictively endorsed and deposited into the Foundation's bank account via any means available and convenient (mobile deposit, physical branch visit, mail).

The information received with checks, including any check stub or correspondence separated and filed in the folder for the month in which the funds were received and deposited.

Cash and checks received during special fundraising events such as plant sales are counted and checks restrictively endorsed and deposited at least once a day. The daily sales activity is recorded on the Foundation's accounting system and reconciled against the funds received and deposited.

Electronic payments made via the Foundation's website or via credit card processing during fundraising events are recorded in the Foundation's accounting system and reconciled in similar fashion as cash and checks.

The counting of cash and checks should preferably be performed by two people where one counter counts and the second verifies by performing a second count before the deposit summary is prepared.

V. MONTH-END CLOSING AND YEAR-END CLOSING PROCEDURES

A. Month-end Closing:

The Treasurer or any other volunteer designated to assist the Treasurer with bookkeeping tasks performs monthly reconciliations of all bank and investment accounts as part of the month-end closing process to aid in the preparation and presentation of the monthly financial statements to the Board.

The Treasurer or any other volunteer designated to assist the Treasurer with bookkeeping tasks makes journal entries necessary to adjust accounts as needed such as release of restriction and reclassifying net assets from net assets with restrictions to net assets without restrictions and recording noncash contributions. A report of the journal entries made as part of the month-end closing process is printed and filed in the folder for the month in which the adjusting journal entries were made.

B. Year-end Closing

The procedures for year-end closing process are similar to the month-end closing procedures and include additional journal entries made once a year such as the recording of depreciation expense for the year.

A report of the journal entries made as part of the year-end closing process is printed and filed in the folder for December.

VI. FINANCIAL STATEMENTS

The monthly financial statements include the statement of financial position (balance sheet) and statement of activity (income statement). The statement of activity includes both the current month and the year-to-date amounts and a comparison to budget.

The Treasurer has primary responsibility for monitoring the financial statements and alerting the Board about any budget overages or shortage of funds.

VII. BUDGET PREPARATION AND REVISION PROCEDURES

The Treasurer is tasked with drafting an annual budget for presentation to the full Foundation membership for approval. The budget is a comprehensive organization-wide budget including the financial support to be provided to the WSU MG Program for each fiscal year. The budget reflects all anticipated revenues from all sources and all anticipated expenses.

The Treasurer collaborates with Foundation and WSU MG Program team leaders to draft the annual budget. Budget meetings may be scheduled in person or virtually during the month of November to develop the budget. The Treasurer may use any other technology available to facilitate the collaboration and drafting of the annual budget.

The proposed budget shall be made available to the Foundation general membership at least 10 days before the December Foundation meeting.

The Treasurer presents the budget to the Board and full Foundation membership for discussion and approval.

When revisions to the annual budget are necessary, the Treasurer prepares an updated budget noting the revisions and presents the budget revisions to the Board for approval.

VIII. ANNUAL STATE AND FEDERAL FILINGS

A. Annual State Filings

The Treasurer shall file the required annual filings with the Washington State Secretary of State to maintain the Foundation's registration as active status as well the annual charitable organization registration allowing the Foundation to solicit funds and conduct fundraising activities.

B. Annual Federal Filings

The Treasurer shall prepare the required annual filing (form 990) with the Internal Revenue Service (IRS) to report the Foundation's activity for the year and comply with the federal requirements to maintain the Foundation's tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

The Treasurer may seek professional assistance to complete the preparation of the annual form 990 filing either on a pro bono or paid basis. The Treasurer shall incorporate any professional fees expected to be paid for the preparation into the annual budget and approved by the Board and full Foundation membership.

The Treasurer shall present the draft form 990 to the Board for review and approval before filing with the IRS.