

POLICY 2: FINANCIAL MANAGEMENT

**Adopted 2-19-2016
Amended 11-19-2018
Amended 6-23-2020
Amended 6-12-2023
Amended 6-28-2024
Amended 6-11-2025**

1. GENERAL PURPOSE

The purpose of this document is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of NPC Friends and Family (hereafter NPCFF), and managing NPCFF's funds in such a way as to incorporate effective systems of internal control that are adequate to NPCFF.

2. FINANCIAL RESPONSIBILITIES

2.1 It is the responsibility of the NPCFF board of directors (hereafter, "board") to formulate financial policies and review operations and activities on an annual basis.

2.2 The board of directors delegates this oversight responsibility to the executive director and the board treasurer.

2.3 The executive director acts as the primary fiscal agent, implementing all financial policies and procedures. The executive director, with oversight of the board, is responsible for the coordination of the following: Annual budget presentation, management of all endowed funds and other fund investments, selection of outside auditors, facilitation of outside audit, and approving revenue and expenditure objectives in accordance with any board-approved, long-term plans.

2.4 The executive director, with oversight by the board treasurer, has the day-to-day operations responsibility for managing NPCFF funds, ensuring the accuracy of the accounting records, internal controls, financial objectives and policies, financial statement preparation, and bank reconciliation review and approval.

2.5 The executive director, with oversight by the board treasurer, is responsible for the monthly journal entries into the ledger (QuickBooks), bank reconciliations, Form 1099 reporting, IRS Form 990 reporting, AZ IRS Form 99, and working with the external auditor to facilitate the annual audit.

3. CONFLICT OF INTEREST

Members of the Board of directors are prohibited from activities that present conflicts of interest. The powers of directorship may not be used to personally benefit any board member at NPCFF's expense. If any board member has a financial interest in an NPCFF transaction, the board member must fully disclose the interest and abstain from voting. Loans to board members are prohibited.

4. BUDGETING PROCESS

4.1 The entire board of directors must approve the budget by majority vote. The executive director shall be responsible for presenting an annual operating budget draft to the board sixty (60) days prior to the end of the fiscal year and thirty (30) days prior to any vote by the board of directors to approve/disprove it.

4.2 The board of directors shall review and approve the recommended fiscal year budget, revenues, expenditures, and cash flow.

4.3 The budget shall contain revenues and expenses forecasted by fiscal year.

5. FINANCIAL STATEMENTS

5.1 NPCFF's financial statements shall be prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP).

5.2 Under GAAP, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NPCFF and changes shall be classified as Unrestricted, Temporarily Restricted, and Permanently Restricted.

5.3 Resources for various purposes are classified as Operational Checking (unrestricted), Unrestricted Scholarships, Restricted Scholarships, Scholarship Endowments, and Corporate Endowment (temporarily restricted).

5.4 The executive director shall prepare and present monthly financial reports in a format approved by the board treasurer. The statements shall be presented to the board of directors at regular monthly meetings for review.

6. AUDIT

6.1 NPCFF will have an audit of its financial statements annually, within two (2) months of the end of each fiscal year. The audit shall be completed by an Independent Certified Public Accountant. The executive director shall have direct responsibility for overseeing the implementation of the Annual Financial Audit. The executive director shall recommend to the board of directors an auditor or

firm to perform the annual audit. The board of directors shall vote to accept the auditor or firm. The executive director shall assist, when necessary, in the audit preparation and report the final results to the board of directors. A representative of the audit firm shall be invited to attend the annual presentation to the board of directors, and shall be required to make a presentation to the board of directors if the audit report is other than unqualified, or if the auditor(s) report material weaknesses in internal controls or reportable conditions.

6.2 Because it is a component unit of Navajo County Community College District dba Northland Pioneer College, NPCFF will share the results of the Annual Financial Audit with Navajo County Community College District dba Northland Pioneer College as required by the Office of the State Auditor General.

6.3 The Auditor shall prepare the IRS Form 990 and the Arizona Form 99, and they shall be reviewed by the executive director and the board of directors before submission to the IRS and the State of Arizona.

7. REVENUE AND INCOME PROCEDURES

7.1 The executive director develops and proposes revenue goals and objectives and submits them to the board of directors for discussion and approval.

7.2 All contributions shall be recorded, in accordance with GAAP, and must be credited to the appropriate revenue lines as presented in the annual budget.

8. RECORDING RECEIPTS

8.1 All cash and checks received through the mail shall be recorded by the executive director by date, name of company or individual, designation, and amount. All cash and checks received through the mail will be deposited into the appropriate account within five (5) business days of receipt. A receipt shall include date of deposit, amount, and designation. A scanned (electronic) copy of the bank deposit slip shall be retained in chronological order with copies of the deposits as shown on monthly bank statements.

8.2 The same procedures followed for cash receipts shall be followed when monies are received by volunteers as contributions for special events.

8.3 Gifts received electronically, such as stock transfers or on-line contributions should be properly recorded by the executive director. Transactions should be presented in the monthly financial report, and checked monthly by the board treasurer.

8.4 The executive director shall make the appropriate entries in the accounting software (QuickBooks). The executive director shall monthly reconcile all logs of incoming cash/checks with the deposit slips and with the record of receipts.

9. RECEIPTS TO DONORS

The executive director shall ensure that all donors and contributors shall receive proper acknowledgement of their contributions, in accordance with IRS Guidelines, within ten (10) business days of the receipt of the donation. Copies of all letters of acknowledgement shall be retained for a period of seven years.

10. EXPENDITURES PROCEDURES

10.1 All non-budgeted expenditures in excess of \$2,500.00 shall be approved by the board of directors. All expenditures shall be coded by account number using NPCFF's accounting software.

10.2 Invoices for all non-budgeted expenditures shall be approved by the board treasurer. Following review and approval, checks shall be prepared and distributed accordingly. Upon payment of a bill, a copy of the check or check number and payment date shall be printed on the invoice. The paid invoices shall be filed in electronic copy and kept on a fiscal-year basis on file for seven years.

11. SCHOLARSHIP MANAGEMENT AND AWARD PROCEDURES

11.1 A record of all scholarships and grants managed and awarded by NPCFF shall be kept in electronic format, with the balance in each scholarship or grant fund updated as donations are received and awards are made.

11.2 NPCFF shall follow the Scholarship Procedure approved by the board of directors for advertising available scholarships and receiving application materials.

11.3 The executive director shall receive all scholarship applications, review them for completeness and eligibility and prepare copies of all applications for committee review. The executive director shall maintain originals of all scholarship applications, as electronic files, for a period of four (4) years beyond the semester of the award.

11.4 A Scholarship Review Committee comprised of representatives from NPCFF and Northland Pioneer College, including Student Services and Financial Aid staff, faculty, administrators, and community volunteers, shall review all

application packets according to the Scholarship Policy. The executive director shall serve as an ad hoc member of the selection committee, and shall not have a vote on the awardee(s).

11.5 The executive director shall notify all awardees of grants and scholarships within seven (7) business days of the Scholarship Review Committee's decision. Awardees will be notified via email (by a letter drafted and signed by the executive director). A memo providing all applicant names, NPC student ID numbers, scholarship(s) awarded, and the amount of each scholarship, shall be forwarded to the NPC Business Office and the NPC Financial Aid Office within seven (7) business days of the Scholarship Review Committee's decision. A list of names of all awardees shall be sent electronically to the NPC Business Office and the NPC Financial Aid Office within three (3) days of the Scholarship Review Committee's decision.

11.6 Unless otherwise designated by a donor, scholarships and grants managed and awarded by NPCFF are disbursed through the NPC Financial Aid Office on a reimbursement basis, when all awardees for a given scholarship or grant have registered for the semester in which they received their award. The executive director shall issue a check for the full amount of all awards for each scholarship to the NPC Business Office within seven (7) days of selection of scholarship recipients. The NPC Business Office shall credit the awardee's accounts in the amount of the scholarship or grant award.

12. SIGNATURE POLICY

The executive director and the board treasurer or other officer (two signatures) shall, unless otherwise decided by the board, sign all checks, drafts, or orders for payment of money, contracts, and commitments for non-budgeted services in excess of \$1,000.00, issued in the name of NPCFF. In the absence the executive director, the signature of the board president must be obtained.

13. PURCHASING

13.1 Any expenditure in excess of \$5,000.00 for the purchase of a single item should have bids from three (3) suppliers, if possible. These bids are reviewed by the Board and the bid award must be specifically approved in advance by the executive director and the board.

13.2 Purchase of less than the approved amount may be made at the discretion of NPCFF's executive director without competitive bids. However, for fixed

assets, reasonable diligence should be exercised to comparatively shop for available sources.

13.3 Any purchase made by a board member on behalf of NPCFF will require prior approval by the executive director. All purchases for NPCFF must be accompanied by an itemized receipt.

13.4 If NPCFF (in keeping with its mission) is purchasing an item or service to support a Northland Pioneer College (NPC) program, the executive director shall prepare a memorandum, designating the NPC account from which the purchase will be made, and issuing a check for the board-approved purchase amount, to be deposited only into the designated NPC account.

14. CONTRACTUAL AGREEMENTS

The executive director is authorized to develop and enter into contractual agreements with vendors, bankers and third parties for the purpose of ensuring NPCFF's general operations. The board of directors shall review such agreements and make recommendations when necessary.

15. BANK ACCOUNTS AND INVESTMENT ACCOUNTS

The executive director and the board treasurer shall maintain and oversee bank and investment accounts, and ensure NPCFF's day-to-day financial operations. Several accounts may be maintained by NPCFF as follows:

1. Checking Account
2. Money Market Account(s)
3. Certificates of Deposit
4. Brokerage Account(s)

These accounts may be changed as NPCFF's financial conditions and requirements change.

5. Credit Card Account (limit of not more than \$12,500; cards held by executive director, development coordinator and board treasurer)

16. CHECKING ACCOUNT

All checks, cash, money orders, and credit card deposits are reviewed by the executive director and deposited in the appropriate accounts. Fund raising events, foundation and corporate donations and miscellaneous contributions shall be deposited into the accounts. Monies shall be transferred, by the executive director, from the Checking account into the Money Market Account(s) or the investment account(s) when necessary. Checks are written as necessary, to meet obligations or ongoing operational expenditures. The executive director

will provide monthly financial reports, approved by the board treasurer, to the board, detailing the activity of all accounts. In addition, the board can review any bank or credit card statement, upon request.

17. BANK RECONCILIATIONS

Bank reconciliations shall be completed monthly by the executive director and cross-referenced with the cash and receipts logs and the monthly Financial Statements, for the purpose of preparing a monthly Financial Report. The Financial Report shall be reviewed by the board treasurer on a monthly basis.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of six months or less. NPCFF places its temporary cash investments with highly rated financial institutions. The board treasurer shall closely monitor the balances of the checking account, money market account(s), and Certificate(s) of Deposit.

19. PETTY CASH

A petty cash fund provides a systematic method for paying and recording out-of-pocket cash payments too small to be made by check. NPCFF may maintain a two hundred-dollar (\$200.00) petty cash fund that is replenished as needed.

The executive director shall maintain control of, and responsibility for, payments disbursed from the Petty Cash fund; however, amounts should not exceed an amount determined by the board. Reports on petty cash flow will be included in each monthly financial report from the executive director to the board.

20. INVESTMENT REPORTS AND INVESTMENTS POLICY

20.1 Investments shall be reported with the monthly financial reports at cost or market value. The executive director and board treasurer shall review and determine the general investment strategy for all funds not less than twice per year.

20.2 The philosophy of NPCFF's short-term investments is safety of principal and liquidity.

20.3 Investments shall be held in diversified, professionally managed portfolios that grow over time to offset inflation and provide for future scholarships and support for college programs.

20.4 Brokerage account(s) shall be managed by a board-approved professional investment management firm that practices threshold rebalancing during periods of market volatility.

20.5 Prior to requesting transfer of funds from brokerage accounts to the Restricted Scholarship account for endowed scholarship disbursement, the executive director and board treasurer will 1) assure that the endowment has accrued sufficient interest to allow awarding of the scholarship and reinvestment gains to exceed the cost of inflation; 2) consult market indicators such as CNN's Fear and Greed Index, and transfer funds when the Index is between 25 and 75. The amount remaining in the brokerage account after the transfer of funds shall be considered the basis for the following year's assessment of accrued interest for the purpose of deciding whether to allow awarding the scholarship. If market conditions are not optimal for transfer, the scholarship point(s) of contact may be consulted, and may give permission for the transfer.

21. INSURANCES

Reasonable and adequate coverage will be maintained to protect NPCFF's interests as well as those of the board of directors. The following insurance policies shall be kept on a yearly basis: General and Professional Liability Insurance; Directors' and Officers' Liability Insurance.

22. DONATED MATERIALS AND SERVICES

Donated materials and services shall be reflected in the financial reports at their estimated values measured on the date of receipt. Volunteers donate time to NPCFF's program services on an ongoing basis. Other volunteers contribute time and services for NPCFF fund-raising activities. Such contributed services are generally not reflected in NPCFF's financial statements, since there is no objective way of assessing their value.

23. CONFIDENTIALITY AND RECORDS SECURITY

23.1 Financial records are restricted materials with limited access. Only the executive director and board treasurer (or others so authorized) shall have access to financial records.

23.2 Scholarship applications and award letters are restricted materials with limited access. Only the executive director (or others so authorized) shall have access to scholarship applications and award letters.

24. DOCUMENT RETENTION

Financial documents are retained for a period of time in keeping with State law and the recommendations of the IRS.

25. TAX REPORTING

NPCFF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as amended. Accordingly, no provisions for income taxes shall be reflected in the financial statements.



APPENDIX

Effective Systems of Internal Control

General

Internal control can be divided into two areas: accounting controls and administrative controls. Administrative controls deal with the operations of NPCFFs, whereas accounting controls deal with accounting for such operations. Accounting controls should be designed to achieve the following five basic objectives:

Validation

Validation is the examination of documentation by someone with an understanding of the accounting system, for evidence that a recorded transaction actually took place, and that it occurred in accordance with the prescribed procedures. As systems grow more sophisticated, validation is a built-in component whereby the transactions test themselves against predetermined exceptions.

Accuracy

The accuracy of amounts and account classification is achieved by establishing control tasks to check calculations, extensions, and additions and account classifications. The control objective is to be certain that each transaction is recorded at the correct amount, in the appropriate account, in the right time period.

Completeness

Completeness of control tasks ensures that all transactions are initially recorded on a control document and accepted for processing once and once only. Completeness controls are needed to ensure proper summarization of information and proper preparation of financial reports. To ensure proper summarization of recorded transactions, as well as a final check of completeness, subsidiary ledgers and journals with control accounts need to be maintained.

Maintenance

The objective of the maintenance controls is to monitor accounting records after the entry of transactions to ensure that they continue to reflect accurately the operation of NPCFF. The control system should provide systematic responses to errors when they occur, to change conditions, and to new types of transactions. The maintenance function should be accomplished principally by the operation of the system itself. Control maintenance policies require procedures, decisions, documentation, and subsequent review by a responsible authorized individual. Disciplinary control tasks,

such as supervision and segregation of duties, should ensure that the internal control system is operating as planned.

Physical Security

It is important in all business organizations that the assets are adequately protected. Physical security of assets requires that access to assets be limited to authorized personnel. One means to limit access to both assets and related accounting records is through the use of physical controls. Protection devices restrict unauthorized personnel from obtaining direct access to assets or indirect access through accounting records that could be used to misappropriate assets. Locked storage facilities restrict access to inventories, and fireproof vaults prevent access to petty cash vouchers. Transaction recording equipment limits access to assets by limiting the number of personnel involved in recording and posting transactions.

