



Management of Chapter and State Funds

Background

The North Country Trail Association is incorporated, and is recognized as a 501(c)(3) organization by the Internal Revenue Service. As such, the national Board of Directors of the NCTA has ultimate fiscal responsibility for the entire organization. The finances of Chapters, State Trail Councils and volunteer State Trail Coordinators are not independent of the overall finances of the NCTA. Although local officers control local funds, all transactions must be reported to the IRS annually, through incorporation in the Association's form 990. Failure to report all transactions of the Association (including those handled locally on behalf of the Association or its local entities) would amount to filing fraudulent or incomplete reports to the I.R.S.

Further, due to the level of funding we receive from the federal government, we are required to have an annual audit. Like the form 990, this audit must take into account the entirety of the Association's finances and transactions, including those handled locally. The Association currently manages more than 50 independent accounts, including operations accounts of Chapters and state entities, restricted grants, cost share projects, etc. To facilitate our required annual audit as well as the fiscal oversight responsibilities of the national Board, the NCTA holds these accounts in one central bank. If the accounts were dispersed to local banks, the annual audit required by the federal government would be virtually impossible or astronomically expensive.

In managing Association funds in this manner chapters enjoy significant freedom from onerous

accounting, reporting and licensing requirements—at both state and national levels--that each would otherwise be required to do individually in order to maintain non-profit (501(c)(3)) status and its associated advantages.

Despite the reporting requirements of the IRS, the audit requirements of the federal government, and its need to provide organization-wide fiscal oversight, the NCTA Board recognizes that volunteers need and deserve an easy and flexible system to make local purchases and accept local revenues. To meet these expectations the Board has established and improved policies over the years concerning the management of state and chapter funds. This document summarizes the current policies in effect, adds new flexibility for investments, and establishes procedures to address noncompliance.

Accounts

The NCTA maintains a basic “operating account” for each Chapter, State Volunteer Trail Coordinator and Trail Council. Most transactions occur through these accounts. Dues and other revenue shares, and NCTA Field Grants are transferred into the operating account. Generally, local petty cash funds are established from the operating account.

Chapters and state entities also may control various special purpose accounts. Examples include accounts for National Park Service Challenge Cost Share projects, Supplemental Trail Fund grants, or substantial memorials or local grants that are earmarked for special



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projects. Juggling multiple special purpose accounts along with the basic operating account increases the complexity of work for the Chapter treasurer and the bookkeeping burden for the NCTA. Because of this, we try to keep special purpose accounts to a minimum. This is why, for instance, NCTA Field Grants are transferred directly into the general operating account.

The balance of each account is kept separately in our books. The interest we earn is divided proportionately between all accounts and dispersed at the end of each quarter. Nevertheless, the NCTA pays all bank service fees through the national operations account.

Monthly Reports from HQ

Monthly reports for each account under the control of each Chapter and state entity are mailed electronically by the 15th of each month. The reports cover the activity for the previous month, and include opening and closing balances. Reports are mailed even if no transactions were recorded. Provisions for document mailing via USPS can be made by contacting the accountant

Generally, the reports are prepared as soon as we have "closed the books" on the preceding month. Due to the work schedules of staff and the amount of proofing and "checks and balances" involved, we typically don't have the information on a given month available until just before the reports go out. Volunteers may call or e-mail at any time to ask about the balance of an account, or to question the information shown on past reports.

Chapter Petty Cash

With Headquarters approval chapters may keep a local petty cash fund to make purchases easier for

volunteers. The Chapter Treasurer (or other petty cash manager) may use the funds to reimburse volunteers or to provide "front money" to volunteers who will make purchases later. The Treasurer also can add miscellaneous donations (up to \$200, if donated specifically to the chapter and not NCTA) to the petty cash fund.

All money spent and received, as well as a running balance, must be recorded on a Petty Cash log sheet, provided by the NCTA office. The log sheet is a lot like a personal check register, with a couple of extra spaces for when extra detail is needed. Chapters with more than one fund may run everything through a single petty cash, as long as the Treasurer indicates on the log which fund is being used.

Petty Cash is replenished only when the Chapter sends a log form with receipts to the national office for reimbursement. The chapter Treasurer (or petty cash manager) is responsible for reconciling the account balance to the petty cash reserve amount on the chapter NCTA financial statement. In general, large or recurring expenses are better handled by direct reimbursement or bill payment by the national office than through Petty Cash.

Management of the Chapter's Petty Cash must follow these guidelines:

1. The Chapter may keep any amount up to \$400 in its Petty Cash Fund. If the balance exceeds \$400, the Chapter must send in the excess amount with a petty cash log sheet. The log sheet should show which of the Chapter's accounts the excess should be applied to.
2. The initial funds to set up the Chapter's Petty Cash Fund will be withdrawn from the Chapter's regular account. The



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national office will only replenish a Chapter's Petty Cash to the extent that the Chapter has sufficient funds remaining in its account.

3. To request a replenishment of Petty Cash, the Chapter should submit all original receipts and documentation of donations with a Petty Cash log sheet provided by the NCTA office. If documentation or a receipt is unavailable, just make a note that there was no documentation, in the space provided. All Petty Cash logs must be submitted to the office by January 10 so we can close out the year. Chapters can submit a partially completed log whenever reimbursement is needed. In general, full log sheets should be sent in even if no reimbursement is needed, so we can keep the office records up to date.
4. The Chapter may keep its Petty Cash either as cash, or in a local checking account. If a checking account is used, it should be opened in the name of "North Country Trail Association - XXX Chapter" using the NCTA's federal employer ID number. The executive director or President of the Board of NCTA must have signature authority, in addition to any local Chapter officers. **The checking account should never be in the name of an individual.** If a checking account is used, a bank statement showing the account number and balance at the end of the calendar year must be sent to the national headquarters by January 10.

Chapters should manage petty cash responsibilities with diligence and respect for the Headquarters staff who must coordinate accounting with ALL NCTA chapters.

Paying and Reimbursing Expenses

In general, we will not charge an expense against any account without the authorization of a Chapter President or Treasurer or, in the case of a Trail Council account, the Trail Council Chair. In some cases, a Chapter President or Treasurer might want to send us a note giving blanket authorization for certain types of expenses for a certain volunteer. For instance: "It's ok to reimburse any newsletter expenses that John Doe submits." That way, we can speed the reimbursement up without needing to involve a local officer every time. If we receive reimbursement requests that have not been authorized by a local officer, we will hold them until we can get authorization. This protects the Chapter by ensuring that only approved expenses are charge to the Chapter's accounts.

There are four different ways for a Chapter to access its funds to pay expenses:

1. If a **volunteer pays for expenses personally**, he or she can send us an Expense Report Form (signed by an appropriate officer) and we'll promptly send a check back to the volunteer for reimbursement. The Chapter or state entity can set up any procedure it likes for handling these reimbursement requests and getting them to the national headquarters.
2. A Chapter can **set up a charge account under the NCTA's name with a local vendor** that it uses frequently (like a hardware store or lumber yard). Then, authorized volunteers can go in, make a purchase, and charge it to the account. The vendor then bills us directly, and we pay the bill. With charge accounts like this, the Chapter treasurer or president should let us know in advance: to expect a bill, roughly how much it will be, that it's ok to pay it, and which account to apply it to. A quick e-mail to our accountant is



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fine. For instance: "We're buying some lumber from 'Sally's Lumber' and you should be getting a bill for around \$250. It's ok to pay it, and please charge it to our special account for the 'Rattlesnake Creek Crossing' project."

3. If a Chapter is going to make a purchase and knows exactly how much it will be and who the vendor will be, the president or treasurer can **request a check made out in advance**. We'll send it out to whichever volunteer will need it, so he or she can take it to the store make the purchase.
4. Chapters also may keep a **local petty cash fund** to reimburse volunteers at meetings or whenever is convenient. The petty cash fund is explained above.
5. The Chapter President or Treasurer can direct a vendor to send their invoice directly to the NCTA for payment. Prior notification to the NCTA office accountant is appreciated.

Local Investments

Chapters and state entities may choose to shift some of their funds to a Certificate of Deposit (CD). Reasons for wanting to do this vary. Some volunteers feel that they could earn a better return on large balances with a CD, or volunteers may want to support a local bank that has helped the trail, by purchasing a CD from it. Regardless of the reasoning, the NCTA **does** allow its Chapters and State entities to invest a portion of the funds under their control in a CD, under these terms:

1. Minimum investment is \$2,000 per account.
2. The CD must be registered under "North Country Trail Association, Inc. - 'XXX' Chapter" using the NCTA's federal employer ID number and address.

3. An officer from the Chapter or state entity must provide the NCTA's accountant with the information needed to purchase and manage the CD, including: face value, term, contact information for the bank, the account from which the initial investment will be drawn, and instructions on what to do when the CD matures.
4. The NCTA's accountant will purchase the CD and maintain the records.
5. Signatories must include a chapter officer and NCTA's executive director.

Investment in the Money Market Fund

As an alternative to setting up a local CD, Chapters and state entities may choose to place a portion of the funds under their control in the money market fund under current use by the NCTA. Though not high, interest earned by this fund is noticeably higher than what regular checking earns, and is close to what might be expected from a CD. Because this option is managed as "savings" and not "checking," transfers into and out of the fund will be limited. The following conditions apply:

1. Minimum investment is \$1,000 per account.
2. Transfers between checking and the money market fund are made only on January 1, April 1, July 1 and Oct. 1. Officers may send us a request to make a transfer at any time, but we will hold the request until the next transfer date.

Noncompliance

We have a few measures in place to be sure that the finances of Chapters and state entities are being managed appropriately. The I.R.S., our auditors, the federal government, and our donors place various expectations on the NCTA, and the NCTA Board of Directors is ultimately



responsible for ensuring that these expectations are met. Inappropriate management of funds could jeopardize our nonprofit status, our federal funding, our budget, or our credibility with donors. Equally important, the NCTA Board acknowledges the importance of open, transparent and timely communications with chapters regarding management of chapter funds as well as NCTA finances. The Board is accountable for the management of chapter funds, acknowledges it cannot use chapter funds without the knowledge and specific permission of the chapters, and pledges adequate oversight of Headquarters operations to ensure that financial management and accounting functions are in accordance with GAAP guidelines. The Board further will ensure and that regular reports on NCTA's financial status are made to chapter leadership through but not limited to timely monthly statements.

Examples of problems: **Over-billing an Account**

Volunteers will be held personally liable for any expense they incur (directly or indirectly) on behalf of the Association that **exceeds the available balance** in the account to which the expense is being charged. Under most circumstances, the Association will refuse payment of such expenses. In rare instances, the national Association may agree to loan funds to an account if arrangements have been made in advance between the volunteer(s) incurring the expense(s) and the Executive Director to repay the loan. Alternately, an officer of the Chapter or state entity may promptly request the Association to transfer funds from another account to temporarily cover the deficit, provided that the officer has the appropriate authority over such funds and that such use does not violate any restrictions on the funds.

Failure to report transactions and balances

All income generated locally must be submitted to the national office in reasonable time, or recorded on a petty cash log. Petty cash logs must reflect the balance of cash on hand and must be submitted at least once per year. The log due on January 10 must reflect transactions through the end of December. **Dues, other revenue sharing and Field Grants will be withheld** from any Chapter or state entity that fails to report transactions and balances according to the guidelines in this document. Chapters experiencing a pattern of limited or non-compliance with this NCTA policy may find that if notification fails to redress the situation their petty cash privilege may be revoked.

Too much money on hand

With the exception of CD's as described above, Chapters and state entities may have no more than \$400 in funds on hand locally (i.e. petty cash). Any funds beyond this limit must be sent to the national office on a quarterly basis, no more than 15 days after the end of each quarter. All funds thus received will be applied to the appropriate chapter account. **Dues, other revenue sharing and Field Grants will be withheld** from any Chapter or state entity that exceeds this limit.

Chapter Fund-Raising

Chapters are encouraged to coordinate fund-raising efforts with national headquarters. Chapters are not restricted in their fund-raising efforts; as noted previously there are mechanisms in place for chapters to manage additional funds as well as contribute to



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Headquarters operations or other national fund accounts. Fund-raising informed by and coordinated with Headquarters ensures smooth functioning and avoids conflicting or competitive efforts.

Chapters Seeking Outside Grants

NCTA encourages chapter initiative, in coordination with Association objectives and policies, to pursue grant funding at the local level. For all grants over \$500, chapters must first coordinate with and obtain permission from Headquarters before submitting the grant application. With appropriate lead time HQ can offer guidance in grant writing, advice in coordinating efforts with other chapters, councils and affiliates, and ensure compliance with NCTA policy. Chapters must list NCTA headquarters as grant recipient or co-grant recipient on all applications (with funds then allocated to chapters according to policy). The exception to this would be with prior approval and a requirement by the grantor for local applicants only.

Employee Matching Grants

Chapter members who are employed by companies offering matching donations/shared giving options, or who make donations in match to a volunteer's documented hours, are encouraged to designate NCTA as the recipient. Upon request chapter members may share all or a portion of these donations with the local chapter.