

Introduction

This manual was prepared by Humanities Montana to:

- provide documentation of board-approved financial policies and procedures
- serve as a guide for staff
- provide documentation of the internal controls over cash receipts, cash disbursements, general ledger reporting, and external financial reporting.

The primary objectives of the internal control system are to ensure that transactions are properly authorized, recorded and accounted for in accordance with Generally Accepted Accounting Principles (GAAP); transactions are executed in compliance with laws, regulations and the provisions of contracts; and assets are safeguarded against loss from unauthorized use or disposition. The five interrelated components of the internal control system are the control environment, risk assessment, control activities, information and communication, and monitoring. The fiscal manager and the executive director will monitor the internal control systems and will assess the financial reporting risk associated with these controls.

General Overview

Humanities Montana is a public benefit corporation exempt under IRC Section 501(c)(3) and incorporated under the laws of the State of Montana. Humanities Montana supports public programs in history, philosophy, literature and languages, and other disciplines of the humanities. Humanities Montana strives to enrich the lives of all Montanans by fostering inquiry and stimulating civil and informed conversations about the human experience.

Humanities Montana has an annual financial statement audit performed in accordance with Governmental Auditing Standards, OMB Circular A-133, and NEH audit guidelines (as the cognizant agency). The individuals involved in the implementation of the Humanities Montana financial policies and procedures include the board members (who serve as a board of directors), the executive director, and the fiscal manager. Other Humanities Montana staff members involved are the program officer and office manager. Humanities Montana's financial policies and procedures are consistent with the agency's Articles of Incorporation, Bylaws, and Personnel Policies and Procedures Manual. Accounting policies of the National Endowment for the Humanities, OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations", A-122, "Cost Principles for Non-Profit Organizations", and A-133, "Audits of States, Local Governments, and Non-Profit Organizations" are incorporated by reference into this manual. The policies and procedures contained in the manual apply to all Humanities Montana programs and activities. In some instances a specific grant agreement or contract may contain requirements, which are more restrictive than the policies found in the manual. In these cases, the grant agreement or contract requirements take priority. Changes in the accounting policies must be approved by the board. Changes in procedures may be approved by the executive director or the board.

Board Fiduciary Responsibilities and Oversight

The board carries ultimate responsibility for Humanities Montana's financial policies and procedures and is wholly and primarily responsible for financial oversight on a continuing basis. While the conduct of, participation in and review of the annual audit is an important part of that oversight responsibility, it does not solely discharge that ongoing oversight responsibility. A variety of practices will help to ensure the board's fiduciary responsibilities are met. These include:

- An annual orientation for both new and continuing members, wherein fiduciary responsibilities are stated and regular financial reporting matters are explained;

- A member handbook in which a statement of general member responsibilities, including fiduciary responsibilities, occurs, together with explanation of member personal liabilities, indemnification, and “officers and directors” insurance coverage;
- Handbook coverage of general responsibilities for recipients of NEH and other federal funds;
- Board involvement, through its finance and audit committee, in the selection and hiring of the external auditor;
- Board communication directly with the auditor whenever significant financial questions arise;
- Careful review, first by the finance and audit committee, and then by the full board, of the annual audit, and response as appropriate;
- Assurance, through the appointments made by the chair, that the finance and audit committee’s members are knowledgeable in financial affairs;
- Periodic review, through the finance and audit committee, of the relevance and effectiveness of the policies and procedures in this financial policies manual;
- A healthy curiosity and inquisitiveness on the part of all board members in financial affairs;
- Annual self-evaluation by the board itself, in which performance in financial oversight and discharging fiduciary responsibilities are addressed.

Charge to the Finance and Audit Committee

There shall be a Finance and Audit Committee. The chair of the board shall appoint members to serve on the Finance and Audit Committee and designate its chair. The Finance and Audit Committee shall review Humanities Montana financial materials, review and monitor Humanities Montana budgets, review the Humanities Montana banking, investment, and endowment accounts, and attend to other matters bearing on the financial health of Humanities Montana and its programs.

The Finance and Audit Committee shall have the following specific audit-related responsibilities:

- a. Oversee the independent auditor engagement, including selection, scope of work, assessment of work, provision of other services, termination, and compensation
- b. Appoint a Committee member or members to be the liaison with the auditor
- c. Review audit reports and present audit reports to the board
- d. Review audit findings and recommendations, along with executive director/staff responses and status of follow-up, during the audit and as needed during the year
- e. Review with the independent auditor and executive director/staff the adequacy and effectiveness of internal controls and financial/compliance reporting practices
- f. Review internal controls, financial/compliance reporting, and other accounting/financial policies and procedures and recommend to the board their adoption and/or modification
- g. Review disagreements between the independent auditor and executive director/staff regarding internal controls, financial/compliance reporting, and other accounting/financial policies and procedures and provide recommendations to the Committee for their resolution
- h. Oversee the board Conflict of Interest and Whistle Blower policies
- b. Communicate openly and directly with the board, the independent auditor, the executive director, and/or staff as necessary to discharge the responsibilities of the Committee.

Engagement of an External Auditor

Auditing firms should be engaged for no more than five years’ tenure, with a three-year contract and two optional annual extensions being an oft-suggested best practice. At the board meetings subsequent to those where the 3rd year and 4th year (if extended) audits are presented, the Finance and Audit Committee will have as a specific agenda item the extension of the existing contract and/or solicitation of new proposals from audit firms. Should the committee decide to solicit proposals for future audits, the executive director and fiscal manager will prepare bid solicitation documents for review by the Committee to solicit proposals from qualified audit firms. The committee will provide a recommended bid solicitation document to the full board for amendment and/or approval. The committee will analyze all proposals

received in response to the bid solicitation with the assistance, if requested, of the executive director and fiscal manager. The committee will provide a recommendation to the full board, with input from staff, for final selection of an auditor.

Systems Overview

Budgets

Humanities Montana prepares an agency-wide annual operating budget as well as subsidiary budgets for each program/project. The budget represents a proposed plan of expenses projected from the expected sources of revenues. Included in the budgetary process is the necessary planning that occurs in order to develop financial resources adequate to meet the needs of the agency and fulfill goals and objectives of the organization. The executive director, the fiscal manager, and the program officer are responsible for preparing and monitoring program budgets. The Finance and Audit Committee also monitors the annual operating and program budgets.

Accounting

Humanities Montana uses QuickBooks non-profit accounting software. Humanities Montana utilizes fund accounting, which provides an individual accounting fund source for each significant program revenue source and includes separate asset, liability, revenue, expense, and fund balance accounts for each source. Accounts are maintained on an accrual basis according to generally accepted accounting principles for non-profit entities.

The fiscal manager will maintain a Chart of Accounts documenting the general ledger accounts to accurately account for financial activities of Humanities Montana. The chart of accounts will be reviewed no less than annually with staff, to assure that the codes provide meaningful aggregation of financial activity for management and compliance purposes. Changes to the Chart of Accounts are approved by the executive director.

Transaction Accounting Procedures

Cash Receipts/Revenue/Receivables/Assets

POLICY:

Grant and contract revenue, fee-for-service revenue, contributions, and other revenue will be deposited and recorded in the accounting system in a timely and proper manner in accordance with GAAP (Generally Accepted Accounting Principles).

PROCEDURE:

1. All checks and cash coming to Humanities Montana at an event or via mail will be copied and recorded by the office manager. All checks will be endorsed "for deposit only" with the appropriate Humanities Montana general operating bank account stamp. All cash and checks will be kept by the executive director in a secure location. Bank deposits will be made on a frequent basis, at least weekly unless approved otherwise by the executive director, with more frequent deposits for a large number of checks or checks with a value of \$5,000 or greater.
2. The fiscal manager will enter deposits in QuickBooks including: Class code, revenue G/L code, amount, date, and description.
3. The fiscal manager will compare cash receipts from grants and contracts to underlying award documents and requisition requests to ensure that the correct amount was received and that posting is made to the proper grant receivable account.
4. Once per month, Quick Book deposit entries will be verified against the deposit record by the fiscal manager (during bank reconciliation) from report generated in the Donor Pro software.

5. The fiscal manager is responsible for ensuring that other revenues earned or due but not collected at month-end are recorded in the accounting records as receivables.

Draw-downs from the National Endowment for the Humanities and Other Funders

POLICY:

Funds from external grantors will be drawn routinely to assure adequate cash for Humanities Montana operation and in accord with the grantors' policies.

Much of Humanities Montana's funding comes from triennial grants from the National Endowment for the Humanities (NEH). These funds are transferred electronically (EFT) from the U. S. Department of Treasury, upon NEH authorization, to Humanities Montana's designated bank of record. A similar EFT process is in place for most other funders.

PROCEDURE:

On or about the 20th of each month, the fiscal manager prepares an estimate of the cash requirements for Humanities Montana for the next month. The fiscal manager completes the appropriate drawdown form(s) with documentation and submits to the executive director, who submits the documents via the most expeditious manner (frequently scan to e-mail or fax). Drawdown requests are entered into QuickBooks and reconciled along with normal deposits and other transactions.

Cash Disbursements/Expenses/Liabilities

POLICY:

Payments for expenses incurred by Humanities Montana will be paid within a month of receipt (unless disputed) and will be reviewed by at least one individual besides the fiscal manager. Payments by check require two signatures and the fiscal manager may not be one of the signers. Bank, investment, and credit card statements are reviewed by the executive director.

PROCEDURE:

1. All bills, invoices, and statements (claims) will be sent to the executive director for review. The executive director may consult with appropriate staff regarding the efficacy or advisability of the requested claim. Bills authorized for payment are given to the fiscal manager. The fiscal manager reviews the claim form verifying that supporting documentation is complete and accurate, the expense is reasonable and allowable, proper purchasing procedures have been followed, the vendor is valid, and the general ledger coding is consistent. The fiscal manager may consult with the executive director or program director as appropriate to determine proper coding. Some expenses are paid during the current year for goods and services to be delivered in future years (all or in part). Those expenses will be coded as prepaid expenses in the appropriate future year(s).
2. The fiscal manager enters invoices into Accounts Payable. On or near the closest working day to the 5th and 20th of the month a list of unpaid bills is submitted to the Executive Director. The ED approves bills for payment, initialing and dating the unpaid bill list. The fiscal manager cuts the checks and staples the check stub to the original claim for documentation of the disbursement and given to the executive director for signature. The executive director signs the authorization area on the claim coding as well as the check. Checks are then given to the office manager for a second signature. Signed checks are distributed by the office manager or staff other than the fiscal manager as necessary.
3. All checks require two signatures. Authorized signers include the executive director, the program officer, and the office manager. The fiscal manager is the only staff person authorized to print checks and is specifically NOT authorized to sign checks. Blank check stock is kept in a secure location by the fiscal manager.

4. When a mistake is detected with a printed check or a check is returned, the check is voided. Voided checks have "void" written across the check and are filed with appropriate documentation with claims/payment documentation. As appropriate, corrected checks are reissued or the original accounts payable reversed.
5. QuickBooks maintains accounts payable records. The fiscal manager is responsible for ensuring that significant accounts payable and other liabilities are properly recorded at year-end for expenditures incurred but not yet paid. Unanticipated claims received after November 15th are typically charged to the new fiscal year.

Corporate Credit Cards

POLICY:

Humanities Montana has a credit card account for use in various agency purchases including events (e.g. food and lodging for a meeting) and routine monthly expenditures.

PROCEDURE:

1. Two cards are issued in the names of the executive director and the program officer. Documentation of all credit card expenses (receipts/charge slips) is given to the fiscal manager as soon as possible after a charge is made to the card. Where receipts are found missing when the credit card statement is received, the card holder will be notified by the fiscal manager and a replacement receipt secured. Absent a receipt or other reasonable documentation of the expense, the expense will be charged to the unrestricted fund source.
2. The fiscal manager and executive director review statements monthly. The fiscal manager reconciles the individual charge documentation with the statement, informs card holders of missing receipts, codes and enters the charges into QuickBooks. The full balance on the cards are paid automatically monthly via EFT from the checking account.

EFT Payments

POLICY:

Some payments are more easily handled via Electronic Funds Transfer (EFT). EFTs come directly from the checking account with no physical check printed and sent. Routine Humanities Montana EFTs include TIAA-CREF (monthly retirement contributions), IRS (FICA and federal tax withholding), State withholding, State Unemployment (quarterly payments), and the outstanding credit card balance (monthly).

PROCEDURE:

Claim documentation, entry and payment of EFTs are handled the same as any other claim.

Employee Payroll

POLICY:

Employees are paid at the end of each month based upon time cards approved by the executive director. Changes in rate of pay and other conditions of employment effecting pay must be approved by the executive director and kept in the payroll and personnel files. Changes in employee elections (e.g. deductions, withholding, and health plan options) must be submitted to the fiscal manager and kept in the payroll files.

PROCEDURE:

1. Employee compensation rates and other changes in employment status must be provided in writing to the fiscal manager by the executive director. Changes to insurance, retirement, and flex benefit elections, tax status, extra tax withholding, and similar "employee choice" payroll changes are to be submitted directly in writing on appropriate forms to the fiscal manager by the employee. Ordinarily, changes must be submitted by the 25th of the month, but some changes (e.g. TIAA-CREF) can require longer lead times and most health elections can only take place annually.

2. The Humanities Montana pay period is monthly and pay checks are issued on the last regular work day of the month (or other appropriate date as approved by the executive director). Each employee must turn in a completed and signed time sheet for approval of the executive director no later than 2 working days prior to issuance of the check and for timely direct deposits to employees' personal accounts. Time sheets include employee name, pay period, dates worked, hours worked on specific programs and functions by date, and leave taken.
3. The executive director gives approved timesheets to the fiscal manager, who is responsible for processing payroll and maintaining payroll records that document all changes and payments to employees and taxing entities and benefit providers.
4. Payroll is processed using QuickBooks. Employees may choose to have their paychecks directly deposited to their personal accounts. QuickBooks also tracks leave use and balances. Pay checks must be signed by two (2) authorized signatories as with other checks.
5. A check for health insurance is processed at the time of payroll. FICA taxes, Federal tax withholding, State tax withholding and TIAA-CREF retirement contributions will be electronically deposited on or about the 5th of the following month. State Unemployment payables are calculated quarterly and submitted via EFT while Workers' Compensation Insurance (State Fund) is paid over three months when annually invoiced each April, May, and June.

Montana Conversations Payments

POLICY:

Speakers and discussion leaders are paid their honoraria in advance of making their presentations and are reimbursed for travel and related expenses upon submitting the required form.

PROCEDURE:

1. Checks for honoraria or expenses may be written on either the 5th or 20th check dispersal date.
2. Payments for honoraria are generated by the program officer via the Foundant grant management system. When an event is approved and payment information is being entered, the program officer prints a copy of the grant payment detail for the fiscal manager, which provides all the necessary payment detail (speaker/discussion project code, leader, location, amount, and date). The fiscal manager records the information in the accounts payable system. The program officer gives the fiscal manager payment requests for honoraria to be processed with the other payables.
3. An expense and cost share form is sent with each honorarium check. This form has most of the financial coding pre-entered for payment of the travel, lodging, meal, and other expenses. When a completed and signed form is returned, these forms are processed just like other claims. Rates for travel reimbursement are established by the executive director and adopted in the annual budget, generally in accord with State of Montana rates for mileage and per diem.
4. The fiscal manager issues 1099 tax forms annually in January for speakers and discussion leaders in accordance with IRS guidelines (currently honoraria of \$600.00 or more). Provision of a tax ID number (typically via W-9) is required of new speakers and discussion leaders prior to payment. Tax ID information is kept in the Speaker's or Discussion Leader's central office file and entered into QuickBooks by the fiscal manager.

Regrants

POLICY:

Regrants are a contract between Humanities Montana and the recipient of the grant, to conduct certain activities in accord with the approved application and the requirements of the funding source.

PROCEDURE:

1. Each grant applicant (sub recipient) must agree to abide by NEH and other applicable federal rules which are summarized on the Humanities Montana website. They agree once when they apply and again when they sign an award agreement. The award agreement specifies the amount of the award, dates that funds can be used, final report due dates and various other requirements.
2. Regrantees are paid 100% of their regrant award upon receipt of their signed agreement with Humanities Montana. If regrantees don't spend their entire award, the unused balance is reverted and reallocated for award to other applicants. Checks for regrants may be written on either the 5th or 20th check dispersal date.
3. Payments for regrants are initiated by the office manager via production of a regrant agreement sent to the regrant project director. When that signed agreement is returned, the procedures to generate the check are the same as any other claim.
4. Regrantees no longer need to provide us copies of their documentation for expenses and cost-share. However, they are required to retain this documentation for three years for possible audit by Humanities Montana, Humanities Montana's Auditor, or the NEH Inspector General.

Petty Cash

POLICY:

Humanities Montana maintains no petty cash. Events with cash requirements will utilize procedures assuring that cash is accounted for properly and reasonably safeguarded.

PROCEDURE:

1. When cash is received, for example, at Humanities Montana-sponsored events, a receipt must be provided, a copy kept, the cash kept in a secure location until it can be verified, recorded, and deposited by the executive director.
2. On rare occasion, a small amount of change is needed for an event with admission or other fees. A check is written to petty cash and an employee other than the fiscal manager cashes this check and puts this money in a cash box for use at the event. After the event, two employees will count the cash in the cash box, reconcile with the receipts, and provide two sums of cash (duly noted in the check log) to the fiscal manager for deposit on separate deposit slips, one equal to the petty cash check, and one equal to proceeds from the event.

Purchasing

POLICY:

Purchases less than the small purchase threshold of \$100,000 will utilize the following procedures: All procurement transactions equal to or greater than the current small purchase threshold of \$100,000 must involve the solicitation of sealed bids or competitive proposals as required by the funding source and follow all other award requirements. If a particular funding source requires a more restrictive purchasing policy than stated in this policy, the fiscal manager should be made aware of these policies during the grant award process. NEH has more restrictive policies for purchases above \$25,000 for very select categories of expense (we purchase none currently).

PROCEDURE:

1. To the extent practical and cost-effective, purchase transactions are conducted in a manner providing open competition. Purchasing shall follow prudent practices to avoid purchasing unnecessary items. In the Spring of every even year the fiscal manager and office manager shall conduct an analysis of recurring purchases to assure that the vendors supplying these items are the most cost effective (the total cost of acquisition including quality, cost, and delivery/pick up). Some form of total cost of acquisitions analysis shall be performed on all non-recurring purchases as deemed appropriate by the executive director. The vast majority of purchases made by Humanities Montana are under \$1,000 and many are recurring.

2. Competitive quotations shall be obtained when practical. Purchases over \$10,000 shall include evidence that at least three vendors have been contacted to obtain competitive quotations. Requests for competitive proposals are encouraged for all purchases over \$25,000. Requests for proposals may be solicited without formal advertising as long as competition is not unduly restricted. Procurement transactions will not violate the agency's organizational conflict of interest provisions in the corporate Bylaws or Federal conflict of interest provisions.
3. Non-recurring orders for products or services must be authorized by the executive director. New orders or recurring orders are placed on a net 30 basis and paid by check after invoice or charged to the credit card account. Common supplies for general office use typically are purchased by the office manager. An officer may purchase recurring items for his/her Program following these purchasing procedures.

Travel Reimbursement

POLICY:

Employee and board travel at Humanities Montana expense must be approved by the executive director. Employees are reimbursed upon return from an approved trip, upon receipt of proper documentation of expenses.

PROCEDURE:

1. Upon return from travel, the employee/board member should complete a travel expense voucher within a week, attach lodging, meal, and others receipts, and forward to the executive director for approval. Processing of travel vouchers is done by the fiscal manager at the same time as other claims.
2. Mileage is not paid for commuting to and from an employee's residence. Rates for travel reimbursement are established by the executive director and adopted in the annual budget, generally in accord with state of Montana rates for mileage and per diem. Receipts for lodging must be attached to the voucher.

Bank Reconciliation

POLICY:

Bank and other statements are reviewed by the executive director and the chair of the Finance and Audit Committee (or their designee) and are reconciled monthly.

PROCEDURE:

Monthly bank statements (currently First Interstate Bank) are downloaded from the bank website when they become available. The fiscal manager and the executive director have the ability to view these accounts online. Once reconciled, the bank statement and the QuickBooks detailed reconciliation report are filed together. The completed bank reconciliations will be reviewed and approved by chair of the Finance and Audit Committee. The fiscal manager, with the assistance of the program officer as appropriate, should make contact with the payee for all checks outstanding after ninety (90) days.

Budgets

Consolidated Budget

POLICY:

An annual operating budget will be proposed one board meeting in advance of its formal adoption by the board. NOTE: Changes to this timeline may be necessitated by the Federal appropriation/award process and the scheduled dates for board meetings.

PROCEDURE:

1. A first draft revenue and expenditure budget for the new fiscal year will be prepared by the fiscal manager for review with the executive director and program officer. After approval by executive director, this first draft budget will be presented to the board for discussion at the meeting prior to the last board meeting of the fiscal year.
2. Based upon board discussion and subsequent events, a proposed revenue and expenditure budget will be prepared by the fiscal manager for review with the executive director and program officer. After approval by the executive director this proposed budget will be presented to the board for review and approval, with amendments if necessary, at the last board meeting of the fiscal year.
3. Budget amendments may be proposed during the fiscal year for significant program changes and grant awards as deemed appropriate by the executive director.
4. At each board meeting, the fiscal manager will present actual revenues and expenditures in comparison to the budget after review with the executive director. This report will be formatted to provide program expenditure comparisons, with subsidiary reports providing detailed revenues by source, detailed expenditures by category, and other reports as appropriate.

Program and Grant Budgets

POLICY:

Program and grant budgets will be developed for all significant programs and grants and approved by the executive director.

PROCEDURE:

The fiscal manager will develop program/grant budgets with the program officer and executive director as appropriate. A process and timeline for monitoring each will be established during this process. Changes to program circumstances and/or awards will be discussed among these three as soon as they are known.

Grants and Contracts Received

POLICY:

The executive director, program officer, and fiscal manager will all participate in the development and review of grant applications before submission as appropriate. The executive director and/or program officer will keep the board abreast of all significant grant applications and awards.

PROCEDURE:

1. Copies are made of every grant award/contract/amendment received: one for the program officer, one for the fiscal manager. The original copy is forwarded to the executive director and then to a central file. The executive director, program officer, and fiscal manager will meet to review all grant programmatic and financial obligations and assign/record responsibility and deadlines.
2. The fiscal manager enters each new grant award into QuickBooks, setting up receivables and deferred revenue. When cash is drawn down, the QuickBooks entry reduces the receivable and increases cash.
3. Any requests for approval of grant changes or alterations will be approved by the executive director and a record of the request and any approval will be kept in the central file and the fiscal and/or program file as appropriate. In the case of verbal or e-mail approval, a written/printed record shall also be prepared and filed.
4. The fiscal manager will maintain a separate folder for each grant containing: a copy of the grant, cash drawdowns, amendments, reports, and all other pertinent information. The program officer will enter all performance report deadlines into the shared calendar and the fiscal manager will enter all financial report deadlines into the shared calendar.

Budgets

Financial budgets will be prepared by the program/project managers, subject to the review of the fiscal manager. Budgets and budget amendments will be submitted to the executive director and fiscal manager for review prior to submission. The board will review and approve, with amendments if necessary, the annual consolidated budget submitted by the executive director, usually prior to October 31st. In the event that appropriations from Congress and/or allocations from NEH are unknown before the November 1st beginning of the fiscal year, the executive director may request from the board a "continuing resolution," authorizing spending at levels of the previous year.

The fiscal manager will insure that budgets are on file for all grants and contracts. Changes to budgets will be submitted to the fiscal manager as soon as they are known.

Reports

The fiscal manager will prepare monthly financial reports by cost category for the executive director. The fiscal manager will be responsible for preparation of the quarterly financial report for review and approval by the board. The fiscal manager will prepare reports for funding sources and other organizations as required by contract or agreement. The fiscal manager will prepare and maintain on a current basis a listing of reports and due dates. It will be the responsibility of the fiscal manager to insure that all reports are submitted on a timely basis. The executive director will report to the board from time to time on the completion of reports and share those of potential interest to the board.

Confirmation Letters

A letter to funding sources requesting permission for approval of grant changes or alterations will be used to obtain such approval from a funding source. A letter confirming telephone conversations will be used in all cases where telephone approval is received from a funding source.

Reserves and Endowment

Operating Reserves

POLICY:

Humanities Montana will maintain sufficient liquid financial reserves to 1) assure stable operations in the event of modest revenue shortfalls; 2) take advantage of unique short-term program opportunities; and 3) meet modest unanticipated expenses.

PROCEDURE:

1. Humanities Montana has several operating reserves. The annual operating budget should have an uncommitted balance equal to approximately 5% of the total expenditure budget from current or prior year NEH State Operating Grant funds. This uncommitted balance is intended to cover small short-term revenue shortfalls or small short-term expenditure requirements and opportunities.
2. Humanities Montana also maintains a larger unrestricted "rainy day" reserve, invested in appropriate liquid secure investments (e.g. money market account, savings account or certificates of deposit) that earn a higher rate of return. This reserve is intended to cover large revenue shortfalls until transitions to other funds or significant expenditure adjustments can be made. This reserve should be maintained at a minimum of one month of routine operating expenses and liabilities.

Endowment

POLICY:

Humanities Montana maintains an endowment with the Montana Community Foundation. The endowment serves as a vehicle to generate ongoing stable revenue, primarily from planned gifts by individuals and organizations, often taking advantage of Montana's generous endowment tax credit. It is the policy of the board that no distribution of revenue from the endowment be spent until its corpus reaches \$100,000, including both designated agency and agency funds. Until such time as the Montana Community Foundation permits withdrawal of agency funds, it is the policy of the board that no unrestricted Humanities Montana funds will be deposited directly to the endowment until the balance of those unrestricted funds exceeds approximately one-third of the annual expenditure budget.

PROCEDURE:

1. Contributions to the Humanities Montana endowment by external organizations or individuals will be forwarded immediately to the Foundation. These contributions require separate accounting by the Foundation as "designated agency" funds.
2. Contributions of Humanities Montana unrestricted funds directly to the endowment at the Foundation also require separate accounting by the Foundation and are called "agency" funds.
3. Endowment records are maintained and entered into QuickBooks by the fiscal manager, including semi-annual recording of interest income, investment gains and losses, and administrative fees. Endowment records are reviewed by the fiscal manager and the executive director.

Reporting

Internal Reports

POLICY:

The fiscal manager will generate financial reports as needed by staff and the board, but no less frequently than each quarter and year-end.

PROCEDURE:

1. The fiscal manager will do a quarterly "mini-close" in the first month of the subsequent quarter:
 - February for November–January
 - May for February–April
 - August for May–July
2. This mini-close will occur after all transactions of the previous quarter are entered and reconciled. The mini-close will include review of balance sheets and revenue and expenditure statements for each fund source and correcting any errors or inconsistencies revealed. Please see the year-end closing section for reporting associated with this activity.
3. The fiscal manager will be responsible for preparation of quarterly balance sheets and revenue and expense statements for the executive director and Finance and Audit Committee after the quarterly mini-close (except for the final quarter which will be covered by the fiscal year-end reporting). The latest quarterly balance sheets and revenue and expense statements will be presented to the entire board at board meetings.
4. The fiscal manager will provide programmatic/grant status financial reports for staff and the board as deemed appropriate by the executive director.

External Reports

POLICY:

The fiscal manager will prepare reports for funding sources and other organizations as required by contract or agreement.

PROCEDURE:

1. The fiscal manager will prepare and maintain on a current basis a listing of financial reports and due dates and the program officer will maintain the same for performance and other programmatic reports. It will be the responsibility of the fiscal manager and program officer to insure that all reports are submitted on a timely basis.
2. The fiscal manager will also prepare payroll and tax reports as required by Federal and Montana state agencies. The annual reports include, but are not limited to: IRS W-2 and 3 employee incomes, IRS 1099 payment to others, Montana State Fund workers' compensation. The quarterly reports include, but are not limited to: IRS 941 payroll taxes and Montana Unemployment tax.

Cost Allocation Plan

POLICY:

All costs will ultimately be allocated to one of three functional areas for purposes of IRS 990 reporting and other efforts to fairly and accurately depict utilization of financial resources entrusted to Humanities Montana:

Administration
Fundraising
Council Projects

Costs are directly assigned to a program and associated class code whenever possible (e.g., re grants, Speakers Bureau, outreach, etc.).

PROCEDURE:

1. A list of common activities and their associated class code assignment will be developed by staff and utilized by the fiscal manager for use in this direct coding.
2. This program and associated class code will also be used by staff for recording their daily time timesheets for allocation of payroll costs.
3. When new grants are received, the named Humanities Montana grant administrator and the fiscal manager will jointly review the grant guidelines for expenses that are not allowable under that grant. When receipts are turned in to the fiscal manager, unallowable costs should be specifically identified (for example, lobbying or liquor).
4. If multiple funding sources can be used to fund the same activity (e.g. many Speakers Bureau costs), the fiscal manager will use the most restrictive or limited fund source first (e.g. Montana Cultural Trust,) before using the more general or less limited fund source (e.g. NEH General Operating grants).
5. However, some costs cannot be clearly assigned directly. Examples include office supplies, telephone and postage, rent and many other "office support" expenses. Where costs cannot be directly allocated, they will be coded to administration. The cost will then be allocated based on total of employee's average time spent.

Cost-Share

POLICY:

The fiscal manager will gather and maintain summaries of cost-share and other cash match requirements of NEH and other funding sources.

PROCEDURE:

In-kind vouchers will be signed by donors on forms provided by Humanities Montana. Valuation of donated in-kind will follow contractual guidelines and OMB circular requirements. In-kind information will be submitted to the fiscal manager for recording in the accounting records on a regular basis. Grants with a non-federal cash match requirement will submit match information to the fiscal manager at least quarterly. Fiscal manager will prepare schedule of in-kind that meets the requirements of FAS 116 for recording in the financial statements at year end.

Year-End Closing

Audit

POLICY:

Humanities Montana will retain an external auditor as required by NEH. Open communication among the board, staff, and external auditor is encouraged. Staff will provide information for conduct of the audit on a timeline jointly agreed upon.

PROCEDURE:

1. The selected auditor will formally communicate with the board and executive director about audit timelines and information requirements (about November each year). After October transactions are entered and reconciled, the fiscal manager will review balance sheets and revenue and expenditure statements for each fund source and correct any errors or inconsistencies revealed. The fiscal manager is responsible for submitting financial statement information to the auditor for final consolidated financial statement preparation in accordance with the relevant accounting principles. The fiscal manager is responsible for preparation of all supporting audit schedules (about the end of December each year, but may be later to assure accuracy) and providing supporting documentation as requested by the auditor.
2. The auditor will request (several weeks after the schedules are submitted) specific sample transactions and other information be made available by the fiscal manager for the field work. The auditor(s) will conduct their field work at the Humanities Montana offices and provide an informal exit interview with the executive director and fiscal manager, outlining significant concerns and/or additional information required.
3. The auditor will provide a preliminary audit report after the field work. The executive director, with the assistance of the fiscal manager, will prepare the formal response to the audit findings for approval by the Finance and Audit Committee and of the board before incorporation in the final audit report.
4. The auditor will meet with the board, if requested, via conference call or during the next board meeting to discuss audit findings and recommendations.
5. The auditor may communicate with the Finance and Audit Committee liaison (and vice versa) at any time during the audit process, as well as any other time during the year as deemed appropriate by the liaison or auditor.

Closing and Reporting

POLICY:

After the annual audit is complete, adjusting entries will be made to the accounting system and the previous fiscal year closed.

PROCEDURE:

After the audit is complete a set of fiscal year-end adjusting transactions is prepared by the auditor for entry by the fiscal manager into QuickBooks. After the entries are entered, the fiscal year is closed and opening balances for the New Year reconciled to the auditor's working trial balances.

Fixed Assets/Property

POLICY:

The fiscal manager will maintain and reconcile records of fixed assets, in sufficient detail to meet external requirements.

PROCEDURE:

1. The fiscal manager will maintain a property and equipment fund that will account for all fixed assets with an acquisition cost of \$5,000 or more per unit and a useful life of more than one year.
2. If a particular funding source requires a more restrictive property policy than stated in this policy, the program officer or executive director must submit those requirements to the fiscal manager and indicate that those procedures must be followed for the particular acquisition. The appropriate officer is responsible for obtaining necessary prior written approval from the granting agency for fixed asset purchases when required.
3. The fiscal manager will maintain a record of all fixed assets and will reconcile to the general ledger at least annually. This record will contain a description of the asset, date purchased, serial number, and account code indicating which program paid for the asset. A copy of this record, along with prior written authorization from the granting agency if applicable, must be attached to the claim form.
4. Ownership documents (deeds, titles, vehicle registration etc.) for property will be maintained by the fiscal manager. Furniture, equipment, and vehicles will be marked with Humanities Montana identification tags to facilitate accountability. Property will be inventoried at least once every two years and reconciled to the underlying property records and general ledger.
5. The fiscal manager will authorize depreciable lives and depreciation methods for all fixed assets. The fiscal manager is responsible for recording depreciation on an annual basis.

Disposition of Property

POLICY:

When original or replacement property is no longer to be used in projects or programs currently or previously sponsored by the Federal Government, disposition of the property shall be made pursuant to Federal/State guidelines found in OMB Circular A-110 and the Grant Agreement.

PROCEDURE:

Disposal of property must obtain prior approval from the executive director or fiscal manager and be recorded in the property disposal subdirectory on the shared drive.

Contract Services

POLICY:

Written contracts will be developed for acquisition of all services, except where rates and services to be provided are unambiguous (such as hourly rate for computer repair).

PROCEDURE:

1. Consideration will be made of in-house capabilities to accomplish services before contracting out for them. Written contracts clearly defining work to be performed will be developed when required or for services expected to exceed \$5,000 in total cost.
2. Procurement and purchasing procedures will be followed when hiring independent contractors and consultants. Qualifications of the consultant or contractor and reasonableness of fees will be considered in hiring consultants and contractors. Consultant and contract services will be paid for as work is performed or in accordance with terms of the contract. The executive director will approve all proposed contracts. The fiscal manager will issue 1099 tax forms for consultants and independent

contractors in accordance with IRS guidelines. Provision of a tax ID number is required of new contractors and prior to payment for services.

Leases

POLICY:

All leases must be approved by the executive director

PROCEDURE:

Records of all leases will be maintained by the fiscal manager.

Insurance

POLICY:

Adequate and typical insurance coverage will be maintained for motor vehicle rentals, property, board and staff members, events, and liability.

PROCEDURE:

The fiscal manager will maintain insurance files and provide copies of the binder pages to the executive director and Finance and Audit Committee when new policies are issued or old policies renewed. Insurance policies will be carefully reviewed by the executive director and fiscal manager before renewal and rebid as appropriate.

Employee Loans/Advances

POLICY:

No employee may receive a loan or advance on pay from Humanities Montana.

Records Retention

POLICY:

Accounting and other records will be retained in accordance with state and federal laws and regulations and the provisions of OMB Circular A-110.

PROCEDURE:

1. Humanities Montana abides by the minimum retention requirements set forth in the following table:

Type of Document	Minimum Retention Requirement
Accounts payable ledgers and schedules	7 years
Audit reports	Permanently
Bank Reconciliations	2 years
Bank statements	3 years
Checks (for important payments and purchases)	Permanently
Contracts, mortgages, notes and leases (expired)	7 years
Contracts (still in effect)	Permanently
Correspondence (general)	2 years
Correspondence (legal and important matters)	Permanently
Correspondence (with customers and vendors)	2 years
Depreciation Schedules	Permanently
Duplicate deposit slips	2 years
Email correspondence relating to legal or financial matters	2 years
Employment applications	3 years
Expense Analyses/expense distribution schedules	7 years
Financial Statements, Year End	Permanently
Grants Awarded	Permanently
Insurance Policies (expired)	3 years
Insurance records, accident reports, claims, policies, etc.	Permanently
Inventories of products, materials, and supplies	7 years
Invoices (to customers, from vendors)	7 years
Legal opinions and other legal activity	7 years
Minute books, bylaws, and charter	Permanently
Payroll records and summaries	7 years
Personnel files (terminated employees)	7 years
Retirement and pension records	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 years
Withholding tax statements	7 years
W-2s	Permanently

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2. Typically, after retention onsite in the Humanities Montana offices, print copies of approved board meeting minutes, reports, grant proposals, publications, requests for funding, and other materials of historic interest, are archived indefinitely by long-standing agreement in the K. Ross Toole Archives of

the Maureen and Mike Mansfield Library of the University of Montana. Other documents that have been retained beyond the period indicated in the chart below may be destroyed periodically, taking into consideration constraints on storage space and staff time.

3. If litigation is filed or government investigation is commenced against Humanities Montana, from the date such action is known to Humanities Montana, all document destruction shall be suspended as promptly as can be achieved reasonably.

Security of Electronic Financial Records

POLICY:

Reasonable efforts will be made to protect the security and content of the financial and other operational records stored on Humanities Montana computers and those of external application service providers.

PROCEDURE:

Accounting records QuickBooks are maintained on a single computer. Backup of QuickBooks files occurs weekly.

Financial Statements, Annual Audit, IRS Form 990

The executive director will solicit proposals from audit firms for the annual Humanities Montana audit, and, in consultation with the Finance and Audit Committee, will choose an auditor. Auditing firms should be engaged for no more than three to five years' tenure.

The fiscal manager is responsible for arranging for the annual audit to be conducted in accordance with A-133. The fiscal manager is responsible for submitting financial statement information to the auditor for final consolidated financial statement preparation in accordance with GAAP/GASB. The fiscal manager is responsible for preparation of all supporting audit schedules and providing supporting documentation as requested by the auditor. The fiscal manager is responsible for the final review and approval of the audited financial statements.

Whistleblower Policy

Humanities Montana's Code of Ethics and Conduct (see board bylaws) requires board members, officers, and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of Humanities Montana, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

Reporting Responsibility

It is the responsibility of all board members, officers, and employees to comply with this Code of Ethics and Conduct and to report violations or suspected violations in accordance with this Whistleblower Policy.

No Retaliation

No board member, officer, or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within Humanities Montana prior to seeking resolution outside Humanities Montana.

Reporting Violations

The code addresses Humanities Montana's open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with anyone in management (i.e., senior staff) whom you are comfortable in approaching. Supervisors and managers are required to report suspected violations of the Code of Conduct to Humanities Montana's compliance officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when you are not satisfied or uncomfortable with following Humanities Montana's open door policy, individuals should contact the compliance officer directly.

Compliance Officer

Humanities Montana's compliance officer is responsible for investigating and resolving all reported complaints and allegations concerning violations of the code and, at his/her discretion, shall advise the executive director and/or the Executive Committee. The compliance officer has direct access to the Executive Committee of the board of directors and is required to report to the Executive Committee at least annually on compliance activity. Humanities Montana's associate director for programs, Kim Anderson, 243-6067, kim.anderson@humanitiesmontana.org, serves as compliance officer.

Accounting and Auditing Matters

The Executive Committee of the board of directors shall address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. The compliance officer shall immediately notify the Executive Committee of any such complaint and work with the committee until the matter is resolved.

Acting in Good Faith

Anyone filing a complaint concerning a violation or suspected violation of the code must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

Confidentiality

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Handling of Reported Violations

The Compliance Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Hotline

Allegations of waste, fraud, or mismanagement of federal funds may also be reported anonymously to the National Endowment for the Humanities' hotline. If the allegation is found to relate to issues other than mismanagement of federal funds, the NEH Office of the Inspector General (OIG) will refer the matter to the appropriate authorities.

There are four ways to contact NEH's OIG to report an act you believe to be wasteful or fraudulent:

1. **CALL (toll-free):** 1 (877) 786-7598
2. **WRITE:**
Office of Inspector General
National Endowment for the Humanities
1100 Pennsylvania Avenue, N.W.
Room 419
Washington, D.C. 20506
3. **EMAIL:** oig@neh.gov
4. **INTERNET FORM:** [click here](#)