

## Highlights of Council Fiscal Management

*Good fiscal management is measured by maintaining sufficient resources in all funds and using them in order to deliver effective programs, eliminating or reducing debt, and administering proper accounting practices and controls.*

### Solvency

*Journey to Excellence measures a council's solvency by comparing its unrestricted net assets in the operating fund to its annual operating expenses. However, a council must also maintain its capital and endowment funds. Fiscal health can be further measured:*

- There are positive unrestricted net asset balances in the operating, capital (excluding investment in fixed assets), and endowment funds for the most recent year-end.
- The operating fund is ahead of budget for the most recently closed month and had a surplus at the prior year-end, including transfers to meet the endowment spending policy.
- The council is free of debt (except current accounts payable) or its debt position has decreased over last year at this same time. If there is debt, there are sufficient unrestricted resources to cover this debt.
- It is desirable that all camping programs and operations follow the National Camping Accreditation Program (NCAP). This ensures that there is net revenue over expenses for the total camping program, with sufficient excess to fund routine capital expenditures for the properties.

### Volunteer Oversight

- The council has an active finance committee focused on asset management and budget oversight. The members of the finance committee are fully engaged providing oversight and understanding of the financial health of the council in all funds.
- The council treasurer receives and reviews detailed financial statements monthly.
- The Statement of Financial Position, Statement of Changes in Net Assets and the Statement of Operations for each fund which contains a budget are presented to the officers and executive board members for approval at their meetings.

### Endowment Funds

- The council has adopted an endowment investment policy including allocation ranges and benchmarks.
- The council has adopted a spending policy specifying the annual support from the endowment fund for operating and capital needs.
- If the council has trust fund(s) for its endowment, there are copies of all its trust agreements on file at the council office and National Service Center. All trust funds are managed by a corporate trustee. The BSA contact for information and guidance related to trusts is [Russ.McNamer@scouting.org](mailto:Russ.McNamer@scouting.org)
- The council has an active investment or trust advisory committee.

# Fiscal Records

## Assets and Liabilities

*The council follows the standards of accounting in the Local Council Accounting Manual in recording and reconciling assets and liabilities.*

- The council has properly recorded the fair market value of its short-term and long-term investments for all three funds as indicated on the most recent investment/bank account statement(s) received.
- The general ledger is reconciled to the fundraising software monthly for all active campaigns.
- The council properly records deferred revenue and expense for camps, activities, and special events.
- Detailed records on any construction in progress are kept in folders in order to match the records in the general ledger, and are delineated with project codes.
- There is a zero balance in the unallocated acquisition account at the end of each month.
- The Payables Open Liability report is reconciled to the general ledger monthly.
- Custodial accounts are supported by documentation and are reconciled monthly. A process is in place to track registration and *Boys' Life* fees.
- Custodial accounts are not used for tracking revenue and expenses for non-custodial groups.
- Notes payable and mortgages are delineated between short-term and long-term portions.

## Transfers between Funds

- Transfers between funds are approved by the executive board and recorded in the board minutes.

**BSA Policy:** The executive board has discretionary control of unrestricted net assets in all three funds and may, upon executive board resolution, permanently transfer assets residing in one fund to another fund. The intent of a permanent transfer is that it is not short-term or casual in nature, even though future executive board action may alter the permanency of the transfer. – *Boy Scouts of America Local Council Accounting Manual.*

## Temporarily Restricted Funds

- Temporarily restricted totals match the donor restricted gifts, which are identified by separate project codes.
- The Temporarily Restricted Funds report located in the PS NVision report menu needs to be reconciled monthly to ensure the funds are:
  - Being properly delineated by project code
  - Released as expenditures are made
  - Positive balances are maintained

## General Journal Entries

- All general journal entries are properly approved by the Scout executive or designee prior to posting in the general ledger.

## Internal controls

*Sound internal controls should always be practiced to the best of the council's ability. Written policies and procedure guidelines, approved by the executive board should be given to each employee of the council. These policies and procedures should always be followed.*

### Key Elements of Internal Controls Should Include:

- Original pledge cards and other records of donor contribution should be kept in a secure area and locked at all times. This procedure helps ensure the privacy of donors is maintained.
- To comply with the Payment Card Industry Standard Act (PCI), all credit card information is to be destroyed immediately after the payment has been processed. The recommended procedure to ensure this is to use a hole-punch to remove all the payment card information.
- Cash, including petty cash, is to be locked at all times.
- Deposits are taken to the bank daily.
- Two people open the council's mail daily. A log is prepared and signed by both people opening the mail.
- Electronic payments and transfers of any type need to be signed by the Scout executive or designee.
- All check signers for the council are to be approved annually by the executive board.
- Bank statements are to be reviewed by the Scout executive prior to reconciliation. Reconciliation is to be conducted using the general ledger software, signed, and dated by the Scout executive.

### Expense Reports

- Staff expense reports are reviewed and approved by the Scout executive or designee.
- The Scout executive's expense report is to be approved, signed, and dated by the council president prior to reimbursement.
- All expense reports should contain personal and business miles documented daily. This procedure assists in maintaining adequate records for purposes of the IRS, as any excess reimbursement must be reported as income on the employee's W-2.

### Credit Cards

- Having council credit cards in the possession of employees is strongly discouraged. If the council uses credit cards, the cards should be kept in a locked, secure area and formally signed out by any employee authorized to use them and returned immediately with the receipt from the purchase.
- All credit card billing statements are to be reconciled each month. All charges on the statement should have a corresponding receipt attached.

### Unit Accounts

- If the council chooses to keep unit funds on account, it must have a system for tracking the funds and reporting fund balances to all account holders at least annually.

## Budgeting

### Building and Approving the Council Budget:

- The council's annual budget is aligned to the council's strategic plan with defined goals and objectives.
- Volunteers, including council and district committees, as well as executive board members, are involved in the budget building process. A staff planning conference should be held annually as part of the budget building process.
- The finance/budget committee reviews the budget proposals and develops the final budget with guidance from the Scout executive. The committee votes to recommend the final budget to the executive board for approval.
- While an operating budget is always needed, if there are expenses in the capital (other than depreciation) or endowment funds, approved budgets will be required for these funds, as well.
- The annual budget(s) are to be delineated by individual project codes.
- The executive board votes to approve the final budget prior to December 31. If there is to be a delay, the board will need to adopt a continuance of the current budget to allow spending in the new year until a final budget is approved.

**BSA Policy: Budget and Expenditure of Funds**—"The executive board shall, preceding the commencement of each fiscal year, consider and adopt a budget of estimated expenditures by the corporation for such fiscal year. No funds shall be expended by the corporation during a fiscal year without the authorization of the executive board or the executive committee for any item not covered by, or in excess of the amount authorized by, the budget for such year." (From Standard Local Council Articles of Incorporation and Bylaws, Article X, Section 2, Clause 1)

The local council should establish policies for the delegation of spending authority using contracts, purchase orders, and check requests. – *Boy Scouts of America Local Council Accounting Manual*

## Audits

### Audit Committee

*The audit committee should not include any council officers or council staff members. While the council treasurer, Scout executive and any council staff members can attend the audit committee meeting, they have no vote and should be excused at some point in the meeting so that the audit committee members can talk independently with the auditor. Key functions of the audit committee include:*

- Places the audit out for bid.
- Defines the scope of the audit.
- Reviews the letter of engagement.
- Reviews draft and final audit reports.
- Presents the audit to the executive board for approval.

## Financial Statements

*Upon completing an audit, adjustments may be required to bring the statements generated by the council's general ledger software into agreement with those of the auditor. Of particular importance, the net assets classes on the Statement of Financial Position must match the audit.*

**BSA Policy: Audit**—"A statement of all income and expenses of the corporation during the fiscal year, and a statement of all assets, liabilities, and net assets of the corporation at the end of such year, shall be duly audited and certified annually in accordance with generally accepted audited standards, by certified public accountants or other recognized independent public accountants approved by the executive board or executive committee. The corporation shall comply with all applicable legal requirements relating to credits, financial controls, and accounting procedures." (From Standard Local Council Articles of Incorporation and Bylaws, Article X, Section 2, Clause 6)

To conform with the Local Council Charter Renewal application, the annual audit of the local council, along with the auditor's management letter, is to be submitted to the National Service Center by July 31 of the following year. – *Boy Scouts of America Local Council Accounting Manual*

## Taxes and Government Reporting

### Retail Sales

- In order to comply with the law, a council will need to have the regulations available pertaining to the collection of sales tax for the states, counties, or cities in which it makes sales to members or the public at its offices or camps. Because a council may be exempt from paying tax on its purchases, it is not necessarily exempt from collecting them on its sales to others.
- If the council is required to collect sales tax, it separates taxable from non-taxable sales and submits payment in order to meet deadlines. Some chartered organizations and their units may be registered with the state and be exempt from paying sales tax on program purchases.
- The Retail Sales Tax Permit is displayed in the council service center(s) and camp(s), if applicable.

### IRS Form 990

- The council is required to approve (board action) and submit IRS Form 990 by May 15 each year. However, a filing deadline extension may be secured. The 990 form(s) pertaining to the prior year is to be submitted to the National Service Center by July 31.
- In order for the council's trust to be covered under the National council's tax exemption umbrella with the Internal Revenue Service (IRS), the council needs to have a separate Employer Identification Number (EIN) for each of its trust funds and file a separate 990(s). For more information on this matter, please consult with [Russ.McNamer@scouting.org](mailto:Russ.McNamer@scouting.org).
- The council is required by law to have the 990s that were filed for the past three years available for public inspection.

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