

Financial Policy

Policy Name	WEF Financial Policy
Policy Category	Business
Policy Number	2002-001
Policy Origination and Review Dates	July 2002; July 2005; April 2007; July 2008; July 2009; November 2010; October 2013; April 2014; July 2014; February 2015; January 2016; April 2017; September 2017; April 2018; July 2018; April 2019; February 2020; April 2021
Requirements	No legal requirements
Review Cycle	3 Years
Legal Review Required	No

A. General Policy Statement

The Board of Trustees requires that the finances of the Federation be managed in a reasonable and prudent manner and that spending be consistent with the budget and the strategic interests of the Federation.

Contingent issues arise between budget meetings which can have an unplanned for impact on the current and future budgets and the Board needs to know the financial impact of those actions to properly exercise their fiduciary responsibilities. These issues can have not only an unplanned fiscal impact, they can also have an effect on operational, legal and strategic risks and the Board needs to know potential risks associated with those actions.

Therefore each resolution and/or motion brought before the Board have assigned, to and included with it, an assessment of the activity's impact on the current budget, its ongoing resource needs (or the absence of an impact noted), to include a budget line reference, and that fiscal note be initialed by either/or the Federation Chief Financial Officer or the Treasurer and that a risk analysis be completed and included as part each resolution or motion.

Accordingly, resolutions developed under new business without a fiscal note and risk analysis shall not go into force or be implemented until a fiscal note and risk analysis is provided and the board approves of the fiscal impact.

B. Policies for Specific Financial Areas

ACCESS TO RECORDS BY THE PUBLIC

It is the policy of the Federation to allow public access to records in accordance with federal and state law. Under current Internal Revenue Service rules, the public may inspect and/or request copies of the following records of the organization:

- IRS Form 990, 990-EZ, 990-PF, excluding Schedule B
- IRS Form 990-T filed after August 17, 2006
- Original applications for tax-exempt status, IRS Form 1023 or Form 1024, along with supporting documents and any letter or document issued by the IRS concerning the exemption application
- IRS notice of status, Form 8871

Copies are required to be provided immediately in the case of in-person requests; copies must be provided within 30 days in the case of written requests. A reasonable copying fee plus actual postage, if any, may be charged. **(REV. 02/15)**

ACCESS TO RECORDS BY MEMBERS

It is the policy of the Federation to allow members, in addition to the foregoing documents made available to the public, to inspect the following records of the organization:

- Audited financial statements, excluding auditor communications **(REV. 02/15)**

ACCOUNTING METHOD

It is the policy of the Federation to utilize the accrual basis of accounting that recognizes revenues when they are earned and expenses when they have been incurred.

ACCOUNTING POLICIES

The Accounting Policies of the Federation will follow Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America as they apply to non-profit organizations as prescribed by the Financial Accounting Standards Board (FASB). **(REV 04/18)**

ACCOUNTS RECEIVABLE WRITE-OFF PROCEDURES AND AUTHORITY

If a receivable is deemed uncollectible, the following approvals are required before write-off implementation:

1. \$10,000 or less Chief Financial Officer and Senior Staff
2. In excess of \$10,000 Executive Director, Chief Financial Officer and Senior Staff

Once a write-off has been implemented, WEF will modify the customer's master computer record to prevent further credit from being issued. Appropriate individuals in the service, publications, conference, and exposition departments are to be notified that the customer has been put in a "HOLD" status, which requires that a check accompany any order before it is processed.

Customers listed as poor credit risks will be extended future credit only if back debt, and any accrued interest, is paid and the customer has successfully completed a 90-day cash on delivery (COD) probation period.

If write-off procedures are initiated, the following accounting treatment applies:

- Invoices written off that are dated during the current year will be treated as a reduction of the appropriate revenue account.
- Invoices written off that are dated prior to the current year will be treated as bad debt.

(REV 02/15)

AUDITS: AUDITED FINANCIAL STATEMENTS

It is the policy of the Federation that the Executive Director distribute the audited financial statements and the completed IRS tax return form 990 (in either printed or electronic format) to the Board of Trustees and to organizations entitled to receive a copy because of contractual agreement.

Authority to distribute the statements to other individuals or firms requesting them will be at the discretion of the Executive Director. **(REV 04/17)**

AUDITS: THE ENGAGEMENT LETTER

It is the policy of the Federation that the Audit Committee shall receive a copy of the audit engagement letter to ensure it covers matters important to the Federation's fiduciaries. The Audit Committee will recommend the selection of the auditors to the Board of Trustees. The letter of engagement can only be signed by the Federation's President, Treasurer or after approval by the Board of Trustees, by the Executive Director. **(REV 04/18)**

AUDITS: THE MANAGEMENT LETTER AND REQUIRED COMMUNICATION LETTER

It is the policy of the Federation that the Treasurer of the organization discuss the CPA management letter (ML) and required communications letter (RCL) with representatives of the auditing firm and WEF's Audit Committee, and to direct staff as to the appropriate action required to correct deficiencies addressed in the letter. Distribution of the ML and RCL is to be at the discretion of the Treasurer as required by federal, state or local regulations. **(REV 04/19)**

AUDITS: SELECTION OF FIRM

It is the policy of the Federation to contract auditing services to a selected firm for periods not to exceed five years. Selection of the auditing firm will be made by the Board of Trustees upon recommendation of the Audit Committee who will interview two to three firms prior to making the recommendation. A current contract-auditing firm may be considered for an additional engagement providing it is selected as the result of a competitive interviewing process. Auditing contracts must provide for a termination on the part of the Federation should service not meet expectations. **(REV 07/05)**

BANK ACCOUNTS

It is the policy of the Federation to assign the Executive Director, as WEF's chief executive officer, the authority to create financial relationships, open new bank accounts or investment accounts that enhance the Federation's finances in the course of normal operations.

Any new account will be reconciled in accordance with WEF's existing bank reconciliation policies.

BANK RECONCILIATION

It is the policy of the Federation to require that mailed bank statements be delivered unopened to the Financial Management department. The Accounts Receivable (AR) Manager will download the online bank statement by the third business day each month and conduct an initial review of transactions. Any unusual transactions will be brought to the attention of Finance Manager, Senior Finance Director and Chief Financial Officer, if needed, to review and validate. Online bank statement access is restricted to Chief Financial Officer, Senior Finance Director, Finance Manager, and AR Manager.

Each week, the Accounts Payable Manager will upload an electronic file to WEF's financial institution that itemizes each approved check or electronic payment (See CHECK DISBURSEMENTS). The file requires secondary approval by Finance Manager, Senior Finance Director or CFO. WEF's financial institution will deny payment to any check or electronic payment not included in the approved uploaded file.

AR Manager (who cannot be a check signer) prepares the bank reconciliation by the tenth day of the following month. The bank reconciliation is reviewed by Senior Finance Director who will address any questions to AR Manager and/or Finance Manager. After Senior Director has approved, the Chief Financial Officer will review and sign off on the reconciliation.

The bank reconciliation will be filed with the paper bank statements and canceled checks in accordance with WEF RETENTION POLICY. **(REV 04/19)**

BID REQUIREMENTS

It is the policy of the Federation to solicit three (3) bids for the following expenditures:

- Publication Purchases Jobs in excess of \$50,000
- Capital Purchases Items in excess of \$25,000
- Services Contracts in excess of \$100,000

Staff will provide rationale if less than 3 bids are requested/received. The decision to approve a vendor will be made jointly by a Department Director and one of the Executive Team. **(REV 04/19)**

BONDING OF EMPLOYEES

It is the policy of the Federation to bond all employees involved in the financial functions of the organization.

BUDGET AND NET ASSETS

It is the policy of the Federation to have net assets equal to at least 50% of the annual operating expense budget (excluding grants). The 50% net assets goal shall be reviewed annually after the annual audit report is issued. For further details see RESERVE POLICY. **(REV 04/19)**

BUDGETING GRANT REVENUE

It is the policy of the Federation that as part of the fiscal year budget, grants are included as a separate income line item and expense item. Grants are only included in the budget when the assistance agreement has been approved/signed off by the agency awarding the grant monies. The WEF budget will include only the grant activity that falls within the fiscal year of WEF.

CAPITALIZATION CUTOFF POINTS

It is the policy of this Federation to expense assets in the period purchased if these assets cost \$2,500 or less individually.

Assets costing in excess of \$2,500 individually will be capitalized and depreciated in accordance with the Federation's depreciation policies.

Repairs and improvements to real property will be capitalized if they cost in excess of \$10,000 individually. **(REV 02/15)**

CHART OF ACCOUNTS

It is the policy of the WEF to maintain a chart of accounts. The chart of accounts will be updated on a regular basis and accessible to all staff on the WEF shared drive. **(REV 04/18)**

CHECK DISBURSEMENTS

It is the policy of the Federation to keep unused check supplies safeguarded under lock and key. Individuals responsible for preparing checks will request the approximate number needed, sign for the numbered checks received, and return all unused checks at the end of the day.

All check disbursements will require approved invoices or expense vouchers or will have an approved check request form attached. Persons other than those requesting the checks will sign all checks.

Checks will not be distributed by staff who prepared the checks. Signed checks that have not been mailed or distributed will be put under lock and key at the end of each day.

CHECK ENDORSEMENT STAMP

It is the policy of the Federation to endorse all incoming checks with a stamp as follows:

For Deposit Only
Water Environment Federation
Bank Name
Account Number

CHECK SIGNERS

The Executive Director has authority to delegate check signing authority to senior staff.

(REV 07/18)

DISBURSEMENT AUTHORIZATION

It is the policy of the Federation that checks and electronic disbursements in excess of \$10,000 will have two signers. Checks and electronic disbursements in excess of \$50,000 must be approved by the Executive Director.

COLLECTION POLICY

It is the policy of the Federation to collect all money due to it for goods and or services. The Federation will utilize all legal means of obtaining payments including, but not limited to: sending statements, making collection calls, withholding services, repossession, or assignment to collection agencies.

CONTINGENCY FUND

The Board of Trustees may include a Contingency Fund in the annual operating budget to allow for expenditures or opportunities that could not have been foreseen at the time the budget was approved. The Contingency Fund will be considered a Board Designated Fund and will be recorded as unrestricted net assets if unused. If the fund is used during the fiscal year, expenditures will be expensed or capitalized, as appropriate.

The President and Executive Director, jointly, have authority to utilize the Contingency Fund in amounts of \$25,000, or less. Amounts exceeding \$25,000 require approval of the Board of Trustees.

CONTRACT FILES

It is the policy of the Federation that a copy of all contracts, letters of agreement, employment letters and similar documents that encumber the Federation with a financial obligation to a person or company be filed and maintained with the Financial Management Office. Retention of these documents will follow the **WEF RECORD RETENTION POLICY. (REV 04/18)**

CONTRACT REVIEW

It is the policy of the Federation to review contracts at least once every three years and to consider renegotiation where warranted. **(REV 02/15)**

The letting of contracts to a single vendor which totals \$50,000 or more in a single year must be approved by the Executive Director or Chief Financial Officer and all contracts (or their equivalent) for services must be signed by the Executive Director or his/her designee.

CONTRACT SIGNING AUTHORITY

It is the policy of the Federation to grant authority to sign contracts to the Executive Director or his/her designee for all commitments which have been accounted for in the Federation's budget. If the expenditure is not accounted for in the approved budget, then the Board of Trustees must approve the item for which the contract is intended, subject to the **UNBUDGETED EXPENSES POLICY (BELOW)**. The Executive Director has authority to delegate this authority at his or her discretion to senior staff but will remain responsible for all contracts signed on behalf of the Federation. **(REV 04/19)**

CONTRIBUTIONS RECEIVED

It is the policy of the Federation to send acknowledgment letters on the organization's letterhead acknowledging all contributions. The letters will indicate the dollar amount contributed in accordance with IRS regulations.

CONTROL OVER CHECKS, CASH, AND MAIL

The Federation's Policy is to safeguard all money received by providing tight internal control procedures. The controls utilize separation of duties of WEF staff who are responsible for or come in contact with the checks and/or cash.

CREDIT CARDS

It is the policy of the Federation to issue WEF credit cards to the Executive Director and additional staff at the discretion of the Executive Director.

Individuals receiving a credit card will sign a Credit Card Issuance Form.

The credit card holder is responsible for documentation of all charges made on the card issued to them. Credit card expenses must be accounted for using established processes provided by the Federation. Failure to report expenses within the timeframe identified in the appropriate internal policy (generally, 30 days) will result in revocation of the card and an invoice issued to the credit card holder for the amounts unaccounted for.

All credit cardholders are subject to and expected to follow WEF's Travel Policies. WEF reserves the right to monitor usage and payments for all sponsored credit cards whether issued in the name of an

individual or WEF. A log of Credit Card Holders will be maintained by the Finance Department. **(REV 04/18)**

DEPRECIATION AND AMORTIZATION

It is the policy of the Federation to use a straight-line method of depreciation. Fixed asset purchases over \$2,500 are depreciated and fixed asset purchases under \$2,500 are expensed. Depreciation begins at the time the asset is placed in service and reflects the estimated useful life of the asset. WEF will follow Generally Accepted Accounting Principles (GAAP) when determining depreciation and amortization. **(REV 01/16)**

EXPENSE REPORTS

It is the policy of the Federation to require that all business travel and related expenses be accounted for on at least a monthly basis by all staff and volunteers engaged in travel on behalf of the Federation. All expense declarations must be made using procedures/systems provided by the Finance Department and both cash and WEF paid credit card charges must be included.

Only legitimate business expenses may be charged to the Federation and all charges in excess of \$25 (staff) and \$75 (volunteers) must be documented with original receipts. In instances where personal expenses cannot be easily separated from business expenses at the time of payment, reimbursement to the Federation is required within 30 days.

Expense reports are due within 30 days of the end of the fiscal year in which the expense(s) is incurred, or 45 days from the date of travel, whichever occurs earlier. Failure to submit expense reports in a timely fashion may result in suspension of travel authorization and the invoicing of unaccounted for expenses. The Executive Director must approve processing of WEF staff expense reports that are not submitted within the required timeframe and repeated late expense report submission will result in disciplinary action. More specific travel policy guidelines can be found in **WEF TRAVEL POLICIES**. **(REV 04/19)**

FINANCIAL MANAGEMENT

It is the policy of the Federation that all activities relating to financial management, payroll, invoicing, bad debts collection, accounts receivable collection, the approval and payment of obligations and records pertaining to these and related activities be under the direct control or supervision of the Chief Financial Officer; that they be subject to all financial and control policies adopted by the Board of Trustees; and that records associated with these activities be safeguarded as appropriate. **(REV 02/15)**

FINANCIAL STATEMENT PREPARATION AND DISTRIBUTION

It is the policy of the Federation to prepare and distribute monthly financial statements that will include, as a minimum, the following:

- Statement of Financial Position or Balance Sheet
- Statement of Changes in Net Assets or Income Statement
- Monthly Cash Flow Analysis

The statements will be distributed monthly to the Finance Committee, Audit Committee, the Executive Director and Senior Staff. The Board of Trustees will receive a quarterly summary at each Board meeting. **(REV 04/19)**.

FISCAL YEAR

Commencing in 2005, The Federation's fiscal year will begin September 1 and end on August 31 of the following calendar year.

FRINGE BENEFITS

It is the policy of the Federation that WEF allocate all fringe benefit expenses to the appropriate programs following the **OVERHEAD ALLOCATION POLICY (BELOW)** **(REV 10/13)**

GRANTS – INDIRECT COST RATES

It is the policy of the Federation to apply for revised indirect cost rates annually within two months after the audited financial statement is completed. **(REV 02/15)**

INDEPENDENT CONTRACTORS

It is the policy of the Federation to contract with independent contractors based upon criteria established by the IRS. Individuals qualifying as independent contractors will sign an Independent Contractor's Agreement Form, complete a W-9 form and receive IRS Form 1099 if compensation is in excess of the amount set by the IRS. **(REV 04/17)**

INSURANCE

It is the policy of the Federation to periodically have an independent insurance consultant review the Federation's insurance policies to ensure coverage and limitations adequately meet the needs of the organization, members and employees.

INVENTORY VALUATIONS

It is the policy of the Federation to use the average cost method of inventory valuation.

INVESTMENT POLICY

It is the policy of the Federation that its overall investment objective be long-term reasonable growth of investment capital and income with emphasis on capital preservation and sufficient liquidity to meet all operation expenses. The objective will be achieved by adhering to the guidelines as outlined and approved in the **WEF INVESTMENT POLICY STATEMENT (REV 04/18)**

IRS FORMS

990, 990-EZ, 990 PF, 990T see [ACCESS TO RECORDS BY THE PUBLIC \(ABOVE\)](#)

1099

It is the policy of the Federation to complete IRS Form 1099 for all individuals and vendors receiving compensation or payment in amounts determined by IRS requirements. **(REV 02/15)**

JOURNAL ENTRIES

Adjustments to the general ledger will be made through adjusting journal entries. WEF requires that all adjusting journal entries are reviewed and approved by a senior financial manager. No one who creates an adjusting entry can also approve that same entry.

LINE OF CREDIT

A Line of Credit (LOC) may be applied for and granted at the discretion of the Executive Director. The LOC may not exceed 5% of the Federation's annual operating budget. The use of the line of credit shall not extend for periods in excess of one year in any single instance of a temporary loan. Such loans shall be exclusively for the purpose of addressing cash flow fluctuations resulting from normal operating activities. The WEF Executive Director shall notify the Board of Trustees in advance of such use of the line of credit.

After the Executive Director notifies the Board of the need to draw funds against the line of credit to satisfy short term cash shortages, the bank will be notified by one of the following authorized employees:

The Executive Director individually or,
Executive Team member and Chief Financial Officer jointly

The plan to repay the loans against the line of credit will be the responsibility of the Executive Director in the course of managing the operations of the Federation. The Executive Director will determine if the LOC is needed each year. **(REV 04/19)**

LOANS PROHIBITED

It is the policy of the Federation to prohibit loans to employees, members or others under all circumstances.

LOBBYING EXPENDITURES

It is the policy of the Federation that, in order to preserve WEF's 501(c) 3 tax status, WEF will operate within the guidelines set by the IRS for 501(c) 3 organizations.

LOCK BOXES

It is the policy of the Federation that all payments are mailed to the lock boxes at its designated bank and processed accordingly. **(REV 04/19)**

MAILING LISTS

It is the policy of the Federation that the WEF mailing list is the property of the organization and will be used only to benefit the organization and/or its members. Requests for use of the list will be reviewed by the Executive Director or his/her designee who will determine appropriateness for use in conformance with this policy. **(REV 02/15)**

NON-SUFFICIENT FUNDS CHECKS

It is the policy of the Federation to include checks returned by the bank because of non-sufficient funds in accounts receivable, non-sufficient funds account in the accounting records. If the checks in question are not eligible for redeposit, the Federation's Bad Debts Policy will be implemented.

OVERHEAD ALLOCATION

It is the policy of the Federation, and in accordance with FASB, to charge overhead expenses to programs and include among them various expense line items of the general administrative function except where directly attributable to an activity for which there is an identifiable revenue source. **(REV 04/19)**

PAYMENT FOR GOODS AND SERVICES

It is the policy of the Water Environment Federation that all goods, products and services sold to members and customers be paid for in advance except in the instance of valid purchase orders from governmental agencies and advertising and space rentals paid for in accordance with a pre-arranged schedule.

PETTY CASH DISBURSEMENTS

It is the policy of the Federation to maintain a petty cash fund of \$600.

It is the responsibility of the Chief Financial Officer and that person's designee to ensure that the petty cash fund is under lock and key at all times.

Disbursements from the petty cash fund may only be made for approved expenditures. A receipt must accompany every disbursement. The receipt must be signed by the person receiving the cash and the person disbursing the cash.

The petty cash fund will be replenished as needed. The petty cash fund replenishment check will be made out to an individual not primarily responsible for maintaining the fund, with the word "agent"

following that person's name. The expenses will be reviewed and the resulting check will be signed according to WEF's check signing policy. **(REV 04/18)**

QUID PRO QUO CONTRIBUTIONS

It is the policy of the Federation to inform contributors in writing of a good faith estimate of the nondeductible portion of any quid pro quo contributions made for any fundraising activity of the organization if the contribution exceeds \$75 individually.

REFUNDS

It is the policy of the Federation to make refunds in the same manner as the funds were originally received, i.e. credit card payments are refunded as credits; checks refunded by check.

REIMBURSABLE EXPENSES

It is the policy of the Federation to reimburse reasonable travel and business expenses in accordance with guidelines established by the Board of Trustees. Travel on behalf of the Federation, by both staff and volunteers, must be pre-approved and be in accordance with the Federation's budget and travel policies. More specific travel policy guidelines can be found in **WEF TRAVEL POLICIES. (REV 04/19)**

REPAIRS AND IMPROVEMENTS

It is the policy of the Federation to capitalize repairs and improvements to fixed assets or real property owned by the Federation if the repairs or improvements cost more than \$10,000 individually. Repairs or improvements of a lesser amount will be charged as expenses. **(REV 02/15)**

RESERVE POLICY

Recognizing that WEF's liquid reserves must provide funds to:

- Pay operating expenses including WEFTEC and membership obligations,
- Fund capital improvement purchases including building upkeep, computer technology enhancements, furniture and fixture replacements, etc.,
- Fund new business opportunities,
- Maintain operations in the face of unanticipated, uncontrollable influences in the marketplace (like 9/11) and generally provide for a "rainy day fund", and
- Fund new programs as they develop.

Further recognizing that WEF desires to:

- Keep member dues reasonable in relation to the benefits provided,
- Maintain a strong Balance Sheet in the eyes of the bank and other financial institutions.

WEF will maintain Readily Available Liquid Assets of 45% of budgeted income as of WEF's fiscal yearend and further recognizing that RALA fluctuate monthly, however that Readily Available Liquid Assets shall not fall below 20% of budgeted income at any time during the fiscal year. Readily available liquid assets are defined as cash, long-term investments and short-term investments. WEF strives to

maintain its net asset ratio (total assets divided by total operating expenses) of at least 50%. More specific reserve guidelines can be found in **WEF's RESERVE POLICY. (REV 04/19)**

SAFE DEPOSIT BOX

It is the policy of the Federation to rent a safe deposit box from the Federation's bank to store securities, valuables and important documents. Access to the safe deposit box will be limited to check signers or other approved Financial Management staff. Safety deposit box entry requires two people.

SUPPORT SERVICES PERCENTAGE

It is the policy of the Federation that no more than 25% of WEF operating expenses are used for support (rather than program) based on industry standards and best practices. This support services ratio shall be reviewed annually to determine if it remains a good fit with industry standards and best practices. **(REV 04/18)**

TEMPORARY EMPLOYMENT AGENCIES

It is the policy of the Federation to utilize temporary employment agencies to supplement the work force during peak periods. All fees and related costs are to appear on the Temporary Help line item of the financial statements.

TIME SHEETS

It is the policy of the Federation that all employees in both the exempt and non-exempt categories complete and sign electronic time sheets for each pay period. Timesheets must also be signed/approved electronically by a manager. **(REV 04/18)**

TRAVEL ADVANCES

It is the policy of the Federation to issue travel advances to employees who have secured proper travel authorization from their supervisors. Travel advances are considered accounts receivable from those receiving them and the proper travel accounts are charged when reimbursements for travel expenses are paid.

UNBUDGETED EXPENSES

It is the policy of the Federation to require Board approval of unbudgeted expenditures except as noted here. The Executive Director may approve unbudgeted expenditures of up to \$10,000 per occurrence. The Board must be notified of any unbudgeted expenditure of \$5,000 or more approved by the Executive Director and the total amount of any unbudgeted expenses approved by the Executive Director may not exceed \$50,000 in any fiscal year. **(NEW 01/16)**

UNRELATED BUSINESS INCOME TAX (UBIT)

It is the policy of the Federation to pay UBIT on the excess of revenues over expenses on taxable activities. These activities will be clearly identified and designated in the financial records to provide documentation in the event of an IRS audit. The Federation will file Form 990-T to report unrelated business income activities.