



The Prairie Enthusiasts, Inc.

**ACCOUNTING POLICIES AND
PROCEDURES MANUAL**

Approved by the Board of Directors May 20, 2020

Approved by:

Finance Committee _____
Alice Mirk, Chair

Date: _____

Board _____
Scott Fulton, President

Date: _____

TABLE OF CONTENTS

1.00	BACKGROUND INFORMATION.....	5
	<i>Also, please see TPE Policies and Procedures Handbook, Part I, and the TPE Chapter and Central Treasurers' Handbook.</i>	
2.00	CHART OF ACCOUNTS	6
	2.10 Accounts	
	2.20 Classes	
	2.30 Jobs	
3.00	ACCOUNTING PRINCIPLES AND PROCEDURES	7
	3.10 Policies	
	3.20 Procedures	
	3.21 Revenue Recognition	
	3.22 Matching of Revenues and Expenses	
	3.23 Fixed Assets and Depreciation	
	3.24 Donated Materials and Services	
	3.25 Data Cutoff	
	3.26 Deviations from GAAP	
4.00	CASH DISBURSEMENTS.....	10
	4.10 Policies	
	4.20 Procedures	
	4.21 General Cash Disbursements	
	<i>Also please see the TPE Chapter and Central Treasurers Handbook</i>	
	4.22 Payroll	
5.00	CASH RECEIPTS.....	12
	5.10 Policies	
	5.20 Procedures	
	<i>Also please see the TPE Chapter and Central Treasurers Handbook</i>	
6.00	BANK RECONCILIATION	13
	6.10 Policies	
	6.20 Procedures	
	6.21 Checking and Money Market Accounts	
	6.22 Investment Accounts	
7.00	END OF MONTH ACCOUNTING PROCEDURES.....	14
	7.10 Policies	
	7.20 Procedures	

TABLE OF CONTENTS (continued)

8.00	END OF YEAR ACCOUNTING PROCEDURES	15
	8.10 Policies	
	8.20 Procedures	
	8.21 General	
	8.22 Audited Financial Reports	
	8.23 Informational Returns	
9.00	ALLOCATIONS.....	17
	9.10 Policies	
	9.20 Procedures	
	9.21 Grants Overhead Rates	
	<i>Also please see the TPE Chapter and Central Treasurers Handbook.</i>	
	9.22 Insurance Expense	
	9.23 Overhead	
10.00	<u>INCOMING GRANTS</u>	<u>19</u>
	<i>Please see the TPE Chapter and Central Treasurers Handbook.</i>	
11.00	INVESTMENTS	20
	11.10 Policies	
	11.20 Procedures	
	<i>Also please see TPE Investment Policy.</i>	
12.00	DEBT	21
	12.10 Policies	
	12.20 Procedures	
13.00	DONOR RESTRICTED NET ASSETS – SHORT TERM	22
	13.10 Policies	
	13.20 Procedures	
14.00	<u>DONOR RESTRICTED NET ASSETS - ENDOWMENT.....</u>	<u>24</u>
	<u>14.10 Policies</u>	
	<u>14.20 Procedures</u>	
15.00	<u>BOARD-DESIGNATED ENDOWMENTS.....</u>	<u>26</u>
	<u>15.10 Policies</u>	
	<u>15.20 Procedures</u>	
16.00	<u>LAND ACQUISITIONS AND EASEMENTS</u>	<u>27</u>
	<u>16.10 Policies</u>	
	<u>16.20 Procedures</u>	
	<i>Also please see TPE Policies and Procedures Handbook, Standard 2, Parts A-C.</i>	

TABLE OF CONTENTS (continued)

17.00	PROPERTY AND EQUIPMENT INVENTORY	28
	17.10 Policies	
	17.20 Procedures	
	<i>Also please see the TPE Chapter and Central Treasurers Handbook.</i>	
18.00	INTERNAL CONTROLS AND FINANCIAL AUDIT	29
	18.10 Policies	
	18.20 Procedures	
	<i>Also please see the TPE Chapter and Central Treasurers Handbook.</i>	
19.00	<u>BUDGETING.....</u>	<u>30</u>
	<u>19.10 Policies</u>	
	<u>19.20 Procedures</u>	
20.00	<u>COMPLIANCE</u>	<u>31</u>
	<i>Please see TPE Policies and Procedures Handbook, Standard 2, Parts A-C.</i>	
21.00	ACCESS TO RECORDS, RECORDS RETENTION AND RECORDS BACKUP	32
	<i>Please see TPE Policies and Procedures Handbook, Standard 2, Part D.</i>	
22.00	<u>MAINTAINING THIS MANUAL.....</u>	<u>33</u>
	<u>22.10 Policies</u>	
	<u>22.20 Procedures</u>	
	APPENDIX A – ACTIVE ENDOWMENTS	34

1.00 BACKGROUND INFORMATION

TPE will employ a Bookkeeper to execute day-to-day financial transactions of the organization, maintain bank accounts, track project activity, and communicate with and report to the chapters. TPE will also contract with an Accountant to oversee this activity, make certain accounting entries, produce board reports, and assist with other activities as requested.

In addition to this manual, TPE maintains a Chapter and Central Treasurers' Handbook. This document aims to standardize accounting related procedures across chapters, and clarify roles and responsibilities of the chapters and the central office.

The Central office maintains bank accounts and accounting records in QuickBooks for all chapters. Due to its location outside Wisconsin, the NIPE chapter maintains its own bank accounts and accounting records, and forwards a monthly general ledger to Central for review and inclusion in QuickBooks.

For more organizational and background information, please see TPE Policies and Procedures Handbook, Part I, and the TPE Chapter and Central Treasurers' Handbook, Parts 1 and 2.

2.00 CHART OF ACCOUNTS

2.10 Accounts

Assets 1xxxx Cash Accounts Receivables Prepaid Accounts Endowments Land & Land Improvements Fixed Assets Other Assets	Revenues 4xxxx Contributions Grants & Contracts Sales, Rents, Other Inc Other Income Released from Restriction
Liabilities 2xxxx Accounts Payable Accrued Payroll & Payroll Taxes Payable Unearned Income Deferred Revenue Notes Payable	Expenses 5xxxx-8xxxx Personnel Expenses Contracted Services Fees & Services Meetings & Programs Operating Expense Land Management
Net Assets (Fund Balance) 3xxxx Unrestricted Donor Restricted – Temp Donor Restricted – Perm	Restricted Sources & Uses 9xxxx Sources of Income Permanent Temporary Uses of Funds Temporary

2.20 Classes

QuickBooks classes are used to designate chapters for the purpose of tracking income and expense.

2.30 Jobs

QuickBooks jobs are used to designate projects, grants, or land holdings for the purpose of tracking income and expense. Outside of QuickBooks, job codes are referred to as Fund Codes.

3.00 ACCOUNTING PRINCIPLES & PROCEDURES

3.10 Policies

The accounting principles of TPE will be consistent with all applicable laws. These include: Generally Accepted Accounting Principles (GAAP), Statements of Financial Accounting Standards Numbers 93, 116 and 117, SOP 87-2 on Joint Costs, SOP 94-2 on the applicability of the accounting rules to nonprofits, and SOP 98-3 on accounting for federal awards. TPE follows modified GAAP during the year, with a small number of journal entries required at year-end (if material) to bring QuickBooks in full compliance with GAAP.

3.20 Procedures

3.21 Revenue Recognition

Contributions are recorded as revenue in the period received or the period in which a pledge is received. Any pledges receivable are closely reviewed each month to determine whether the amount is still collectible and whether the balance of the pledges receivable is adequately reserved with the allowance for doubtful pledges.

Rents are recognized in the period for which the rent is paid. Any rents receivable are reviewed monthly to determine if the amounts are collectible and to review what collection actions are being taken.

Grants which are classified as exchange transactions with the grantor are recognized as revenue when the grant money is earned. This is generally determined by the costs reportable to the grantor. Each grant is set up as a separate fund code (job) to allow for accurate and consistent recording of the expenses of each grant.

3.22 Matching of Revenues and Expenses

In order to present accurate and consistent financial statements, the revenues and expenses attributable to each period will be reflected in that period to the degree possible. Generally, all entries required to accurately reflect the revenues and expenses of each period will be made in that period.

The organization records transactions on the accrual basis of accounting, with some exceptions (see below).

3.23 Fixed Assets and Depreciation

All equipment and other fixed assets costing in excess of **\$5,000** will be recorded as an asset. Expenditures which extend the useful life of an asset fall within capitalization policy.

All capital assets are depreciated over their estimated useful lives. The straight line basis is used, with depreciation charged beginning in the month that the asset is placed in service. Useful life may be adjusted for used assets. Some sample estimated lives for new assets are:

Computers and related equipment	-- 3 years
Tractors and farm implements	-- 3 years
Office furniture & fixtures	-- 5 years
New cars and light trucks	-- 5 years
Parking lot and landscaping	-- 10 years
Building & building improvements	-- 40 years

All capital assets purchased with grant or other restricted funds are cataloged.

See Section 16 for property and equipment inventory and management.

3.24 Donated Materials and Services

Chapters report all in-kind donated materials to Central office to be recorded in the accounting records. In compliance with SFAS 116, certain services are recorded as in-kind revenues and expenses. Such services would be professional services that would otherwise have been purchased, provided by a person whose work would normally include providing those services.

Any donated assets which would meet the definition to be capitalized, outlined above in Section 3.23, are recorded as revenue and as a fixed asset.

3.26 Data Cutoff

In order to meet the deadlines for producing reports discussed in Sections 7 and 8, the gathering of information to use in making the month end entries must be terminated by a fixed date.

The monthly financial statements are due to the Finance Committee within two weeks after the month end to review for the board. For these reports a data cutoff of one week is used. Any payables or other information not available by one week after a month end are classified in the next period. The Accountant may need to use estimates if final information is not available for a material transaction.

The year-end financial statements are due to the Board six weeks after year end. For these reports a data cutoff of four weeks is used. Since the year end is the most important period cutoff, the general ledger will continue to be held open for additional material transactions through the conclusion of the audit fieldwork.

3.27 Deviations from GAAP

Deviations from GAAP are as follows:

- Insurance payments for chapter barns are charged directly to the chapter on the date billed and not amortized over the premium period.
- Accounts payable is bypassed when paying vendors. Expenses are dated with the check date instead of service date. (The only exceptions are the accrual for payroll taxes, which is generated by QuickBooks, and credit card bills.)
- Expenses charged to credit card are dated with the statement date instead of service date.

4.00 CASH DISBURSEMENTS

4.10 Policies

Purchases may be initiated by any Central staff member, Chapter Treasurer or Chapter Chair. The Bookkeeper will maintain the accounts payable system.

The Executive Director will be empowered to spend any amount for goods and services approved in the budget. Unbudgeted spending greater than \$5,000 must be approved in advance by the Finance Committee.

Purchases of contractor services should be limited to contractors who provide Certificate of Insurance verifying Commercial Liability and Workers Compensation insurance before a contract is entered into. Workers Compensation and other costs attributed to hiring an uninsured contractor will be charged back to the chapter responsible (see Section 9).

The positions authorized to sign checks will be: Executive Director, Board President, and Board Treasurer. Only one signature will be required on checks. Anyone signing a check must review and initial the supporting invoice or other documentation.

Individuals may not sign a check payable to themselves. Exception is made for the ED to sign checks to him/herself on vouchers prepared by bookkeeper.

Requests to transfer funds between bank accounts will be initiated by the Bookkeeper with approval from the Executive Director. Requests to transfer funds from the investment portfolio require the signature of both the Executive Director and Accountant.

The Bookkeeper will determine payroll amounts based on timesheets and authorized rates. The Bookkeeper will prepare the payroll checks in compliance with federal, state and local laws and guidelines. The pay rates used to prepare payroll will be based on signed memos from the Executive Director. The salary for the Executive Director is based on a signed memo from the Board President.

The Accountant will periodically review bank statements and reconciliations, online bank accounts, and financial statements to assure compliance with policies. In addition, auditors will review related documents during the annual audit.

4.20 Procedures

4.21 General Cash Disbursements

Transfers from the investment portfolio are initiated by the Accountant via email to the Executive Director. Both the Accountant and Executive Director sign the email instructions that are forwarded to the Portfolio Manager.

For other cash disbursements, please see the TPE Chapter and Central Treasurers' Handbook.

4.24 Payroll

The Executive Director forwards approved timesheets to the Bookkeeper at the end of each month. The Bookkeeper totals up the timesheets and enters them into QuickBooks. Checks not direct-deposited are printed and presented to the Executive Director for review and signature. Payroll is processed monthly through QuickBooks and distributed by the 6th of each month.

5.00 CASH RECEIPTS

5.10 Policies

Except for the Northern Illinois Prairie Enthusiasts chapter (NIPE), which has a local bank account, all donations will be forwarded to the Central office for recording and deposit.

The person who opens mail will restrictively endorse (stamp) all checks when received.

The bank deposit will be made at least weekly by the Bookkeeper, depending on volume and size of deposit, and presence of cash. Checks are deposited electronically if possible.

If the Bookkeeper is unavailable to perform these duties, the Executive Director will carry them out.

5.20 Procedures

The Communications Coordinator opens mail and creates the cash receipts log and stamps the checks. The Bookkeeper deposits checks electronically. The Bookkeeper enters donation data into the contact management database (Timberlake). Each week, the Communications Coordinator reconciles the Timberlake reports with the check log.

When cash is received, the Executive Director exchanges the cash for a cashier's check for deposit.

Scanned check images are saved, and physical checks are stored in daily receipts files. The Bookkeeper uses the stamped checks, accompanying documentation, and the cash receipts log to determine account coding and enter the cash receipts into QuickBooks.

The Bookkeeper deposits checks intended for the investment portfolio, and transfers the funds to the Portfolio Manager as soon as possible. The Bookkeeper communicates fund details to the Portfolio Manager and the Accountant.

The Accountant reviews bank statements, reconciliations, and check images monthly (see Section 6). The auditor compares check logs and bank statements as part of the annual audit.

Please see the TPE Chapter and Central Treasurers' Handbook for more specific procedural information related to Chapters.

6.00 BANK RECONCILIATION

6.10 Policies

Bank statements will be downloaded monthly by the Bookkeeper and reconciled no more than five days after receipt of the statement. The general ledger and the reconciled bank statements will be adjusted to agree monthly.

The bank statements will also be downloaded by the Accountant, who will review the check images for unusual items or changes. The Accountant will also review reconciliations for completeness and unusual activity.

6.20 Procedures

6.21 Checking and Money Market Accounts

Upon receiving the bank statements, the Bookkeeper prepares the monthly bank reconciliations in QuickBooks. A journal entry may need to be posted for items on the bank statements which are not already recorded in the general ledger. These reconciling items may include interest earned, service charges, NSF checks, direct deposits and other debit or credit memos.

After the general ledger is reconciled to the bank statement, the monthly bank statement and cancelled checks and other forms and the actual reconciliation form are filed in the bank reconciliation file.

The Accountant reviews bank reconciliation reports in QuickBooks.

6.22 Investment Accounts

Trust and endowment bank statements are reconciled by the Accountant. At the end of each quarter, the Accountant downloads bank statements. Income and expenses are allocated to the various endowment Trust accounts, and journal entries are prepared and entered into QuickBooks. Printed copies of the statements are mailed to the central office for review by the Executive Director and filed.

7.00 END OF MONTH ACCOUNTING

7.10 Policies

The Accountant will prepare the monthly financial statements, to include Statement of Financial Position, Performance to Budget, and reconciliations of Restricted Net Assets. The Accountant will reconcile all balance sheet accounts monthly.

The Executive Director and Finance Committee will accept the financial statements before being sent to the Board of Directors.

The Board of Directors will accept the monthly financial statements.

7.20 Procedures

The cutoff for information in the monthly statements is seven work days after month end.

Upon completion of the monthly bank reconciliations, the Bookkeeper formulates journal entries needed to complete the month. Some journal entries are determined and maintained in QuickBooks by the Accountant. These include investment activity, accruals and relief of prepaid expense.

The Bookkeeper maintains files which document grant billings and project/program spending.

The Accountant maintains files which document the balance of each balance sheet account. All balance sheet accounts are reconciled monthly to help ensure that accurate statements are provided to management and the Board.

Once the final general journal entries are posted, the monthly financial statements are prepared by the Accountant. The financial statements are delivered to the Board of Directors within three weeks after the end of the month.

The year-end financial statements may be delayed for additional procedures (see Section 8.0).

8.00 END OF YEAR ACCOUNTING AND AUDIT

8.10 Policies

The Accountant will prepare the year-end financial statements.

The Accountant and Bookkeeper will share responsibility for preparing for the annual financial audit and for working with the external accountants to complete the audit and informational returns.

The Accountant and Executive Director will review the reports prior to filing them to ensure that they are accurate and do not indicate any potential problems with the tax status or fundraising license of TPE.

The Executive Director and Finance Committee will accept the financial statements before being sent to the Board of Directors. The financial statements should be delivered to the Executive Director and Finance Committee at least one week prior to the mailing of the Board packet in order to facilitate this review.

The Board of Directors will accept the year-end financial statements.

The Bookkeeper will arrange to move records from the year which is closing to storage as indicated by the record retention policy.

8.20 Procedures

8.21 General

The cutoff for December financial statements is extended to six weeks after year end. With this exception, procedures are identical to month-end.

8.22 Financial Audit

The Executive Director signs the audit engagement letter to begin planning the scheduling and work needed to complete the audit, and ensures that adequate space is provided for the independent accountants to work onsite.

The Accountant and Bookkeeper are responsible for preparing as many of the schedules needed by the auditors as possible. The completed monthly reconciliations for December partially fulfill this requirement.

The Bookkeeper and Accountant are available at all times throughout the audit to facilitate the work of the independent accountants. The Executive Director schedules time to meet with the independent accountants as needed during the audit.

The Accountant and Executive Director plan a meeting with the independent accountants at the end of the audit to discuss any issues raised, review the adjusting journal entries, evaluate the audit process and plan improvements for the following year.

8.23 Informational Returns

As a 501(c)3, TPE is required to file the following annual informational returns:

- IRS Form 990, due May 15 (extension may be filed)
- IRS Form 990T and WI Form 4T, due May 15 (may be required),
- Illinois Attorney General's Office Charitable Organization Annual Report and registration renewal, due June 30
- Wisconsin Department of Financial Institutions, Charitable Organization Registration Renewal, due July 31
- Minnesota Attorney General's Office Charitable Organization Annual Report and registration renewal, due July 31
- Wisconsin Department of Financial Institutions, Supplement to Financial Report, Form 1952, due September 30

The IRS forms are due May 15 (four and one-half months after year end). If the forms are not ready, an extension may be requested for an additional 3 months using form 2758.

The Wisconsin form must have the completed 990 and 990A attached and is due September 30. No extensions are granted on this filing. If donations from the general public, including federated fundraising and foundation grants, exceed \$100,000, the annual audit will need to be included with the Wisconsin form.

The Form 990 and Form 1952 are completed by the external auditing firm that performs the annual audit. Data needed for these submittals are gathered at the time of the audit. The Bookkeeper and Accountant may be asked to provide information and analyses to complete these forms.

The Accountant and Executive Director review the activity of the prior year to determine if there was any unrelated business income. Such income would include newsletter advertising, sales of the mailing list, sales of items not related to our exempt purposes and debt-financed rental income not received as part of performing the exempt purposes. The unrelated business income tax form is 990T for the IRS and 4T for Wisconsin. Gross unrelated business income in excess of \$1,000 requires that a return be prepared, even if the activity is not profitable. Generally, the 990T and 4T will be prepared by the independent accountants. The due date for these returns is May 15, with an automatic extension of 6 months using form 7004.

9.00 ALLOCATIONS

9.10 Policies

Workman's Compensation insurance will be allocated to chapters based on exposure to risk. Auto/Property Insurance will be allocated to chapters based on assets.

TPE may be required to follow various guidelines for allocating income and costs which benefit more than one program or grant. Grant proposals should include an administrative fee, unless otherwise directed by the grantor (e.g. Uniform Grants Guidance).

INTERNAL OVERHEAD ALLOCATIONS

The objective of this policy is to ensure that the organization's core support services (Chapter Support) are adequately funded in an equitable, transparent and sustainable manner that balances the needs of local chapters and the larger organization. This will be accomplished through the application of overhead charges appropriate for the type of income received.

A. Membership and general donations from assigned members will be directly attributed to the chapter. Contributions restricted or directed to the chapter by the donor will be directly attributed to the chapter. Non-assigned and non-directed donations will be attributed to Chapter Support.

B. Overhead rates will be applied to three pools of chapter income (see exclusions):
#1 – Membership and general donations
#2 – Contributions for non-grant land acquisition
#3 – All other contributions and income (includes grants, rents, events, fee for service, grants, restricted contributions, sale of goods, and distributions from endowments)

C. Exclusions: Policy does not apply to investment income, in-kind, annual conference income, endowment contributions, and land acquisition grants that do not specifically allow administrative fees.

D. The overhead rate for pools #2 and #3 will be fixed rates of 5% and 10% respectively. Pool #1 will be assessed a variable rate sufficient to cover the remaining Chapter Support budget.

E. The variable rate will be the same percentage for each chapter.

F. Temporarily restricted donations will be assessed an overhead charge on the full amount of donation when received, versus when released from restriction.

G. The fixed rate allocation amount will be **capped at \$10,000 per donation**, grant or other income assessed a fixed allocation rate; i.e., the allocated amount from donations greater than \$200,000 (at 5%) or \$100,000 (at 10%) will be \$10,000. This cap is applied to each donation separately.

H. If Chapter Support incurs a Net Operating Loss at year-end, an additional overhead charge (“true-up”) may be levied on Pool #1 sufficient to cover the loss. Disposition of Net Operating Income will be returned to chapters in the same manner. Net Operating Income or Loss is defined as unrestricted net income or loss before depreciation and investment gains/losses. The Finance Committee has the authority to waive immaterial true-up adjustments.

I. Changes to the fixed overhead rates will be recommended by the Finance Committee for approval by the Board of Directors. The initial variable overhead rate will be set by the Board of Directors in January. Mid-year adjustments to the variable rate, as well as the “true-up”, may be authorized by the Finance Committee without Board approval provided that the change conforms to the stated policy.

9.20 Procedures

9.21 Grants Overhead Rates

Please see the TPE Chapter and Central Treasurers Handbook.

9.22 Insurance Expense

Workers Compensation and auto/property insurance premiums are allocated to the Chapters by the Bookkeeper at the time the bill is received, and charged back to Chapters via release of the prepaid insurance accrual by the Accountant.

9.23 Income Allocations

1. The bookkeeper records and transfers income allocations per policy between chapter and Chapter Support at the time income is recorded. The Accountant reconciles allocations monthly.
2. At year-end, the Finance Committee is requested to approve an additional variable rate to be applied to income pool #1 to cover the remaining Chapter Support budget, if needed.
3. The Finance Committee monitors Chapter Support Net Operating Income via monthly reports and may adjust variable rates mid-year if needed.

Please also see Section 14.00 Donor Restricted Net Assets - Endowment

10.00 INCOMING GRANTS

10.10 Policies

Grants of \$100,000 or greater must be approved by the Board of Directors prior to submitting the application to the grantor. The purpose of this policy is to carefully assess the potential impact of administrative requirements and confirm that the grant fits our mission.

10.20 Procedures

Chapter notifies the Executive Director of their intention to apply for a grant meeting or exceeding the threshold, providing as much description of the grant as possible. The Executive Director schedules discussion with the Finance Committee at the next possible opportunity, including staff or other affected parties as necessary. The result of the Board's decision is communicated back to the Chapter. When the final application is submitted to the grantor, the Chapter forwards a copy to the Executive Director.

Please also see the TPE Chapter and Central Treasurers Handbook.

11.00 INVESTMENTS

11.10 Policies

Gifts of stock or other equity or bond instruments will be liquidated on receipt, with the proceeds deposited in the appropriate checking or investment account to be invested according to TPE Investment Policy.

All portfolios will be invested in accordance with TPE Investment Policy. These funds may be comingled in a single portfolio unless prohibited by the Agreement.

The Finance Committee will appoint a Portfolio Manager to invest, monitor and re-balance the portfolio as needed.

Also please see separate TPE Investment Policy.

11.20 Procedures

TPE maintains money market accounts at the same bank where the checking account is maintained. Certificates of deposit may also be used to invest excess cash. The Bookkeeper requests the transfer of funds or setting up new certificates of deposit based on projected cash flow requirements.

Endowment funds, and any other cash designated by the Board, are maintained in a money market account, certificate of deposit, or passive investment portfolios. The Bookkeeper initiates transfers of funds into the investment portfolio as needed. The Accountant or Executive Director initiate and both must approve transfers of funds out of the investment portfolio.

The Accountant records investment activity for the designated and endowment funds quarterly, and maintains a model that tracks value by quarter and calculates allowed distributions. This model is reviewed by the Executive Director quarterly. Please see Section 13 below for more information.

The Portfolio Manager informs the financial institution as to how contributions and distributions are to be allocated within the portfolio. The Portfolio Manager examines the status of the portfolio diversification quarterly, and informs the financial institution of changes needed to keep diversification within the ranges specified in the Investment Policy. The Portfolio Manager prepares a quarterly report for the Finance Committee that includes diversification and portfolio performance compared to benchmarks.

12.00 DEBT

12.10 Policies

Board approval will be required before incurring any debt of TPE other than operating trade payables and budgeted payroll payables. The Executive Director will be authorized to negotiate such debt as needed by the Board of Directors.

Any loan covenants and restrictions will be reported to the Board when the debt is authorized. The Accountant will periodically review these covenants and report to the Executive Director if there are any violations or potential violations of the covenants.

12.20 Procedures

The Executive Director and Board President or Treasurer sign any debt agreements after receiving full Board approval.

The Accountant reconciles the general ledger debt balances to statements or amortization schedules each month, and records accrued interest in the general ledger as needed.

13.00 DONOR RESTRICTED NET ASSETS – SHORT TERM

13.10 Policies

TPE may receive restricted donations for a specific limited-term purpose as directed by the donor. These funds will be tracked by chapter and project and reconciled monthly. Donor restricted net assets will be reported as “restricted” in accordance with SFAS #117 and FASB ASU No. 2018-08 Topic 958.

At time of receipt, TPE Chapter Support may charge an overhead fee to cover the cost of tracking the funds. Executive Director has discretion to waive this fee. (*See Section 9.*)

Distributions from restricted donations will be subject to the TPE’s approval requirements but do not require Board approval. Distributions from endowment accounts are subject to different requirements (*see Section 14*).

TPE representatives may solicit funds for restricted accounts at their sole discretion.

TPE will accept restricted funds and gifts established by individual donors or other contributors for land conservation purposes within TPE’s mission on the terms and conditions contained in this policy. Gifts accepted by the organization are subject to the Gift Acceptance Policies of the organization.

Gift restrictions must be clearly documented and approved by the Executive Director. Online donations using defined restriction choices are considered adequately documented. Gifts that arrive through other means must have written documentation of acceptance and approval. A Gift Agreement form is required for donations of **\$1,000 or greater**. Only one Gift Agreement form is needed for repeating restricted donations if the donor references the Agreement in subsequent donations.

Any organization representative may provide the Gift Agreement form to a prospective donor, but only the Executive Director may authorize the gift (i.e. sign the form) on behalf of TPE. Unusual restrictions, based on Executive Director’s judgment, require approval of the Gift Acceptance Committee. (*See Gift Acceptance Policy.*)

Restricted funds with limited-term donor restriction may be comingled in bank accounts with unrestricted funds.

13.20 Procedures

Restricted donations received through online donation options are recorded immediately.

Restricted donations received through other means and not accompanied by a signed Gift Agreement form requires further processing. The Bookkeeper notifies the Executive Director and holds the deposit until the signed form or alternative documentation is received.

The Executive Director forwards the restriction request, before approval, to the Gift Acceptance Committee if necessary. If a restriction is rejected, the donation is returned to the donor.

Upon receipt of documentation, the Bookkeeper then deposits the restricted donation, assigns a job code, and adjusts the Restricted Net Assets account. The Bookkeeper maintains a file of Gift Agreements and other documentation.

The Bookkeeper confirms that funds are available before processing requests for distribution, and again adjusts the Restricted Net Assets account. The Bookkeeper reports project activity and balances to the Chapters monthly.

The Accountant maintains records of contributions and disbursements by project, and reports a summary status of all projects in the monthly financial reports to the Finance Committee and Board of Directors. The Accountant also reconciles project balances to the Restricted Net Assets account monthly.

In addition to direct contributions, TPE holds temporarily restricted assets resulting from growth of permanent endowments. (*See Section 14.*)

14.00 DONOR RESTRICTED NET ASSETS - ENDOWMENT

14.10 Policies

TPE may accept endowments established by individual donors or other contributors for risk management or land conservation purposes within TPE's mission on the terms and conditions contained in this policy. Gifts to be placed in endowments are subject to the Gift Acceptance Policies of the organization.

TPE may solicit funds for restricted accounts. Donor-restricted endowment accounts must be established with a signed Endowment Gift Agreement.

Contributions to permanent endowment funds will be held in perpetuity, and distributions may only be made from earnings and market gains ("growth"). Annual disbursements from permanent endowments are allowed, calculated as 4% of the twelve quarter average principal amount (13-point average) in the endowment, measured on December 31st of the preceding year. In no case shall a disbursement be made which would cause the principal balance to drop below the value of donated funds.

The entire balance of a temporary endowment fund (e.g. Legal Defense) is available for distribution as needed, in accordance with the individual policy of the fund. An annual disbursement of 4% calculated using the same method as for permanent endowment funds is allowed.

TPE will charge a 0.5% administration fee annually at year-end to all donor-restricted endowment funds. The fee will be calculated based on the average quarterly balance of the previous year (5-point average). This fee will be suspended if accumulated earnings are insufficient, and recaptured at a later date after the earnings balance is able to support the amount due.

The Finance Committee will make recommendations to the Board as to the disbursement of the funds from all endowment accounts. The Board has final discretion.

Accounts will be established to maintain financial activity and reported as "donor-restricted" in accordance with SFAS #117. Financial reports will be maintained to track the components of value so that proper asset classification can be made, and to allow accurate calculation of distributions.

No funds in this account shall be used as collateral to borrow money from any other source.

The Board of Directors may amend and interpret this policy from time to time by majority vote of the Board.

14.20 Procedures

Trust and non-Trust endowments that are comingled in the investment portfolio receive allocated gains, losses and fees as detailed in Section 9.

The Bookkeeper deposits donations as received and adjusts the Restricted Net Assets account. The Accountant maintains detailed records of contributions and investment activity and reconciles the accounts.

The Accountant calculates a 0.5% annual fee after year-end, arranges cash availability with the Financial Institution, and requests the transfer with approval from the Executive Director. These fees are unrestricted income to the Central Office.

Distributions from permanent and temporary endowments are calculated by the Accountant in accordance with TPE policy. These calculations are reviewed by the Finance Committee and presented to the Board. Once approved, the distributions are offered to the receiving Chapter. A Chapter may decline a distribution, in which case the money is retained in the fund as accumulated growth and remains available for future distribution. Distributions received by the Chapter are tracked as restricted until spent.

Proposals to distribute funds from temporary endowments are reviewed by the Finance Committee and presented to the Board for approval.

Please see Appendix A for a list of active endowments, and individual policies.

15.00 BOARD-DESIGNATED ENDOWMENTS

15.10 Policies

With approval from the Board of Directors, TPE may establish endowments for future operating needs. These are unrestricted, quasi-endowment funds. TPE may add funds from existing unrestricted accounts (self-fund), or contributions may be solicited, but must be free from donor restriction. No administrative fee is charged. All self-funded additions, and all distributions, must be approved by the Board of Directors.

The Board of Directors may amend and interpret this policy from time to time by majority vote of the Board.

15.20 Procedures

Proposals to self-fund or distribute from board-designated endowments are reviewed by the Finance Committee and presented to the Board for approval. The Board has final discretion.

Please see Appendix A for a list of active endowments, and individual policies.

16.00 LAND ACQUISITIONS & EASEMENTS

16.10 Policies

Land acquisitions will be capitalized. Easements will be expensed.

New land acquisitions and easements will be approved by the board before initiation.

16.20 Procedures

The Bookkeeper assigns a fund code to track each potential land acquisition. Expenses that will eventually be capitalized are collected on the balance sheet in Prepaid Expense until the acquisition is finalized. Income may be subject to an overhead fee. (*See Section 9.*)

The Accountant tracks and reports acquisition activity and reports status to the Board each month.

Acquisition costs not covered by donations at the time the acquisition is capitalized are removed from Prepaid Expense and charged to expense (taken from unrestricted net assets).

Detailed policies and procedures for land acquisition and easements are contained in the TPE Policies and Procedures Handbook.

17.00 PROPERTY AND EQUIPMENT INVENTORY

17.10 Policies

An inventory of all property and equipment will be maintained by the Accountant. The inventory files & documentation will be maintained by the Bookkeeper and will contain sufficient information for insurance and grant requirements.

The property and equipment database will be consulted prior to sale of any item to determine if there are restrictions. Grant purchased equipment may generally not be sold without the grantor's permission.

Equipment will be included in the database using the definitions for capitalization in Section 3.

An annual inventory will be taken to verify the existence of the property and equipment listed in the database.

17.20 Procedures

The Accountant maintains a database of all capitalized property and equipment owned by TPE. The database includes description, acquisition date, cost, vendor, location and any grant or other restrictions. This database is used for depreciation calculations.

A list of capital equipment inventory will be sent to the chapters in September, for return with updates by November 30.

18.00 INTERNAL CONTROLS AND FINANCIAL AUDIT

18.10 Policies

The review of internal controls and the annual audit are two of the most important procedures the Board has for fulfilling its fiduciary responsibilities to TPE.

Internal controls pertaining to accounting records will be established by the Executive Director and Board Treasurer in consultation with the Accountant and Auditor. TPE will strive for separation of duties in the handling of checks, cash and bank accounts as feasible within the limited resources of a small organization. The Executive Director will review supporting documents before approving disbursements and cash transfers between accounts.

18.20 Procedures

TPE maintains a Chapter and Central Treasurers' Handbook which includes procedures to be followed and forms to be used to document disbursements and transfers of cash. These procedures and forms are designed to standardize the financial functions, ensure accuracy, and provide the means for the Executive Director to properly oversee and control the movement of cash.

The Accountant reviews transactions and analyzes financial statements, and is responsible for noting any problems to the Executive Director or directly to the Board Treasurer or President.

Whenever there is a change in administrative personnel or a change in the operating structure of the organization, the Treasurer and Executive Director meet to determine that the internal control system continues to meet the needs of TPE. If appropriate, the changes are reflected in this manual.

Changes to improve internal control suggested by the audit firm are discussed with the Finance Committee and, if approved, implemented before the next audit.

*Please see Section 8 for more audit-specific information.
Also please see the TPE Chapter and Central Treasurers' Handbook.*

19.00 BUDGETING

19.10 Policies

The Board of Directors will be responsible for guiding the budget process and for approval of the annual budget.

The Executive Director, Bookkeeper and Chapter Treasurers will be responsible for preparing the proposed budget.

19.20 Procedures

The budgeting process begins with worksheet formatting in September for the following fiscal year. This allows for nine months of results to be used in planning the budget.

At the close of September, budget worksheets are populated and distributed to Chapters. All completed budget worksheets will be submitted to the Accountant by mid-November for consolidation into an overall budget. The Executive Director and Accountant then review the collated result to determine if there are any obvious areas which may need to be reworked. The budget is submitted to the Finance Committee by mid-December for review and feedback. Any further revisions are made and the budget is presented to the Board mid-December.

The responsibility for each area of the budget is as follows:

Executive Director -- Program revenues and expenses, fundraising revenues and expenses, donations revenue, operations expenses, and capital budget for the Central office.

Chapters – all income and expense not related to Central office.

Accountant – process improvement, modeling, analysis, and final reports

After completion and approval of the budget by the Board of Directors, the budget may not be modified for subsequent activities. Plan revisions are accommodated by revisions to forecasts and noted in financial statements during the year.

20.00 COMPLIANCE

Please see TPE Policies and Procedures Handbook, Part I, Standard 2, Section A.

21.00 ACCESS TO RECORDS, RECORD RETENTION, AND COMPUTER BACKUP

See TPE Policies and Procedures Handbook, Part I, Standard 2, Section D.

22.00 MAINTENANCE OF ACCOUNTING POLICIES AND PROCEDURES MANUAL

22.10 Policies

The Accounting Policies and Procedures Manual is critical to the accounting function of TPE. This manual should not conflict with other manuals, handbooks, or guidelines.

The Accountant will be responsible for maintaining the manual. All proposed changes must be approved by the Executive Director and Finance Committee.

This manual will be dated with the date of each approved revision.

22.20 Procedures

Each year the Accountant and Bookkeeper will review the manual and formulate proposed changes. This update will be completed no later than November of each year. If the Accountant has no proposed changes, a memo to that effect must be approved by the Executive Director.

Whenever changes to the accounting procedures are made, a review of the Accounting Policies and Procedures Manual is done by the Accountant to determine if a revision is required. Any minor revisions to the manual which are not reflected in the manual immediately are kept on file to incorporate into the formal annual update.

Simultaneously, the TPE Policies and Procedures Manual and the TPE Chapter and Central Treasurers' Handbook are reviewed for consistency and comprehensiveness.

The revised manual is distributed to the Bookkeeper, Accountant, Executive Director and Board Treasurer.

APPENDIX A – SUMMARY of ACTIVE ENDOWMENTS

Donor-Restricted and Permanent

1. Land Management Trust - a formal trust of which TPE is the sole beneficiary. Funds for each property are comingled in a single investment account, but are tracked and accessed individually. Earnings are to be used for land management activities such as ground restoration and management, for purchase and maintenance of equipment and land improvements, and for supplies. These endowments may distribute up to 4% annually and are charged an annual administrative fee of 0.5%.
2. Easement Monitoring – a general fund established to cover the costs of monitoring easements granted to TPE. Annual monitoring ensures that the eased lands are in compliance with the provisions of their easements. This endowment may distribute up to 4% annually and is charged annual an administrative fee of 0.5% (see Section 14).
3. Thomson Internship – on reaching its target goal of \$100,000, earnings will be used to cover the costs of providing internships for students doing land management, inventory, and protection, or education outreach. This endowment may distribute up to 4% annually and is charged an administrative fee of 0.5%.

Donor-Restricted and Temporary

4. Legal Defense – a risk-management fund to be used to litigate or defend any TPE held easement. This endowment may distribute up to 4% annually (see Section 14), may make additional distributions as needed, and is charged an annual administrative fee of 0.5%. Total balance is available for use in accordance with intended purpose.

Board-Designated

5. Operations – an unrestricted quasi-endowment fund set aside with the intention of providing annual support of administrative staff and overhead at TPE. Will commence annual distributions after target balance of \$1,000,000 is met. Exempt from administrative fee.

All distributions from endowments require the approval of the Board of Directors.

See also Section 14 Donor Restricted Net Assets – Endowment.