Left Hand Watershed Center
Accounting Policies and Procedures
Adopted by the Board of Directors 11/15/2016
Updated and Adopted by Board of Directors 6/16/2020, 3/15/2022

Policies

Basis of Accounting

Left Hand Watershed Center's (the Watershed Center) fiscal period begins January 1 and ends December 31. The financial records of the organization have been maintained on an accrual basis of accounting, in accordance with generally accepted accounting principles (GAAP). Under GAAP, revenues are classified based on the existence or absence of donor-imposed restrictions.

Financial Planning and Reporting

The purpose of the accounting system is to systematically record, summarize, and report all financial transactions of the organization. The system shall be designed so that all aspects of the Watershed Center's operations are included in the system.

Internal Financial Reports

The Watershed Center prepares financial reports for each grant or project on a monthly basis. These are reports are reviewed by the Executive Director and project manager. Quarterly Financial reports are prepared by the bookkeeper, and reviewed and approved at the Watershed Center's board meetings. The following procedures are used in preparation for financial reporting:

- For all grants, the bookkeeper prepares monthly payment requests and quarterly reports, as appropriate per each individual grant requirements, in order to document monthly personnel, operational, and project expenses.
- The Executive Director reviews all reports and expense documentation and submits to the board president (or another officer with signatory authority) for review and approval.

Internal Controls

It is the policy of the Watershed Center that we will maintain a system of internal controls that include both administrative controls and accounting controls. Effective control and accountability must be maintained for all assets of the organization, including cash, investments, fixed assets and other assets. The Watershed Center must adequately safeguard all assets of the organization and assure that all assets are used for authorized purposes. The organization employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded.

The Watershed Center adopted a Procurement Policy (April 19, 2016) in compliance with 24 CFR 84.40-

84.48. These Accounting Policies and Procedures are in keeping with the Procurement Policy, which includes a code of conduct governing the performance and actions of Left Hand Watershed Center and its employees and Board members, limits and regulations regarding solicitation and competition, documentation and contract administration.

Segregation of Duties

The distribution of duties outlined in the procedures below aim for maximum protection of Left Hand Watershed Center's assets, while also considering efficiency of operations.

Due to its small staff size, the Watershed Center has contracted with a professional bookkeeper to allow such segregation of duties, as well as financial reporting and record keeping. The bookkeeper prepares checks, but is not a check signer. The Watershed Center has three check signers- Executive Director, Board Treasurer, and Board President. When the Executive Director approves an invoice for over $5,000, or makes a purchase over $5,000 the Board president (or Board Treasurer) signs the check. Opening a new bank account requires approval of the Executive Director, Treasurer and Board President.

Bank Reconciliations

The Executive Director and Board President will be given all correspondence from any financial institutions. Upon opening the documents, the Executive Director and President (or Board Treasurer) will initial the documents as an indication that he/she has reviewed them. All bank statements will be reviewed in a timely manner. Bank reconciliation and approval will occur within 30 days of the close of the month. Any interest earned in the bank savings account is moved to the checking account and becomes part of the unrestricted carryover funds.

Budgeting Process

An annual operating and capital budget will be established and approved by Board of Directors. The actual operating results of the organization will be compared to the budget on a quarterly basis and significant variances explained by management to the Board of Directors. The budget is revised during the year only if approved by the Board of Directors.

Annual Audit Requirement

The Watershed Center is required to hire an external CPA firm to perform an annual audit, beginning in FY 2016. A CPA firm will be chosen in keeping with the Procurement Policy on Solicitation and Competition.

- The finance committee will be responsible for determining the auditor selection criteria and proposal process for performing that process. The finance committee will recommend for approval to the full board the auditing firm identified through the proposal process.
- The finance committee will review the audited financial statements and recommendations of the auditor, as well as management's response to the recommendations. The finance committee will present the audit to the Board of Directors with a recommendation to accept the audit.
- The Board of Directors reviews the audit, recommendations of the auditor, and management's

response to the recommendations. The Board of Directors votes to accept or not accept the audit.

Tax Compliance

Exempt Organization Returns, including Federal Form 990 and Colorado form will be prepared by staff and a CPA firm and reviewed by the Executive Director and/or Treasurer before filing. These forms will be made available to the Board of Directors and public in the annual financial report.

Revenue and Accounts Receivable

- Funds received by the organization will be deposited timely to the credit of the organization in a financial institution that the Board of Directors has authorized, provided however, that each institution in which funds are deposited must be an institution where such deposits are insured by an agency of the federal government.
- Procedures are to be in place to identify, evaluate, and to determine the acceptance of restricted contributions. Acceptance of unusual non-cash donations, such as charitable lead trusts, perpetual trusts held by third parties, charitable remainder trusts, charitable gift annuities, pooled income funds and donations of land, property, partnership interests, assets subject to lien, etc. need prior approval by the finance committee.
- Gifts of cryptocurrency may be made to the organization. These gifts are designated as property (not currency) and will not be held for investment purposes, but will be converted to cash upon receipt.
- All contributions should be acknowledged in writing to the donor within five business days of receipt.
- All grants and projects are invoiced quarterly to capture all billable time and expenses and ensure a regular healthy cash flow for the organization. All final invoices for the prior month are completed by the 5th of the following month.

Expenses and Accounts Payable

Payroll

All employees, exempt and non-exempt, are required to record time worked, holidays, leave taken for payroll, benefits tracking and cost allocation purposes.

Grant Related Work

All employees, contract or regular, shall bill all time and expenses related to DOLA (or other) grant deliverables or activities to appropriate grant funding sources and not to the Watershed Center's general fund.

Purchases and Procurement

All procurement transactions will be conducted in keeping with the full Procurement Policy. As outlined in the policy, some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action.

Invoice Approval and Processing

- All invoices must be approved by the manager of the project for which the expense was incurred. Further, pay requests CDBG-DR implementation and planning grants, are also approved by the Board President (or another officer with signatory authority) via the invoice-based advance payment request process. Approved invoices will be paid in accordance with the grant process.
- Where appropriate, the request for disbursement must be supported by original documentation that justifies the purpose of the disbursement and is attached to the request.
- Any staff person(s) that is designated to be an authorized check signer (other than the Executive Director) may not have any responsibilities related to the recording of financial transactions or the maintenance of financial records of the organization.
- The organization should carry directors and officers insurance coverage for any director, officer, or employee who handles agency funds.

Credit Cards

Employees may be issued company credit cards, with an organization maximum of $30,000. The Executive Director will determine how the limit is divided among the cards issued. Credit card expense receipts along with billing/project coding are submitted to the bookkeeper each month. The bookkeeper downloads the monthly statement(s) each month, checks expenses against receipts, and pays the credit card balance in full. The Executive Director and Board President review and approve the statement during the monthly bank reconciliation process.

Accounting Procedures

This section covers basic accounting procedures for the organization. The accounting procedures used by the organization shall conform to Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards.

The procedures below describe Left Hand Watershed Center's accounting procedures that have been utilized since contracting with a bookkeeper in the fall of 2015.

Invoices

For projects that require invoice-based advance payment requests or reimbursement requests to DOLA or another grant funder, we use the following procedure:

- As invoices come in from consultants/contractors/vendors, the project manager reviews invoices in relation to the project budget, scope of work and grant requirements. Invoices are approved by the project manager and sent to the bookkeeper. For reimbursement grants, the expense is paid for at the time of approval by project manager and in accordance with each grant agreement and contract with a vendor.
- The bookkeeper posts the bill in QuickBooks and issues an invoice to the grantor when the reimbursement or advance payment requests are due (see reporting below). The Executive Director or Board President approves and signs the payment request prior to submittal to the grantor.
- For advance pay requests, once funds are approved by and received from the grantor, the bookkeeper prints a check for the invoice amount and sends to the Executive Director or

Board President (or Treasurer) for signature.

- All checks will be issued and mailed within three business days of receipt of funds from grantor. Once mailed, the check mail date is reported by check signer and documented by the bookkeeper.
- The bookkeeper attaches check stubs or records check numbers on each invoice and indicates how each invoice is paid (via debit card or check) and once the check clears in the bank, the bookkeeper sends this documentation to the funder.

Payroll, Reimbursements, and Tax Returns

The following procedures are followed for processing payroll:

- Supervisors (board and staff) provide the bookkeeper with the staff salary letters with annual or hourly pay rates at time of hiring and annually thereafter following the annual personnel review process.
- All staff submit monthly timesheets and reimbursement requests to their supervisors for approval at the end of each month.
- The Executive Director submits approved timesheets to the bookkeeper by the end of the month. For payroll, the bookkeeper issues a direct deposit payment on the bank website and enters an Adjusting Journal Entry.
- The bookkeeper breaks down wages by grant source as documented on the timesheets, calculates payroll taxes, and pays monthly payroll taxes.
- The bookkeeper prepares checks for approved reimbursement amounts and sends to the Executive Director or Board President (or Treasurer) for signature.
- The bookkeeper prepares and submits monthly federal withholding tax forms and payments, and quarterly state tax forms and payments.
- The bookkeeper also develops and submits quarterly returns and annual returns (W2s) and prepares documentation for Worker Compensation Audits. In addition, the bookkeeper prepares 1099/1096s for subcontractors. Further, the bookkeeper keeps track of monthly accrual of each staff member's vacation and sick time using an excel spreadsheet.

Filing/Documentation

All bank statements will be opened and reviewed in a timely manner by the Executive Director, then given to the bookkeeper:

- The bookkeeper keeps hard copy records of all financial reporting documents and back up.
- The bookkeeper also checks the bank account weekly to insure all new expenses and revenue are accounted for and reconciles this information with QuickBooks.
- Once the check clears the bank, the bookkeeper documents payment on the invoice and sends documentation (bank statements) to our funders.

Reporting

The following procedures are used in preparation for financial reporting:

- For some grants, the bookkeeper prepares monthly advance payment requests and quarterly reports, as appropriate per each individual grant requirement, in order to document monthly personnel,

operational, and project expenses.

- For some grants, the payment request is made after the invoice is received, rather than as an advance
- The project manager reviews all reports and expense documentation and submits to the Executive Director for review and approval. In the case that the project manager is the Executive Director, expense documents and reports are sent to the board president (or another officer with signatory authority) for review and approval.

Budgeting Procedures

- The Executive Director will work together with the Board Treasurer, staff, bookkeeper and project managers to ensure that the annual budget is an accurate reflection of the programmatic and infrastructure goals for the coming year.
- The Executive Director will present a draft budget to the Finance Committee at least 60 days prior to the end of the fiscal year and at least 30 days prior to its submission to the full Board of Directors.
- The Finance Committee shall review and approve a recommended fiscal year budget and submit it for approval to the Board of Directors. The budget shall contain revenues and expenses forecasted for the year, in relation to previous years.
- The Board of Directors will review and approved the budget at its last meeting prior to the start of the fiscal year.