



Mendocino County Public Broadcasting

Financial Management & Controls

Policies & Procedures

These policies and procedures are intended to protect and manage the financial resources of Mendocino County Public Broadcasting, which herein may be referred to as "MCPB" or the "organization".

They specify the authority mandate for financial expenditures and define who can authorize spending for what and within what limits.

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1. GENERAL FINANCIAL POLICIES

1.1. *Basic Rules related to Financial Control:*

1. **No one person has authority or responsibility for the finances of MCPB.**
2. Two people will be involved in the control procedure for all expenditures from authorizing payments to issuing checks or payments.
3. All money received will be recorded in a minimum of two places.
4. Two people will sign all checks over \$5,000, one being a member of the Board of Directors.

1.2. *Financial Record Keeping*

To ensure accurate financial records are kept, MCPB will have:

- a bookkeeping system,
- a cash management system, and
- a system of internal controls.

The Board of Directors is responsible for ensuring that accurate financial records are kept. The actual record keeping will be done by staff under the responsibility of the General Manager.

1.3. *Financial Reporting System*

The Board of Directors will receive accurate financial information about MCPB via the GM and the Treasurer, as follows:

- **Quarterly financial statements** presenting the actual income and expenses of MCPB over a specific period of time using the same categories as the budget.
- **Annual balance sheet** and profit and loss statement along with line-item comparison to three prior years.
- **Annual audit report.**

1.4. *Tools for Monitoring Income and Expenditures*

MCPB will employ the following tools for income and expenditures:

- **Balance Sheet (responsibility of GM and Treasurer)**

This presents MCPB's net worth and specifies what would be left over if all assets were converted to cash and used to pay off all liabilities.

- **Specific Project or Event Reporting (responsibility of GM with Fundraising Committee)**

These reports show the income and cost of fundraising events for planning purposes.

- **Audit**

The audit is done at the end of each fiscal year by an auditor hired by the Board of Directors. The audit includes the examination of all the books and records by a qualified person from outside MCPB to ensure the financial statements are true and accurate.

2. FINANCIAL MANAGEMENT GUIDELINES

2.1. *Board of Directors Responsibilities in Financial Management:*

The Board of Directors' responsibility in financial management of MCPB is to ensure the financial health of MCPB. This includes four key responsibilities:

1. The Board is responsible for ensuring there are adequate financial resources for the work of MCPB. This includes responsibility for fundraising.
2. The Board oversees financial expenditures and is accountable to funders and the community for the management of funds received.
3. The Board must manage MCPB's assets to protect its future.
4. The Board is ultimately liable for the financial situation of MCPB and for ensuring that financial controls are in place.

The allocation of financial and human resources in the form of annual (and three-year) budgets is the tangible expression of the Board of Director's priorities and values.

To ensure the budget is reflective of the goals of MCPB, the Board of Directors needs to develop policies and monitor finances in three basic areas:

1. Financial Management

- Approving and developing the annual budget;
- Developing financial controls and procedures;
- Establishing and monitoring financial record keeping system;
- Ensuring financial reporting systems are in place;
- Monitoring revenue and expenditures of MCPB.

2. Fundraising

- Establishing fundraising targets, based on the needs of MCPB;
- Developing goals, objectives and critical path for success;
- Recruiting champions and volunteers;

3. Capital Management

- Include capital expenditures in the budget.

2.2. *Tips for Good Financial Management*

Financial management can be defined as the conducting of all financial matters of MCPB and ensuring that funds are used in a proper and efficient manner.

Good financial management means:

1. Spending linked to goals, priorities and objective;
2. Regular accurate reports on the financial status of MCPB;
3. Good decision making based on integrated planning, budgeting and reporting;
4. Financial methods for evaluating past performance reflecting current conditions and predicting the future (three-year budgets);

2.3. *What to Consider When Reviewing Financial Statements*

The Board of Directors will review financial statements issued by the General Manager at least once a quarter. The GM and the Treasurer will work closely to offer an interpretation of the financial status to the Board each quarter. The Board will use these financial statements to monitor the financial state of MCPB.

In reviewing MCPB financial statements, the Board of Directors will apply the following criteria:

1. Are there significant variances from the approved expenditures?
If so, what are the reasons for these variances? Is any action required?
2. Is the income being generated as expected?
If there are shortfalls, what action needs to be taken?
3. If there is additional money, how does MCPB want to deal with a surplus?
4. Is the cash on hand sufficient for MCPB's needs over the next three to four months or whatever period the Board has established at the time the budget was approved?
5. Is MCPB currently in surplus or deficit? Was this expected?

2.4. *Developing the MCPB Annual Budget*

The annual budget for the fiscal year shall be prepared by the Finance Committee, which includes the General Manager working closely with appropriate staff. The Board of Directors shall approve the budget annually as 60 days prior to the beginning of the fiscal year. The budget should be presented alongside the un-audited quarterly financial statements in order to monitor the actual results.

The budget is a financial plan for one year and should include:

1. Income and revenue and where it will come from;
2. How MCPB will spend its money;

The budget process has 8 basic steps:

1. Establish time lines for budget preparation (responsibility of Finance Committee);
2. Gather all the information needed to do the budget (responsibility of Finance Committee);
 - a. Previous year's budget.
 - b. Profit and Loss statements from at least two previous years.
 - c. Auditors Report from previous year.
 - d. Income and expense projections from all Board committees (especially Fundraising and Major Donor).
 - e. MCPB Strategic Plan.
3. Review the information collected and develop a draft budget (responsibility of Finance Committee);
4. Review the draft budget (responsibility of Board of Directors);
5. Revise draft budget based on Board feedback (responsibility of Finance Committee);
6. Approve the budget (responsibility of Board of Directors);
7. Prepare statements for quarterly budget review (responsibility of GM with Treasurer);
8. Monitor the budget (responsibility of Board of Directors based on quarterly financial reports and monthly GM reports) and revise if needed (based on GM proposal for Board approval).

3. FINANCIAL POLICIES AND PROCEDURES

The following are general guidelines and operating procedures that outline the accounting system, finance functions and authorizations for MCPB.

3.1. *General*

The accounting system adheres to generally accepted accounting policies (GAAP), which include:

Accrual accounting: Financial statements are prepared using the accrual basis of accounting.

Donated Capital Assets, Materials and Services:

- Donated capital assets are recorded at fair market value if it can be reasonably estimated. The nature and amount of the donated capital assets is disclosed.
- Recording the value of donated materials and services is to be done in accordance with applicable rules. It should only be recorded when the value can be reasonably estimated. The value shall not exceed the value at which MCPB could have purchased those materials and services.
- The notes to financial statements should include the policy in accounting for donated materials and services as well as the nature and amount of those services.

Pledges:

- The policy followed in accounting for pledges is to be disclosed.
- When pledges are recorded, the amount recorded is disclosed.

Restricted Amounts:

Restricted amounts recorded in the financial statements are to be disclosed, including an indication of the nature of the restriction, and deposited into restricted accounts.

3.2. *Administrative*

MCPB shall employ personnel or contract services in order to maintain the accounting system and its files and documents. The accounting records shall be updated on a monthly basis and subject to the scrutiny of the General Manager or Board of Directors or both on a periodic basis.

3.3. *Expenditures*

3.3.1. **Budgeted Expenditures:**

The General Manager is responsible for the execution of the approved budget of MCPB. By approving the budget, the Board of Directors determines upper limits on all expenditures contained in the budget for the General Manager to spend as planned. The General Manager has the role of approving and controlling expenditures that are within the approved budget and/or within limits specified in the General Manager's contract.

The General Manager will provide written notice upon entering into contracts or commitments on behalf of the MCPB that:

- a) Involve within any fiscal year an actual or potential financial commitment in the amount of more than 1 (one) percent of the annual station operating budget set forth by the MCPB Board of Directors or
- b) that commit MCPB for a period of more than 1 (one) fiscal year.

The General Manager is authorized to execute contracts on behalf of MCPB with respect to ordinary business within the approved budget, for example between MCPB and entities such as the Corporation for Public Broadcasting, National Public Radio, Pacifica Network, Public Radio International and the National Federation of Community Broadcasters.

3.3.2. Unbudgeted Expenditures:

Unbudgeted expenses exceeding the limits specified in the budget and/or the limits specified in the General Manager's contract require prior approval by the Board of Directors. This approval must be recorded in writing or in the minutes of a regular or special Board meeting.

If an unbudgeted expense is generated by the Board of Directors, approval must be by a majority of the Board and in writing, prior to payment of such an obligation. In no case can an expense be initiated or a financial obligation be made by any one board member, including the President, or a minority of board members.

Committees of the Board of Directors cannot financially obligate MCPB. The MCPB Bylaws authorize the Executive Committee to make decisions between board meetings, provided such decisions are ratified by the Board at its next regularly scheduled meeting.

In cases where there is no General Manager on staff, the Board of Directors becomes responsible for executing the approved budget. The rules outlined above continue to apply for unbudgeted expenses.

3.3.3. Payment of Expenditures

The following policies and procedures are designed to maintain the expenditures of the Board-approved budget under the purview of the General Manager and provide a system of internal controls that ensures a check and balance procedure is followed for all expenditures under any circumstances.

3.3.4. Approval of Payments

Approval for payment of budgeted expenditures is the responsibility of the General Manager or a staff person designated by the General Manager. In cases where there is no General Manager on staff, the Board Treasurer and one staff member are responsible for approving payment of budgeted expenditures. If neither the General Manager nor the Board Treasurer is available, approval of expenditures falls to another board member identified by the Board President and confirmed by the Board of Directors.

Any person in the role of approving expenditures is responsible for making sure that the payment(s) they approve are budgeted, or if not budgeted, that they are approved per the procedure outlined above for unbudgeted expenditures.

Every expenditure authorized for payment must be individually identified using a form of "OK TO PAY" procedure (e.g. a rubber stamp or a check request form) and must show the approving person's initials on each document authorized for payment. The document showing original approval will be retained in MCPB's files.

3.3.5. Exceptions to the Payment Authorization Procedure:

Where payments are authorized and issued as part of standard payroll, the General Manager may both approve and sign such checks in order to maintain the confidentiality of personnel data. This exception does not apply for exceptional payments to individuals for work done for MCPB that are not part of standard payroll. Such payments require the authorization process described above.

3.3.6. Issuance of Payments:

Accounts payable are to be paid early enough to take advantage of discounts or before late penalty charges apply.

The signer of checks or other forms of payments is the final overseer of the payment process. This person is required to inspect the payment authorization for the "OK TO PAY" prior to signing checks or issuing payments.

The person signing checks or issuing payments MUST NOT be the same person as the individual authorizing the payment. This rule applies at all times.

Before a payment is made, the invoice should be reviewed to ensure that:

1. the goods were received or services rendered,
2. the invoice was approved by the appropriate person,
3. the proper general ledger account is identified.

When the check is written or the payment is issued, the invoice should be attached to the check stub or stamped "paid" and the check number recorded on the invoice to ensure the invoice is not paid twice. All invoices must be listed on a monthly basis and presented to the Treasurer for acknowledgment.

Payments are to be made by check, credit card, or electronic payment, except for some small dollar amounts. In this case the staff may pay expenses out of pocket and submit receipts for reimbursement.

A check stub or check ledger is to be used to ensure a record of checks is maintained, for future recording in the accounting records. Sequentially numbered personalized checks are to be used to maintain proper control over the checks. Voided checks are to be kept on file and clearly marked "VOID".

3.3.7. Number of Signatures Required for Issuance of Payments:

All payments issued or checks written for under \$5000 for approved expenditures from MCPB's business checking accounts require ONE authorized signature. All other payments issued or checks written require TWO authorized signatures.

3.4. Banking

3.4.1. General

MCPB shall direct the General Manager to choose a financial institution that provides the most appropriate services. Preference shall be given to a local bank that actively supports our local listening areas.

3.4.2. Deposits

In general, deposits are to be made as soon as possible, but at least weekly. All checks, cash, etc. will be sent to the appropriate staff for recording.

All checks, cash, etc. will be placed in a locked box until deposited.

If possible, the person receiving the mail should be different than the person recording the amounts in the cash receipts system.

All deposit records are to be assigned sequentially numbered deposit slips. All funds will be deposited in the assigned financial institution.

3.4.3. Bank Reconciliation

Bank reconciliations are to be prepared and balanced on a monthly basis. The bank reconciliations will be reviewed by a signing officer on a regular basis.

3.4.4. Transfers Between Accounts

The General Manager is authorized to transfer funds between MCPB's unrestricted accounts at her discretion and from, to and between restricted accounts upon release of the restriction.

3.5. *Un-Audited Financial Statements*

Quarterly financial statements are to be completed and presented to the Board of Directors by the Treasurer for acknowledgement and acceptance.

Requests for clarification on the records of MCPB are to be directed to the Treasurer. The Treasurer will obtain information and/or clarification and will bring this information back to the Board of Directors.

3.6. *Capital Purchases, Contracts, Tenders and Proposals Calls*

3.6.1. *Capital Purchases*

Capital purchases require the approval of the General Manager.

The General Manager will provide written notice upon entering into capital purchase contracts or commitments on behalf of the MCPB that:

- a) involve within any fiscal year an actual or potential financial commitment in the amount of more than 1 (one) percent of the annual station operating budget set forth by the MCPB Board of Directors
or
- b) that commit MCPB for a period of more than 1 (one) fiscal year.

The General Manager is authorized to execute capital purchase contracts on behalf of MCPB with respect to ordinary business within the approved budget.

Where reasonably possible, MCPB should seek three quotations for purchases greater than \$5000,- where at least three suppliers are available for that service or product. Upon approval of a quotation, a contract will be signed and approved by both parties and will become part of the accounting records.

The lowest bid may not necessarily be acceptable if the Board of Directors or General Manager deems it in the best interest of the MCPB to not give the project to the lowest bidder.

3.6.2. *Capital Expenditures*

Tangible assets exceeding \$3000 (three thousand) per unit which last beyond a year, will be classified as capital expenditures. This will ensure the establishment of an inventory list.

3.7. *Audit*

Audits will be performed annually by a certified public accounting firm for the preceding fiscal year of July 1 to June 30. The Treasurer, the General Manager and appropriate staff will be involved in the annual audit. Presentation to the Board of Directors of the audit will be done by the Treasurer and General Manager.

3.8. *Conflict Of Interest*

Purchase of goods or services exceeding \$600 per year shall not be made from any employee, the General Manager or any director of the MCPB unless discussed and approved by the Board of Directors. Members of the Board of Directors must declare a conflict of interest with regard to financial terms, as per the provisions of MCPB's general by-laws. Purchase of personal items for employees or directors shall not be made.

3.9. Payroll

Salaried employees are to be paid on the 15th and last day of each month. All payroll records will be maintained by the payroll service provider and will contain a breakdown of the deductions, hours and amount. Personnel records are to be kept by the General Manager.

3.10. Reimbursement Of Expenses

A travel expense report is to be prepared when requesting reimbursement of personal expenses such as out of town meals and travel expenses.

Mileage expenses will be reimbursed at the rate declared by the IRS. Meal expenses will be reimbursed at GSA approved per diem rates. Invoices will accompany meals, hotel and other reimbursable travel expenditures wherever possible.

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