

LWAF Financial Management Process

Effective Date:	February 14, 2007
Original Approved by LWAF Board on:	February 14, 2007
Revision 1 Approved on	April 8, 2009
Applicability:	LWAF Financial Management
Implementation Manager:	Budget and Finance Chairman

Introduction

This process description defines how the Lake Wilderness Arboretum Foundation (LWAF) processes its income and expenses. This process:

- Formally documents, in writing, our processes for:
 - Budgeting
 - Managing and auditing income
 - Authorizing and managing expenditures
 - Reviewing actual income and expenditures versus forecast
- Is based on formal and informal procedures that have been successfully developed, improved, and used by LWAF throughout its 40-year history
- Insures consistent management and control of all arboretum finances
- Provides a level of feedback and control to insure that financial plans are being followed
- Recognizes the need for nimble account management – that is, the need to manage an area of responsibility with a minimum of administrative burden.
- Recognizes and places a high level of trust in Arboretum officials, particularly account managers, in dealing with Arboretum expenses and income.

This process is managed by the LWAF Budget and Finance (B&F) Committee

The Budgeting Process

The budget process is led by the Budget and Finance (B&F) Committee. Each year the committee prepares a budget for review and approval by the LWAF Board. The budget is based on current and prior year expenditures and revenues and on input provided by account managers and Board members.

The budget is developed each year in November and presented to the Board for approval at the December Board meeting. Prior to the December Board meeting, the B&F Committee convenes a special meeting of Board members and account managers for a review and refinement of a draft budget prepared by the B&F Committee. The refined budget resulting from this meeting is presented to the Board in December for approval.

LWAF Financial Management Process

Income Processing

This section is divided into subsections, each of which deals with income processing unique to a particular function or event. The subsections are spring and fall plant sales, summer plant sales, membership, classes and workshops, and other.

General

All income deposited into Arboretum accounts is attributed to an income account by the treasurer. This attribution is kept on a spreadsheet that is sent to the Arboretum bookkeeper each month. The bookkeeper also has online access to the Arboretum's savings and checking account to view input and output activity.

Spring and Fall Plant Sales

Each year we have a major plant sale in May and one in September. Typically the spring plant sale occurs on the Friday and Saturday before Mother's Day and the fall plant sale occurs on the second Saturday of September. The B&F chairman has the overall responsibility to insure that plant sale income is processed properly.

Payment at the plant sales is accepted at multiple (as many as 4) cash registers, each of which is operated by a cashier appointed by the head cashier. The head cashier has the responsibility to train each cashier, oversees their operation during the sale and lends assistance to them as required. The head cashier is responsible for providing a brief set of printed operating instructions to each cashier. These instructions are available on the LWAF website.

Prior to the sale, the treasurer provides \$500 cash to the head cashier who then distributes this cash among the cash registers for providing change.

Checks and cash are accepted at all cash registers. Additionally credit card charges are accepted at one or two of the cash registers which have a credit card machine associated with them. Cashier instructions include directions that describe how the credit card machine and the cash register are used together.

During the day, the Treasurer periodically removes all cash and checks (except for the original cash used for change) from each cash register for the purpose depositing those funds in the bank. The Treasurer counts the money collected, endorses all checks, takes the cash and checks to the local bank (Bank of America in Maple Valley) and deposits the money into the Arboretum's checking account. These activities are coordinated and audited by the B&F chairman as directed by the Board. The Treasurer creates a report each day showing the total of each deposit and forwards provides a copy of that report to the B&F chairman.

At the end of the day, the Treasurer generates a report listing money (including credit card payments) for the day collected at each cash register. A copy of this report is sent to the B&F chairman.

During the week following the plant sale, the B&F chairman or the chairman's delegate downloads credit card payments from the credit card machine to the bank (Bank of America). The results of this download are provided to the Treasurer. Operating instructions for performing the download are available on the LWAF website.

LWAF Financial Management Process

The B&F chairman performs an audit of the plant sale income by comparing bank deposit records with the cash register reports. Any anomalies are discussed and coordinated with the treasurer and the head cashier.

As soon as reasonable after the plant sale, the Treasurer prepares and presents a financial report to the Arboretum Board.

Saturday Plant Sales

Each Saturday between the spring and fall plant sales, the Arboretum Nursery is open for the sale of plants. Cash, checks, and credit cards are accepted as payment and are deposited as soon as possible after each sale. A Board member or Board appointee serves as cashier for each sale. The B&F chairman has the responsibility to insure that sales income is being processed properly.

Only one cash register, located in the Nursery headhouse, is required for Saturday sales. Change and the credit card machine for Saturday sales are kept in a specifically labeled and locked locker in the headhouse. Board members have access to the locker and a single Board member acts as a cashier during each Saturday sale. At the end of each Saturday sale, the cashier counts the proceeds (cash, check, credit card sales) from the sale and puts the money and the credit card machine back into the locked locker. Operating instructions for the cash register and credit card machine are available in a notebook in the locker in the headhouse and are also available on the LWAF website.

Subsequent to each Saturday sale, the B&F chairman or the chairman's delegate removes the money and credit card machine from the locker except some cash for change for the next sale, deposits the remaining money in the bank and uploads the credit card payments to the bank. The chairman or his delegate then creates a report summarizing the funds deposited and uploaded and sends that report to all Board members.

The Board member serving as cashier for a sale will review the B&F chairman's summary report to verify that it matches what he or she recorded. Any anomalies should be reviewed with the Treasurer and B&F chairman.

Membership

Each member application is typically accompanied by the fee associated with that membership. These fees typically are paid via check although occasionally they are accompanied by cash. Credit card charges are allowed on a case-by-case basis. The forms and fees may be mailed to the membership chairman, mailed to the Arboretum's PO Box or handed directly to an Arboretum official. A separate process, "LWAF Membership Process" describes the process for handling membership fees. Basically the membership chairman is the initial focal point for receiving the membership applications and fees. Once the membership and fee is recorded by the membership chairman in the membership database, he or she deposits the funds directly into the bank or forwards the fees to the treasurer for deposit. The membership chairman is responsible for preparing and presenting membership reports to the Board on a regular basis.

The B&F chairman has the responsibility to audit membership fee income yearly to insure consistency and accuracy.

LWAF Financial Management Process

Classes and Workshops

The Education and Conservation (E&C) chairman has the responsibility to collect class and workshop fees and forward them to the treasurer who deposits them in the Arboretum's checking account. Fees are collected via cash or check. They are typically collected at the time of the class. Credit card charges are allowed on a case-by-case basis. Within one week, subsequent to the completion of the class, fees must be submitted to the treasurer by the E&C chairman. Each monthly E&C report will include a report of class attendance and fees collected.

The B&F committee will be responsible for auditing that the Arboretum's financial reports against the E&C monthly reports.

Other

Other sources of income include donations and grant reimbursements as well as income from miscellaneous sources not readily itemized. This income typically is sent to the Arboretum's PO Box from where the Corresponding Secretary forwards the income to the treasurer. The treasurer then deposits the income into the Arboretum's checking account. The treasurer attributes this income to the appropriate income account. When questions arise the treasurer coordinates with the B&F chairman to insure that the income is attributed to the proper account.

The B&F chairman has the responsibility to insure that all income is attributed to the proper account.

Expense Processing

Forms used in this process can be found on the web. They are:

1. [Expense Voucher](#)

Used to record and authorize an expense for which reimbursement is required.

2. [Expense Commitment](#)

Used to record and authorize an expense that has occurred, but reimbursement has not yet been made.

3. [Budget Authorization](#)

This form provides authority to account managers to expend a specified amount of money for the year.

4. [Budget Adjustment Form](#)

This form authorizes movement of an expense from one account to another.

The letters or numbers listed below refer to the numbers on the expense account management diagram (Figure 1). For each number, you will find a set of steps and actions that the annotated group or individual follows or performs.

A. The Budget and Finance Committee (B&FC)

LWAF Financial Management Process

Each year, B&FC prepares a budget that is submitted to the Board for review and approval. The budget is typically reviewed in the November Board meeting and approved in the December meeting. B&FC prepares the budget based on budget forecasts submitted by account managers, previous year's experience, and requests from the Board. B&FC should informally review the proposed budget with key Board members and account managers prior to submission to the Board in November.

Working with the Board, B&FC defines, reviews, and improves (as required) the monthly reporting that is provided to the Board

1. The Board

- Identifies account managers

The number of account managers should be limited because these individuals have can authorize tasks that can cost up to the approved amount for the account. On the other hand, there needs to be sufficient decentralization such that individuals needing to get a job done are not hampered with administrative overhead. Committee chairmen shall be account managers, but others may be assigned as well. A project may have its own account number, and the project manger for that project may be designated the account manager for that account.

- Reviews and allocates initial budget at the beginning of the year

Each year the Board will review budget requests and authorize account budgets based on the budget submitted by the Budget and Finance Committee and on justifications provided by committee chairman and other account managers. Budget allocation will be made to the account manager in writing using a budget authorization form. Copies of this form will be provided to the Board, the treasurer, and the bookkeeper as well as the account manager. Blank forms can be found on our website.

- Reviews and reallocates budget throughout the year

Based on their monthly reviews of actual expenditures versus budgeted amounts and on additional budget requests from account managers, the Board may reallocate budget if they deem it necessary. This reallocation will not be done lightly, but be done after careful consideration. The Board may choose to allow one account to overrun and another to underrun as long as they are confident that both are being managed well and will balance out at the end of the year. Any budget reallocation will be made in writing to the account manager, the treasurer, and the bookkeeper and will be readily available to Board members as well as all Arboretum members.

2. The Account Manager

As noted earlier, committee chairmen of standing committees shall be account managers. Other account managers will be assigned as required. The Board president will be the account manager for the Board's account. Account managers will:

- Make initial budget request at the beginning of the budget process

LWAF Financial Management Process

The account manager would prepare a budget request each year and submit it to the B&FC. This account will have sufficient sub-accounts to allow B&FC and the Board to judge the appropriateness of the request. Once the account budget has been drafted and approved, the account manager shall have the freedom to overrun or underrun subaccounts as long as no change occurs at the account level. If additional funds for the account are needed before the end of the year, the account manager may request additional budget.

- Make subsequent budget requests as required
- Write contracts for contracted service providers
- Request goods and services from contracted providers
- Request goods and services from one-time or periodic providers
- Approve reimbursement for goods or services provided to the Arboretum within the scope of their account. This is most often done via vouchers or commitments which along with invoices and/or receipts are then given to the Treasurer for payment. Typically this is done in one of three ways:
 - Sign expense vouchers for selected providers (typically Arboretum volunteers or contracted providers) who have incurred reimbursable expenses in the provision of goods or services to the Arboretum. Providers then submit vouchers to the Treasurer. Note: The account manager is authorized to approve reimbursements to himself or herself if he or she incurred a reimbursable expenses.
 - When provider will be mailing in a bill to the treasurer, provide the treasurer with an approved voucher and accompanying invoices so that later, upon receipt of a bill, the treasurer can match up a provider's bill with an approved expense.
 - Provide blanket authorization to the Treasurer to pay invoices from authorized vendors. (For example the phone bill.)
- Request adjustments if costs have been charged to the wrong account/subaccount.
- Forms for vouchers, commitments and adjustments can be found on our website.

3. A Contracted Service Provider

- Provide regular services as stated in the contract
- Provide contracted services as directed by the account manager
- Submit bill to treasurer for contracted service
- Submit approved expense voucher and invoice for goods or services provided in performing contracted tasks.

4. Ad-hoc Provider

This type of provider provides goods and services on an as-requested basis. This type of provider may be a merchant or a volunteer. In some cases, the Arboretum may have an

LWAF Financial Management Process

account with the merchant, in which case the merchant usually just sends the Arboretum a bill. In other cases, where the Arboretum does not have an account with the merchant, the requester may have to pay the merchant or obtain a check ahead of time to pay the merchant. In such cases, an expense voucher must be generated to either reimburse the payee or to be used to directly pay the ad-hoc provider. If the ad-hoc provider agrees to bill the Arboretum directly, the requesting account manager must make sure that the payment is properly categorized by the treasurer when he or she pays the bill.

In short, ad-hoc providers:

- Provide goods and services as requested
- Submit bill to the treasurer or account manager as account manager deems appropriate and expedient.
- Receive payment from account manager or treasurer as account manager deems appropriate and expedient. If the account manager chooses to incur an expense for a one-time service, she or he then turns in that expense on an expense voucher. (Note: In such cases the account manager's signature on the voucher is sufficient to receive reimbursement). If the one-time provider is an Arboretum volunteer and incurs an expense providing goods or services, that provider should get an approved expense voucher from the account manager and submit it to the treasurer along with any receipts.
- Provide receipt to the account manager when an expense voucher is required.

5. The Treasurer

- Verify invoice against vouchers/commitments/contracts
- Coordinate with account manager if questions arise regarding reimbursement or regarding the account to use.
- Pay bills received
- Reimburse individuals, including account managers, per vouchers and receipts.
- Assign a unique number to each voucher and commitment form.
- Record the check number on expense vouchers and invoices paid.
- Send copies of vouchers, commitments, invoices, bank statements, cancelled checks, and deposit records to the bookkeeper who prepares monthly financial reports.
- When paying an expense voucher, record on the check the voucher number and account number. When paying an invoice, record on the check, the invoice number, expense account number, and a description of the goods or service provided.
- Review and distribute monthly financial reports including a report showing actual and committed expenditures versus budgeted expenditures.
- Approve adjustments if costs have been charged to the wrong account/subaccount.

LWAF Financial Management Process

6. The President

- Cosigns payments greater than \$1000.
- Serves as the account manager for the Board account
- Serves as alternate account manager when the regular account manager is not available.
- Sign budget authorizations

LWAF Financial Management Process

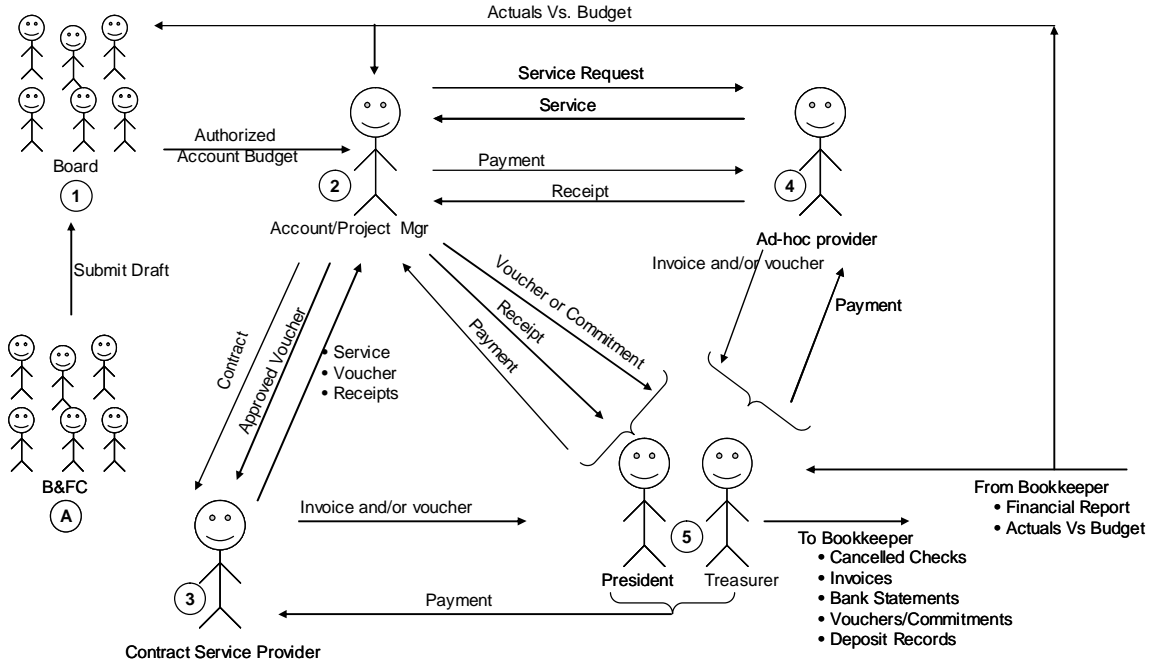


Figure 1: LWAF Expense Account Management

LWAF Financial Management Process

Revisions:

- 1) March 11, 2009: Added a section in the front to describe processes for handling budget and income. Prior to this revision, this process only discussed how to handle expenses.
- 2) Made note in expense processing that states an account manager authorize a voucher calling for reimbursement to that account manager.