Financial Policies and Procedures

Basic Policy Statement

Juneau Community The Foundation (Foundation) is committed to responsible financial management. The Board of Directors, Executive Director, and staff work together to make certain that all financial matters of the organization are addressed with care, integrity, and in the best interest of the Foundation.

The policy and procedural guidelines contained in this handbook are designed to:

1. Protect the assets of the Foundation.
2. Ensure the maintenance of accurate records of the Foundation’s financial activities,
3. Provide a framework of operating standards and separation of duties,
4. Ensure compliance with federal, state, and local government legal and reporting requirements.

The Executive Director of the Foundation has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board of Directors. Changes or amendments to these policies may be approved by the Board of Directors at any time. Every Director and every Administrator with fiscal responsibility is expected to be familiar with and operate within the parameters of these policies and guidelines.

Organizational Structure

The Juneau Community Foundation was incorporated in the State of Alaska in 2000. A biennial return and fee are filed with the State of Alaska, Corporations Section by June 30 of even-numbered years.

Responsible: Executive Director to file biennially.

The Foundation was awarded Section 501(c)(3) non-profit tax exempt status by the Internal Revenue Service and received final determination of status as a publicly supported organization under Section 509(a)1 and 170(b)(1)(A)(vi) in 2005.

Responsible: No further action required.

A charitable organization registration form and fee are filed with the State of Alaska Department of Law every year.

Responsible: Executive Director to file each annum by August 31.

A Return of Organization Exempt from Income Tax Form 990 is filed with the IRS every year.

Responsible: Board Treasurer

The financial policies governing the Foundation’s fiscal management are set forth in this Financial Policy. The routine operations and office procedures are delineated below.

Accounting Structure

The fiscal year shall be a calendar year, January 1 through December 31.

The Foundation uses the accrual basis of accounting.

A computerized double entry accounting system shall be used. The class function is used to show revenue and expenses for each fund and program. Due to the large number of funds and the complexity associated with earning allocations and distribution requirements, subsidiary spreadsheets will be maintained and information generated in these reports will be adjusted in the computerized double entry accounting system.

Computer file back-ups are performed daily and stored offsite.

Non-profit Tax Status

As a non-profit agency, the Foundation is exempt from city sales tax. The sales tax exemption certificate is permanent in the City/Borough of Juneau.

Responsible: No further action.

The Foundation is subject to Federal Social Security and Medicare payroll taxes. The Foundation is exempt from federal unemployment taxes (FUTA). The Foundation is subject to State of Alaska unemployment tax (SUTA) and files quarterly returns with Employment Security.

Payroll is currently processed by outside accounting firm.

Responsible: Executive Director.

Line of Authority

The Board of Directors has the authority to establish policies it deems to be in the best interest of the organization within the parameters of the organization’s articles of incorporation, bylaws, and federal, state, and local law.

The Executive Committee may exercise, when the Board is not convened, all of the powers of the Board of Directors in the governance of the organization except the authority to amend the bylaws; adopt a plan of merger or consolidation; sell, lease, exchange, mortgage, pledge or make any other disposition of all or a substantial portion of the property and assets of the organization.

The Treasurer and the Finance Committee have authority designated by the Board of Directors including but not limited to perform regular, in-depth reviews of the organization’s financial activity and oversee the development of the annual budget.

The Executive Director has authority designated by the Board of Directors including but not limited to the authority to; enter into contractual agreements within board designated parameters; employ and terminate personnel; determine salary levels of staff; create and amend operating procedures; make decisions regarding the duties and accountabilities of personnel; and, to make spending decisions within the parameters of the approved budget, including recommending bonuses to staff with funds available at year-end .

Indemnity Policy

The Foundation shall purchase and maintain insurance on behalf of any person who is serving at the request of the Foundation, as a Director, Officer, Employee, Agent, Staff, Volunteer or other enterprise, against liability asserted against him or her and incurred by him or her in such capacity, or arising out of his or her status as such.

Responsible: Executive Director.

Responsible: Board reviews adequacy of insurance annually, including types and costs of policies.

The Foundation currently has Commercial Property, General Liability, Crime, Commercial Auto Liability, Workers Compensation, Commercial Umbrella Liability, Employment Practices Liability, and Directors and Officers liability insurance coverages in place.

Investment Policy

The Foundation has established investment policies, which set forth the following:

* Define and assigns responsibilities of all involved parties
* Establishes clear investment goals and objectives of Fund assets
* Provide guidance regarding the investment of Fund assets
* Establishes a basis for evaluating investment results
* Provides guidance for managing Fund assets according to prudent standards and
* Establishes the relevant investment horizon for which the Fund assets will be managed.

The Board of Directors is the fiduciary of the assets of the Foundation. The Investment Committee monitors and advises the Board on investment management of Fund assets. It is the responsibility of the Investment Committee to review investment policies periodically. See individual investment policies for further discussion of guidelines, objectives and responsibilities.

Grantmaking Policy

The Foundation’s full Board of Directors determine all grants awarded. The Foundation has established the following review and approvals for grant recommendations:

Executive Director reviews and approves: grant recommendations of $5,000 or less

Executive Director reviews and recommends to the full board for approval all grant recommendations over $5,000.

Executive Director provides notice to all board members of grants, where board action is not otherwise taken. Before each board meeting, the Board is provided with a list of all grants that have been awarded since the last board meeting.

Board of Directors reviews the granting process and approves or changes the process providing authority to the Executive Director, Grant, Committee, Executive Committee to approve grants as needed.

Alternatively, the Board may approve a grant of any level at a Board meeting with a quorum. The Foundation has a Conflict of Interest Policy to restrict Board members from voting on grants in which they have a conflict of interest.

FINANCIAL CONTROLS AND OPERATING PROCEDURES

INTERNAL CONTROLS

The Foundation shall maintain a stringent policy of internal controls and separation of duties. Six key elements form the framework of the Foundation’s internal control policy as follows:

1) Employing competent, trustworthy people with clear lines of authority and responsibility,

2) Having adequate separation of duties

3) Having proper procedures for authorizing business transactions

4) Maintaining adequate documents and records

5) Having appropriate physical controls over assets and records

6) Conducting independent checks on performance

SEPARATION OF DUTIES

The term ‘Separation of duties’ means that one person’s work serves as a complementary check on another person’s work. The basic premise is that one person should not have complete control over an entire process or fiscal activity; (e.g., no one person should be able to prepare a transaction, approve it, process it and then reconcile outside records to the internal accounting system). Having adequate separation of duties has a major impact on ensuring that transactions are valid and properly recorded. Failure to adequately separate duties or provide comprehensive oversight when an adequate separation cannot be achieved can place assets or personnel at risk.

The Foundation shall abide by the general principles governing effective separation of duties as summarized below:

1) Separate custody of assets from accounting: Board Treasurer shall periodically review reconciled bank statements.

2) Separate authorization of transactions from custody of related assets: Executive Director will approve purchases, checks, or charges and provide documentation to accounting firm for processing. Executive Director will only sign checks when Board Treasurer and Board President are both unavailable.

3) Separate duties within the accounting function: cash receipts and checks will be received at main office and deposited into appropriate accounts. Copies of such shall be provided to accounting firm for recording.

Adhering to all these principles may not be possible due to resource limitations or other considerations; in these cases, the risk resulting from inadequate separation of duties should be assessed by the Executive Director to ensure that the level of exposure is acceptable. Compensating controls may exist to mitigate risk or additional resources may need to be sought out to enhance controls.

OPERATING PROCEDURES

Financial Planning & Reporting

Annual Budget Process

The board of the Foundation has important perspectives to bring to the annual budget discussion. Annual budget development should include a series of steps to enable the Foundation to develop a budget that is meaningful and understood by all board members. Note: Annual reviews for executive director by the board, and staff by the executive director must be completed and recommendations ready before the budget process begins.

**June Board Meeting**

Full board discussion on programmatic strategic goals and financial objectives. The board establishes some broad guidelines for the executive director to use as the executive director develops the budget. This could include member input and discussion on the following, that lead to specific guidelines:

1. Are there specific financial objectives that we want for next year? (e.g., include a specified surplus to build a reserve in keeping with our reserve policy)

2. Are there new projects, program expansions, changes in compensation, or benefits package that should be considered? (e.g., financial impact of adding a 403(b) or other retirement plan, of adding pre-tax or employer supported health benefits, of staff raises, financial impact of providing a specific amount of unrestricted annual funds raised to provide FOIF grants, or new software system to improve efficiency)

3. Is our dollar allocation generally in line with our goals and priorities as set out in our 2 Year Action Plan?

4. If additional funds are needed, how does the board propose raising them?

**July:** Staff prepares a draft budget, with comments about the financial implications of the broad guidelines, projections of anticipated revenue, expense, investment, and cash-flow needs, and suggestions to revise board guidelines regarding staff time, realistic possibility of increasing income, etc.

**August:** Finance Committee and executive director jointly review the draft budget through a couple of iterations and end up with a revised budget that meets some, but perhaps not all, of the board’s guidelines. For example, the budget may contribute only 2% to a 403(b) plan rather than 3% suggested by the board.

**September:** The Finance Committee presents the budget to the full board. The board can see the extent to which the guidelines are met and what implications there are for other parts of the budget. The board can then adopt the budget, request changes, or authorize the staff to proceed with the budget.

Through this process, the board and staff decide on the organization’s priorities, interpret its vision in operational terms, negotiate compromises, and agree to go forward together. This process would provide an opportunity for the board to add value to the budget process and bring their knowledge and leadership into the budget process.

Responsible: The Executive Director, Board President, and Finance Committee Chair will follow the Annual Budget Procedures and develop the budget using the Foundation’s standard revenue recognition and cost allocation procedures and present a draft budget to the Finance Committee at their August meeting, the Finance Committee will recommend a draft budget to the full Board of Directors, for their September meeting. **The budget will be reviewed, finalized, and adopted no later than the December board meeting.**

**Reserve Policy**

The Foundation shall maintain a reserve to ensure the smooth operation of the Foundation. The reserve shall consist of funds equivalent to the amount needed to cover expenses that increase 2% per year over five years following a 25% drop in market value in Year 1. The board recognizes that there are unknown unknowns beyond this magnitude, which we will not attempt to plan for with reserves, because it would result in excess reserves.

In January/February of each year, the Finance Committee and the Executive Director should review the cash reserves needed, to determine if any amount should be transferred to the Sustainability I Fund. The Finance Committee will make their recommendation to the full board for approval.

**Reserves Spending Policy**

The Reserves Spending Policy includes spending from reserves for the following reasons:

 (1) Ensuring smooth operations of the Foundation during a market downturn.

(2) Continuing a balanced budget for up to a 3-year period of such a downturn, to be revisited annually.

(3) Addressing one-time budget deficits and/or unplanned costs and expenditures.

(4) Reserve spending options to balance a budget short fall include:

- Using funds in the cash reserves.

- Using funds from the Sustainability I Fund as a last resort.

Internal Financial Reports

The Foundation’s Board of Directors contracts with an outside accounting firm (accountant) who serves as the primary accountant with responsibility for designing and maintaining the accounting system; reporting and filing taxes (Form 990 and payroll tax reports); preparation and analysis of financial reporting; compliance with federal, state, and municipal financial regulations; and adherence to generally accepted accounting principles.

Responsible: The Executive Director is responsible for oversight of the accounting firm.

The accountant provides monthly reports to the Executive Director, who distributes them to the Board Treasurer and Finance Committee covering, at a minimum, budget to actual revenue and expense statements. Balance sheet, and investment statements are provided quarterly.

The Executive Director shall include budget to actual comparisons in periodic financial reports to the Board, at board meetings.

Audit

The Board of Directors is responsible for securing an independent audit when required by either donor stipulations or federal or state grant thresholds. The Foundation’s financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The presentation of the financial statements shall follow the recommendation of the Financial Accounting Standards Board (FASB) No. 117, “*Financial Statements of Not-For-Profit Organizations*. Under GAAP, revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation are classified as unrestricted, temporarily restricted and permanently restricted, or as otherwise required by FASB.

Accounting Procedures

The Foundation’s accounting procedures follow generally accepted accounting principles to accurately record all financial transactions occurring in the organization in a manner that provides management with the needed information to make informed and timely decisions.

Revenue Recognition

All contributions will be recorded in accordance with GAAP, with specific attention to standards FASB 116 and 117. Contributions are recorded as pledged or received in accordance with FASB 116, and must be credited to the appropriate revenue lines as presented in the annual budget and coded as designated in the organization’s Chart of Accounts.

Executive Director and accounting firm review all revenues and indicate on the letter or copy of the check how the revenue shall be recognized (as earned/contributed, conditional/unconditional and restricted/unrestricted). If there is a question or uncertainty about how to recognize a particular contribution, the Executive Director will ensure that the donor is contacted to clarify the intent of the contribution.

The accountant is responsible for posting revenue to the general ledger in accordance with the determination made by the Executive Director.

Expense & Accounts Payable

Cash Disbursements

The Executive Director has responsibility for oversight of all cash disbursements. Separation of duties requires that the person preparing checks not be a check signer.

Check Payments

* The Executive Director codes and approves all invoices.
* The accountant prepares checks for approved expenditures, using pre-numbered checks.
* The checks and supporting documentation (approved invoices, check requests) are submitted to the Board President for review prior to signing.
* Check stubs attached to supporting documentation are retained in paid vendor’s file.

Payroll

All employees, exempt and non-exempt, are required to record time worked, vacation, and holidays.

Executive Director approves staff timesheets and submits all time sheets to accountant for processing.

Payroll is prepared monthly and pay date is the last business day of the month. Upon voluntary and involuntary termination, payroll is processed and distributed to the employee within three business days.

Executive Director has the authority to approve salary increases for staff, consistent with the budget recommended by the Finance Committee. Executive Director’s compensation is established by the Board of Directors. All payroll changes are provided to the accountant by the Executive Director.

Cash Receipts

Executive Director is responsible for oversight of check/cash receipting. Receipt of cash rarely occurs but when it does, a receipt is provided to the donor.

* All checks received through the mail are immediately restrictively endorsed and recorded by either Administrative Assistant or Executive Director. All receipts are tracked on a spreadsheet with the name of donor, amount donated, whether check, cash or PayPal, and when thank you letter was sent, if applicable.
* Bank deposits are prepared weekly or more often, if needed
* Executive Director or Administrative Assistant provides a copy of all checks/cash received, with donor name and fund designation to accountant for recording in accounting system. A copy of the check and donor letter are retained in a file.

Travel Reimbursements

Executive Director is responsible for approval of travel and travel reimbursements. The Foundation’s policy is to reimburse employees and other authorized individuals for necessary and reasonable travel expenses incurred for authorized business. The intent of this policy is that reimbursement be fair and equitable to both the traveler and the Foundation. The traveler must use economical and reasonable mode of transportation.

Journal Entries

The Foundation records all transactions as a journal entry, i.e., recording of deposits; distributions, allocation of earnings to the various funds.

Adjusting journal entries are recorded at year-end for asset and liability accruals.

Bank Reconciliation

* Bank statements are received and accessed electronically by accountant and Executive Director for Vanguard, Merrill Lynch, and Wells Fargo. Copies of the Vanguard and Merrill Lynch accounts are distributed to the accountant, Finance Committee members and Executive Director.
* Bank reconciliations are prepared by the accountant within 30 days of the close of the month.
* Bank reconciliations are periodically reviewed by the Board Treasurer

Physical Security

The Foundation maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities and other valuable property.

* Blank check stock is stored in a locked closet at accounting firm’s office.
* Accounting software is accessible only to accountant and requires a password to access.

Recordkeeping

The Foundation maintains all donor, personnel, corporate, accounting, tax, and grant-related files as required by applicable state and federal regulation and granting agency requirements. If warranted, all archived files are kept locked and confidential until their destruction if warranted by the passage of required time periods. All active and inactive donor files are always kept locked, check stock and all other confidential or private information is kept locked and may only be accessed by authorized personnel.

Business Record Retention Schedule

See separate Records Retention Policy.