

The Prairie Enthusiasts

ACCOUNTING POLICIES AND PROCEDURES MANUAL

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Approved by:

Finance Committee _____
Jerry Newman, Chair

Date: _____

Board _____
Jim Rogala, President

Date: _____

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1.00 BACKGROUND INFORMATION

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

The Prairie Enthusiasts, Inc. (TPE) will employ or contract with a Bookkeeper and an Accountant to support execution of day-to-day financial transactions, maintenance of bank accounts, internal reports, and all state and federal tax filings.

In addition to this policy, TPE maintains a Chapter Treasurers' Handbook and a Chapter Support Finances Handbook which lay out the procedures that execute this policy. This policy and its supporting procedures are designed to ensure predictability and consistent practices across the organization. For instruction on how financial records are to be kept, refer to *The Prairie Enthusiasts, Inc. Records Management Policy*.

Chapter Support maintains financial records for all Chapters and disseminates regular reports to Chapters, the Finance Committee, and the Board of Directors.

2.00 CHART OF ACCOUNTS

2.10 Accounts

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

2.20 Classes

TPE accounts will be tracked in an accounting software which enables classification of different sources of revenue and expense. Income and expenses will be tracked separately for each Chapter to enable Chapter-specific financial reporting.

3.00 ACCOUNTING PRINCIPLES FOR RECORDING REVENUE, EXPENSES, ASSETS, AND DEPRECIATION

3.10 Revenue Recognition

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

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

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

3.20 Matching of Revenues and Expenses

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

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

3.30 Fixed Assets and Depreciation

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

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

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

Building & building improvements -- 40 years

All capital assets purchased with grant or other restricted funds are cataloged. See Section 17 for property and equipment inventory and management.

3.40 Donated Materials and Services

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

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

3.50 Deviations from GAAP

Deviations from GAAP are as follows:

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

4.00 CASH DISBURSEMENTS

4.10 General Organizational Expenses

TPE members and staff can make purchases on behalf of the organization with the appropriate approval and documentation. The required documentation includes proof of the cost of the expense, the nature of the expense, and if it is a service contract Certificates of Insurance. Regardless of the following approval structure, the individual initiating the purchase can never be the individual approving the purchase. These approval rules also apply to requests to transfer money between accounts. To verify that the approval requirements are being met, documentation of approvals will be kept on file at Chapter Support and audited periodically.

To allow for efficient purchases TPE has three methods of paying organization expenses: Chapter Support directly pays the approved expense, members and staff are reimbursed by TPE for paying approved expenses, or approved expenses are charged directly onto a TPE-issued credit card.

Expenses incurred by TPE members must be approved and coded by the Treasurer of their Chapter; if the Treasurer is the member making the purchase it must be approved by the Chapter Chair. Expenses incurred by TPE staff must be coded by the employee and approved by their direct supervisor or the Executive Director; the Executive Director's expenses must be approved by an officer of the Board of Directors. Approvals of Chapter and staff expenses must be submitted to Chapter Support at least once per month. This applies to expenses submitted to Chapter Support to be paid directly, and reimbursements.

TPE will provide credit cards to members if their Chapter Treasurer and Chapter Chair submit a written request to Chapter Support including the requested credit limit. TPE staff can be issued credit cards with the approval of the Executive Director. Approvals of credit card purchases operate the same as all other expense approvals.

For more information about the approval process and what types of expenses are acceptable please see *The Chapter Treasurers' Handbook section ??*. For more information about signing authority please see the Board of Directors' *Signing Authority Resolution adopted December 5, 2023*.

4.20 Personnel Costs and Payroll

TPE staff are paid on a monthly basis after submitting proof of their time worked to their immediate supervisor and having it approved. Any TPE expenses personally paid by staff will be reimbursed with their paycheck

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once the documentation required in section 4.10 is submitted. Employee reimbursements will be processed so they are not erroneously taxed as income.

The Bookkeeper will prepare the payroll in accordance with federal, state, and local laws and guidelines. Compensation rates are based on offer letters signed by the employee's supervisor or someone with signature authority (see *Signing Authority Resolution adopted December 5, 2023*).

5.00 CASH RECEIPTS

All donations and contract or fee for service payments are forwarded to Chapter Support for recording and deposit. Separation of duties will be maintained, if there is insufficient staff to accomplish this that will be noted on the deposit log.

For more information about deposit processing please see *The Chapter Support Treasurers' Handbook section ??*.

6.00 BANK RECONCILIATION

Bank statements will be reconciled monthly by the Bookkeeper and reviewed by the Accountant for completeness and signs of unusual activity. The General Ledger and reconciled bank statements will be adjusted to agree monthly.

The Accountant will also reconcile money market and investment accounts on a monthly basis.

7.00 END OF MONTH ACCOUNTING

The Accountant will ensure each month's finances are complete and reconciled. A financial report including a Statement of Financial Position and Performance to Budget will be created by Operations and made available to Chapters and Chapter Support by the end of the subsequent month.

The Finance Committee will receive year-to-date financial statements in advance of each meeting, the schedule of which can be found in the *Chapter Support Treasurer's Handbook*. The Finance Committee will review these statements and vote whether to accept them. Once the financial statements have been accepted by the Finance Committee they are sent to the Board of Directors to review and accept.

8.00 END OF YEAR ACCOUNTING AND AUDIT

The Accountant will support Operations in generating year-end financial statements.

The Accountant and Bookkeeper will both advise and support TPE in preparing for and responding to the annual audit. The Accountant and Bookkeeper will coordinate with the external auditors to complete the annual audit.

The Accountant will prepare all necessary tax filings and send them to the Executive Director to review before filing. The Accountant and Executive Director will review the filings to ensure they are accurate and evaluate whether they indicate any potential problems with the tax status or fundraising license of TPE. Once the Accountant and Executive Director have reviewed IRS Form 990 it is sent to the Finance Committee to review and vote on whether to accept it. Once the 990 has been accepted by the Finance Committee it is sent to the Board of Directors to review and accept.

Once the year-end financial statements are prepared, they are presented to the Finance Committee for review and to vote on whether to accept them. After the Finance Committee has accepted the year-end financial report it is sent to the Board of Directors to review and accept.

9.00 ALLOCATIONS

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

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

INTERNAL OVERHEAD ALLOCATIONS

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

For the purposes of this policy, "bequest" is defined as: *estate gifts, bequests, or other transfers upon death.*

A. Membership, general donations, and bequests of \$4,999.99 or less, from assigned members will be directly attributed to the chapter. Contributions and any bequests, that are restricted, or directed to the chapter by the donor will be directly attributed to the chapter. Non-assigned and non-directed donations or bequests, will be attributed to Chapter Support. Bequests of \$5,000 or more, that do not have a decedent's restriction or designation, will be placed in an unrestricted Board designated fund, then presented to the Fundraising & Endowment Committee to make a recommendation to the Board as to their use.

B. Overhead rates will be applied to three pools of chapter income (see exclusions):

#1 – Membership, general donations, and unrestricted, and/or undesignated bequests of \$4,999.99 or less.

#2 – Contributions, including applicable bequests, for non-grant land acquisition

#3 – All other contributions and income (includes grants, rents, events, fee for service, grants, restricted contributions, sale of goods, distributions from endowments, bequests designated (but not restricted) to a chapter, bequests restricted to a chapter's site/project, and distributions from any unrestricted Board designated bequest fund)

C. Exclusions: Policy does not apply to investment income, in-kind, annual conference income, endowment contributions (including those from bequests), and land acquisition grants that do not specifically allow

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administrative fees.

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

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

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

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

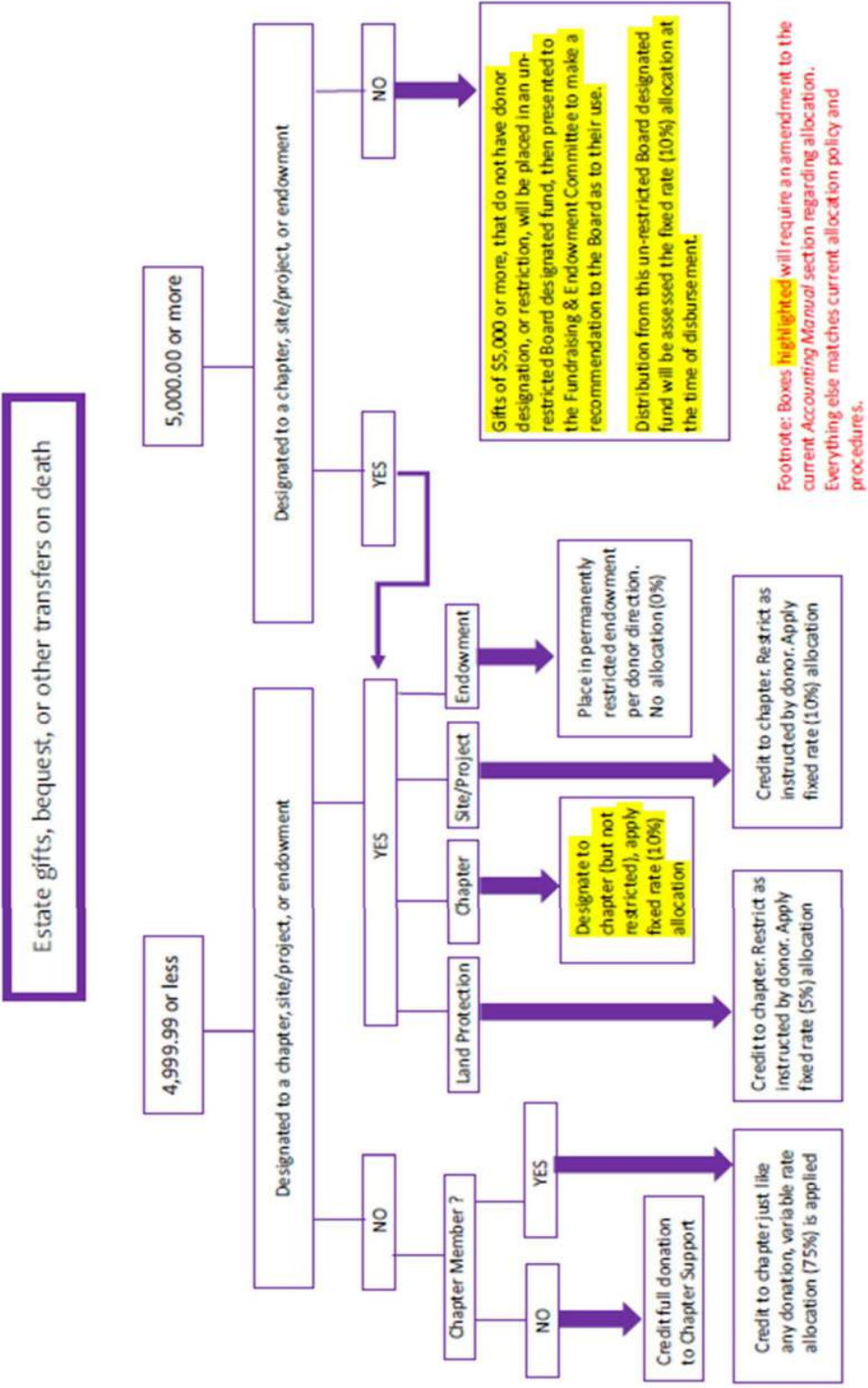
H. If Chapter Support incurs a Net Operating Loss at year-end, an additional overhead charge ("true-up") may be levied on Pool #1 sufficient to cover the loss. Disposition of Net Operating Income will be returned to chapters in the same manner. Net Operating Income or Loss is defined as unrestricted net income or loss before depreciation, investment gains/losses, bequests of \$5,000 or more, that do not have a decedent's restriction or designation, and were placed in an unrestricted Board designated fund, and the 2021 Employee Retention Credit (ERC). The Finance Committee has the authority to waive immaterial true-up adjustments.

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

The Bookkeeper records and transfers income allocations per policy between chapter and Chapter Support at the time income is recorded. The Accountant reconciles allocations monthly.

At fiscal year-end, the Finance Committee is requested to approve an additional variable rate to be applied to income pool #1 to cover the remaining Chapter Support budget, if needed.

The Finance Committee monitors Chapter Support Net Operating Income financial reports and may adjust variable rates mid-year if needed.



10.00 INCOMING GRANTS

Please refer to The Prairie Enthusiasts, Inc. Grant Policy and Procedures for the TPE Grant Policy, and The Chapter Treasurers' Handbook and Chapter Support Treasurer's Handbook for grant acceptance procedure.

11.00 INVESTMENTS

Please refer to The Prairie Enthusiasts, Inc. Investment Policy.

12.00 DEBT

The Board of Directors must approve any TPE debt before it is incurred, other than budgeted payroll payables. Once the Board of Director has approved the debt, then the Executive Director will be authorized to negotiate such debt as needed.

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

13.00 DONOR RESTRICTED NET ASSETS – OPERATING

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

TPE will make all efforts to honor donor restrictions that are consistent with our mission. Gifts that are restricted to a specific purpose will be coded and tracked separately to ensure that the money is put towards the donor designated purpose.

Please refer to The Prairie Enthusiasts, Inc. Gift Acceptance Policy.

14.00 DONOR RESTRICTED NET ASSETS - ENDOWMENT

TPE may accept endowments established by individual donors or other contributors for land management or land conservation purposes within TPE's mission on the terms and conditions contained in this policy. Gifts to be placed in endowments are subject to *The Prairie Enthusiasts, Inc. Gift Acceptance Policy*.

TPE may solicit funds for restricted accounts. Donor-restricted endowment accounts must be established with a signed Endowment Gift Agreement. Contributions to permanent endowment funds will be held in perpetuity, and distributions may only be made from earnings and market gains ("growth"). Annual disbursements from permanent endowments are allowed, calculated as 4% of the twelve quarter average balance (13-point average) in the endowment, measured on December 31st of the preceding calendar year. In no case shall a disbursement be made which would cause the principal balance to drop below the value of donated funds. Disbursements from endowments are subject to a 10% fixed allocation to Chapter Support (see section 9.00).

The entire balance of a temporary endowment fund (e.g. Legal Defense) is available for distribution as needed, in accordance with the individual policy of the fund.

TPE will charge a 0.5% administration fee annually at year-end to all donor-restricted endowment funds. The fee will be calculated based on the average quarterly balance of the previous year (5-point average). This fee will be suspended if accumulated earnings are insufficient, and recaptured at a later date after the earnings balance is able to support the amount due. In no case shall the admin fee be withdrawn if it would cause the principal balance to drop below the value of donated funds.

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

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

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

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

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

15.00 BOARD-DESIGNATED ENDOWMENTS

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

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

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

16.00 LAND ACQUISITIONS & EASEMENTS

Land acquisitions will be capitalized. Easements will be expensed.

Please see The Prairie Enthusiasts Inc., Conservation Easement Policy and The Prairie Enthusiasts, Inc. Land Protection Policy and Procedures for more information.

17.00 PROPERTY AND EQUIPMENT INVENTORY

Chapter Support will maintain an inventory of all property and equipment held by Chapters. The inventory will be sent to the Accountant at least once per year to review for tax filings and capitalization of assets. Equipment will be capitalized according to the schedule in Section 3.30.

Chapter Support will verify the inventory once per year to ensure it is accurate.

18.00 INTERNAL CONTROLS AND FINANCIAL AUDIT

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

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

19.00 BUDGETING

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

The Executive Director, Operations, and Chapter Treasurers will be responsible for preparing the proposed budget to be submitted to the Board of Directors.

For more information, please refer to The Chapter Treasurers' Handbook and the Chapter Support Treasurer's Handbook.

20.00 COMPLIANCE

Please see *Chapter Treasurers' Handbook* and *Chapter Support Treasurer's Handbook*.

21.00 ACCESS TO RECORDS, RECORD RETENTION, AND COMPUTER BACKUP

Please see *The Prairie Enthusiasts, Inc. Records Management Policy* and *The Prairie Enthusiasts, Inc. Records Management Procedures*.

22.00 MAINTENANCE OF ACCOUNTING POLICIES AND PROCEDURES MANUAL

The Prairie Enthusiasts Inc., Accounting Policy, Chapter Treasurers' Handbook, and Chapter Support Treasurer's Handbook are critical to the accounting function of TPE. This policy should not conflict with other manuals, handbooks, or guidelines.

Operations will be responsible for maintaining this policy and its supporting procedural documents. All proposed changes to this policy must be approved by the Executive Director, Finance Committee and then Board of Directors. The Finance Committee will be informed of all changes to the *Chapter Treasurers' Handbook* and *Chapter Support Treasurer's Handbook*.

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

APPENDIX A – SUMMARY of ACTIVE ENDOWMENTS

Donor-Restricted and Permanent

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

Donor-Restricted and Temporary

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

Board-Designated

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

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

See also Section 14 Donor Restricted Net Assets – Endowment.