HMCM WILLIAM R. CHARETTE DIVISION

Finance Standard Operating Procedures

Abstract

The following SOP is written specifically for the Finance Officer of Charette Division. However, it describes the basic responsibilities and processes of a Sea Cadets Finance Officer using either Wave, Quicken, or paper.

Rick Emery
r.emery@seacadets.org

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Overview

HMCM William R. Charette Division Finance Officer (FO) is responsible for tracking all income and expenses incurred by the unit. In addition, the officer is responsible for sending invoices for both new cadet registration and yearly cadet renewals.

Unit Financial Management policy is established by USNSCC headquarters and published on the Homeport webpage. The policy leaves much of the detailed implementation of the policy to the units (https://quarterdeck.seacadets.org/secure/homeport/MasterDocView.aspx). The intent of this Standard Operating Procedure is to document our unit's current implementation of the Finance Officer's activities to be in compliance with that policy.

Bookkeeping

The policy requires a Ledger (either electronic or paper) and receipts. The tracking mechanism is left to the unit. Use of tools such as Excel or banking or financial software is recommended. Currently the unit is fulfilling this requirement in three separate ways. Technically any one of which would meet the requirements. The three bookkeeping mechanisms are Wave, Quicken and physical binders.

Wave

Wave is a Web based platform that helps you create and send invoices, track payments, and manage your business finances. Wave is connected to our M&T bank accounts. We use Wave to invoice cadets for renewals and registrations. Transactions are categorized in Wave which allows for generation of reports on demand. A major advantage to Wave is that since it is web based multiple users can view the data. This additional oversight is both a security advantage as well as making reporting and auditing similar.

Quicken

Quicken is a personal finance management software that allows users to track their loans, investments, and retirement accounts. Like Wave transaction can be categorized to help with auditing and reporting. The disadvantage to Quicken is that the application is a desktop application on the finance officer's home computer. It does seem to have an advantage in being able to export

data to excel for further analysis. In addition, by maintaining both systems results can be compared to check for missing or inaccurate data.

Financial Binder

The previous Finance officer and many units keep all financial information, bank statements, receipts, checks, etc. in a three-ring binder. All documents for each month are kept in a sperate plastic sleeve. Each year is in a sperate binder. Policy states that records (i.e. binders) should be kept for 5 years. If paper is the only mechanism, a running total of categorized expenses needs to be maintained to generate reports.

Income

National Headquarters and our sponsor are 501c organizations. Our unit is a non-profit but not a 501C Charity. Therefore, donations made directly to the unit are not tax deductible. Theoretically donations can be made to our sponsor for our unit, and they will be passed through to us and will be tax deductible.

Invoices

Annual Fees

Much of our unit's income comes from the delta between what we charge cadets and what we pay HQ for yearly cadet dues.

Cadets

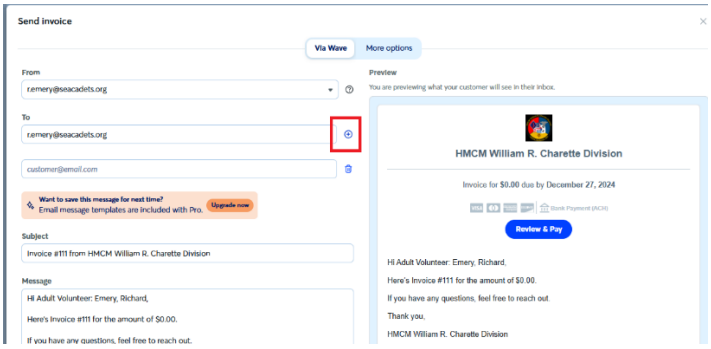
Cadets Pay an annual fee for Sea Cadet membership. Our unit charges slightly more for the first year to cover certain one-time costs associated with uniforms, etc. These fees as well as other costs of the program (advanced training, clothing, etc.) are explained to the parents or guardians during the recruiting process.

Once a recruit has filled out all the required paperwork and been approved by the Commanding Officer (CO), the Finance Officer will generate an invoice for the initial enrollment fee. The recruit is entered into Wave as a customer:

- Open Wave
- Click Sales and payments on left accordion navigation
- Click Customers on left accordion navigation
- Click "Add a customer button" top right-hand side
- Fill in customer information.
- Use add contact to add Parents, CO and Admin Officer's e-mail address.

An invoice is sent to the recruit, the parent, and at least one other adult.

- Click Customers on left accordion navigation
- Click specific customer to be billed.
- Click Invoices
- Click create invoice
- Click add item
- Select either “Cadet Renewal Fee” or “New cadet registration” as appropriate
    - Note: These items are set up and managed in Wave under products and services.
    - For cadets that are seniors, renewals may be discounted (via the “add a discount” button on the invoice) based upon graduation dates.
- Set payment due Date
    - Note: default is the current date. Renewals are sent out several months early and generally due at the beginning of the month that current registration will expire.
    - During summer renewals may need to be sent out even earlier since registrations need to be current at the time of training to sign up for training.
- Click Save and continue
- Click Approve Draft
- Click send invoice
- Add parents, and Admin Officer to e-mail by using plus sign next to e-mail address



- Click send

Units not using Wave, must use e-mail, snail mail, or some other communications mechanism to bill cadets for annual fees.

Parents of guardians can pay the annual fees using a credit card in Wave. They can also send a check made out to the unit to the CO, the FO or just have their cadet bring it to drill.

Adults

The unit pays for adult dues. It is possible to track adult dues with a zero-cost invoice and while it is configured as a product it is not currently being used.

Adult volunteers must verify information in Magellan before the FO can pay their annual fee. Once their registration is due for renewal they will see a renew button on the QuarterDeck home page.

Replace ID

Process is identical to annual fee except for picking “ID Card Replacement” on invoice. Our unit currently charges $1.00 more than HQ for ID card replacement to cover the credit card fee.

Donations

Except for our sponsor, our unit rarely receives financial donations. Since these will vary by amount, they are not currently set up in Wave and need to be handled independently via check.

Sponsor

Our sponsor will contribute money per cadet per quarter. However, since Covid reduced our expenses, we have not needed these contributions. It is anticipated they will start up again in the future as our bank accounts are depleted.

Uniform Deposit

Per policy the unit has a separate account for uniform deposits. The unit is not currently charging a uniform deposit but has in the past and may or may not in the future.

In Wave all uniform deposits are recorded as liabilities. If they are charged in the future an invoice will be generated like annual renewals. This may present a minor problem in that Wave deposits all payments into the primary account and the FO would then need to move the monies into the separate Uniform Deposit Account.

In addition, a separate excel spreadsheet is maintained to record which cadets have paid a uniform deposit, how much and whether they have been refunded.

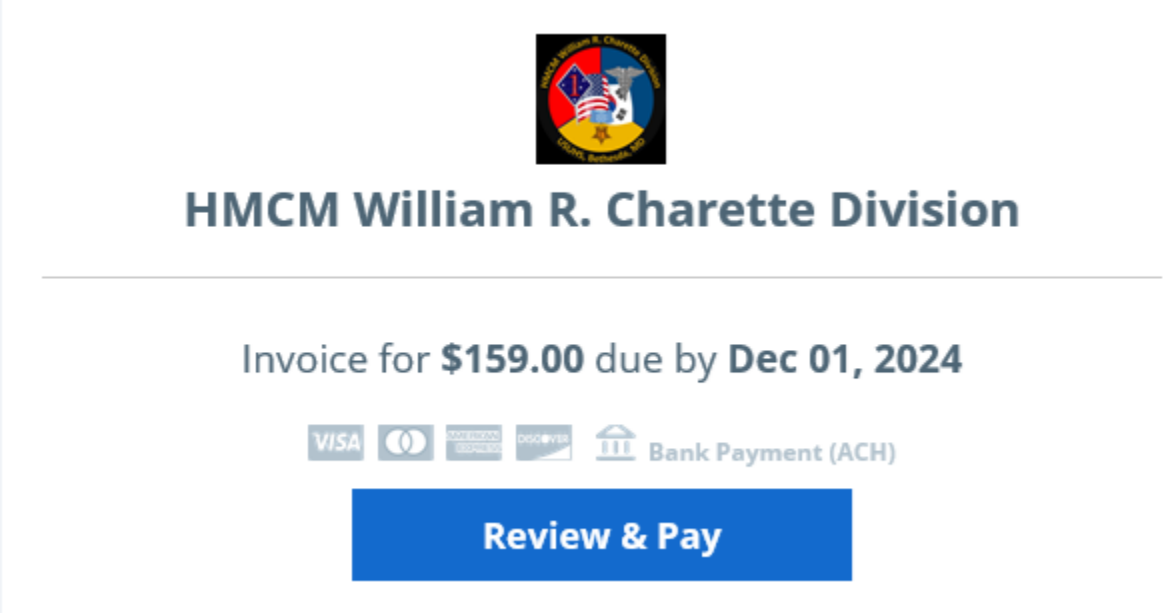
Any Cadet that fails to return their issued Uniform (Seabag, Blues, Whites, etc.) a year after their Leaving the unit will forfeit their uniform deposit. The funds will be moved from the Uniform Deposit Account back to the Operating account to be used for purchasing replacement gear or other operating expenses.

Payments

Payments to the unit are either checks made out to “HMCM William R. Charette Division” or credit card payment made to invoices generated in Wave. We do not currently use services such as Zell.

Credit Cards

To accept credit cards. The FO must first generate an invoice as described in the above Invoices section. Once the generated e-mail is received by the cadet, parent, or guardian, they use the attached link to enter payment information into Wave.



Wave will post the transaction into the Wave account for several days until the credit card payment clears. Wave will also automatically split the transaction into Income and merchant account fees. (That is the 2%-3% that Wave charges for processing credit card payments). Periodically Wave will transfer monies from the Wave account into the operations account.

In order accurately track Merchant account fees in Quicken the FO will periodically replicate the Wave account transactions in corresponding Quicken accounts.

Checks

If a parent or guardian prefers to pay by check. The FO will deposit the check into the bank account at their earliest convenience or via a mobile phone app. If deposited via a mobile phone app the physical check is placed in the monthly sleave of the physical binder for that years finances.

If the parent pays by check the FO will go into Wave and indicate the invoice has been paid. (This happens automatically if the parent or guardian pays by credit card.) The FO will also enter the transaction into the Quicken account.

Expenses

The FO is responsible for paying for or reimbursing other officers for unit expenses. A major factor in tracking expenses is the requirement to have a receipt for all expenses. If not already electronic, receipts are scanned and uploaded into Quicken and Wave. If electronic they are printed and put in the unit financial binder. The exception to that is not printing receipts that come from Magellan since in theory HQ is already aware and can track these expenses. These receipts are still exported from Magellan and uploaded into both Quicken and Wave.

To pay expenses the unit has a debit card. In addition, the CO and FO have check books for both the operations and uniform deposit accounts. Finally, reimbursements are frequently made directly from M&T bank's pay anyone process.

The FO is also responsible for comparing expenses to the budget and notifying the CO and XO if and when the units spending exceeds the budget.

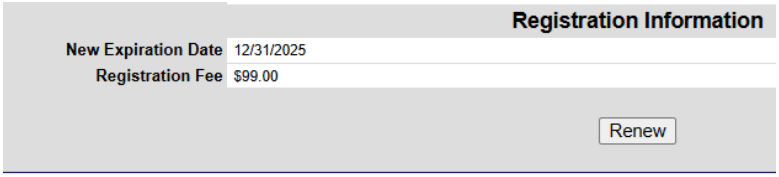
Magellan Expenses

Registration

NHQ Registration

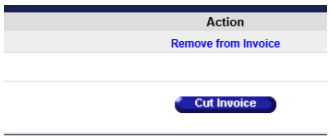
Once a cadet, parent, or guardian has paid the annual fee, the FO needs to renew the cadet in Magellan.

- Log into quarterdeck quarterdeck.seacadets.org/secure/login.aspx
- Click the Magellan button
- Click unit management in accordion navigation on left
- Click cadets
- When cadets are displayed click the landing page hyperlink on left of cadet to be renewed.
- Click renew registration hyperlink on left
- Click renew button

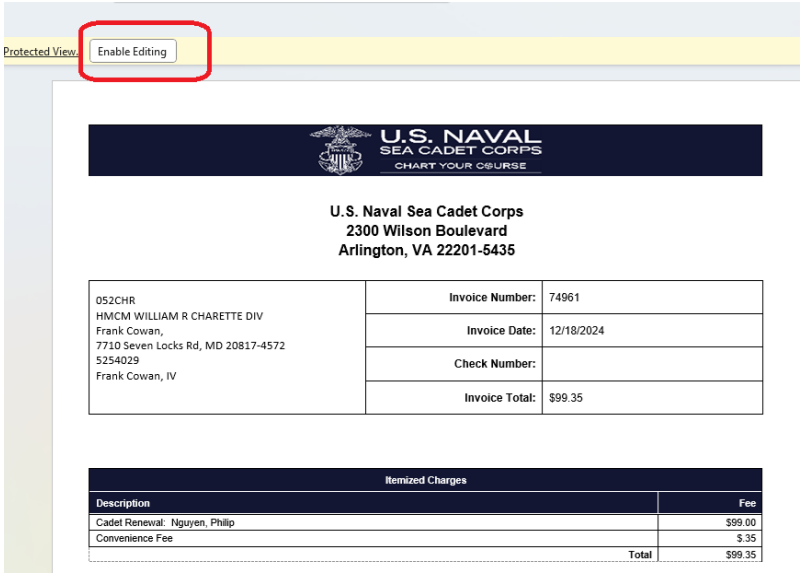


- If a cadet is a graduating senior or is 18, click waiver required. Adjust the number of months as appropriate.
- This moves the cadet's renewal into the cart.
- At the top of the page open the cart by clicking the hyperlink
- Click cadet renewal add to invoice.

  - Note each invoice costs $0.35, previous FO grouped renewals to reduce bank fees. However, I have found that paying one at a time makes it easier to track.
- Click Cut Invoice



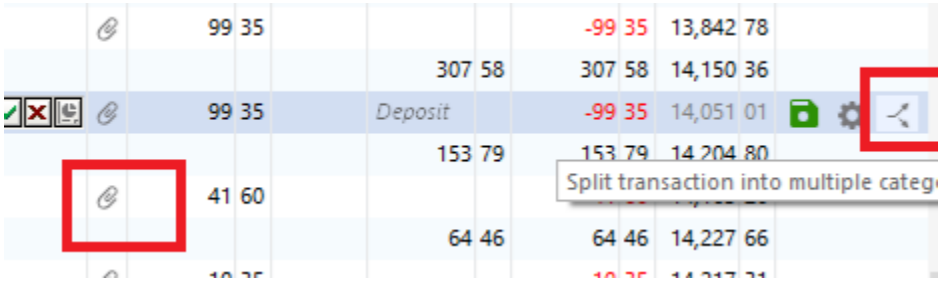
- Click Pay online
- Pay invoice by adding Unit's debit card information.
  - At this point Magellan frequently logs you out. If log back in and navigate back to open invoices.
- Click "View paid invoices" hyperlink
- Scroll to most recent invoice
- Click Print button
- Click open file
  - Note on my computer this opens the invoice in Microsoft word.
  - Click enable editing



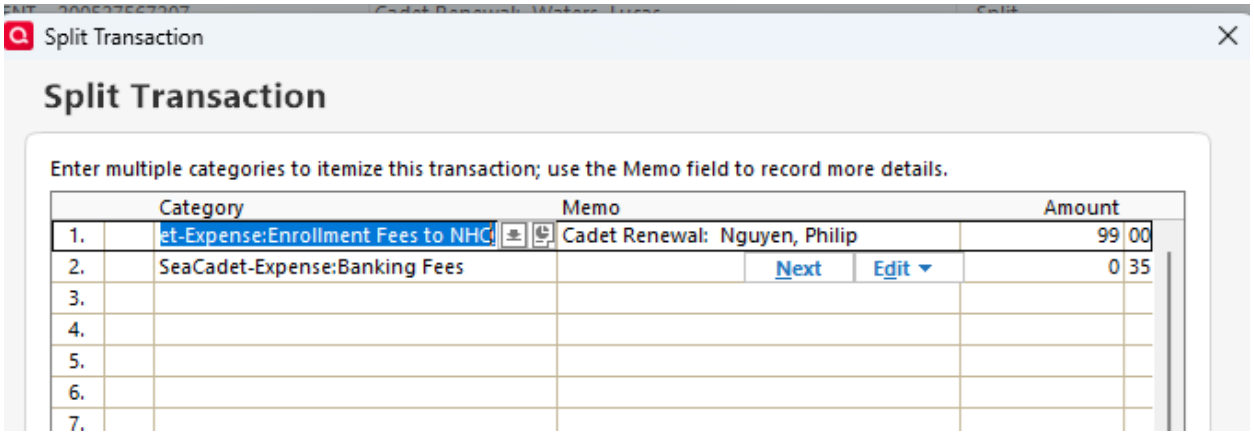
- Store the file as a PDF somewhere on your PC
  - Note: on my computer I have a receipt folder per year and I name each file with the date and the cadet's name or some other identifying info (e.g. 12-28-24 124.15 Amazon Shelves.pdf)

Quicken Registration entries

- In Quicken add a new entry in the Operations account for the total amount paid to HQ.
- Split the transaction via the splitter symbol on the right



- Categorize the amount paid to NHQ and the separate amount ($0.35) paid for banking fees.
    - By categorizing all expenses monthly and year end reports can be easily generated.
    - I cut and paste the memo field from the invoice showing what the charge was for.
- Finally click the paper clip icon to upload the previously stored invoice or receipt.

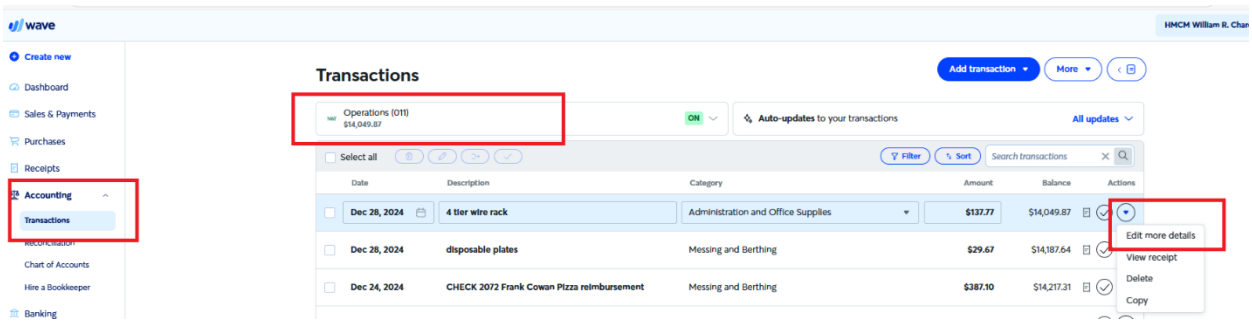


Wave Registration entries

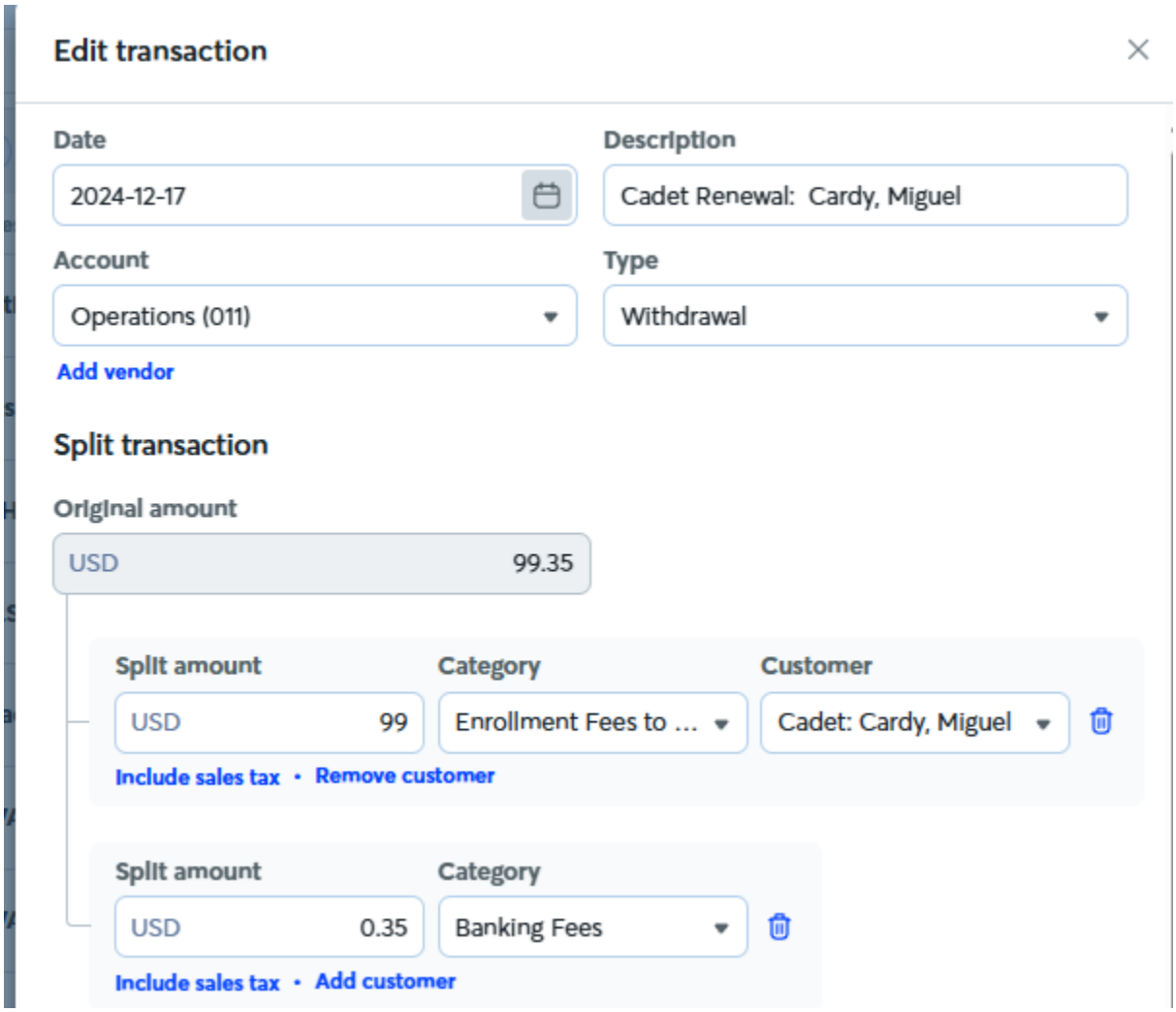
You should enter the transaction in Wave or you can wait for Wave to download transaction from the bank. If you enter it directly you need to ensure that Wave merges it correctly with the download once it does download it from the bank.

In either case you need to go into the transaction and edit it to reflect the correct categories and amounts.

- On the left-hand navigation click “accounting” to expand.
- Click “transactions”
- On the top limit the view to the operations account
- On the left use down arrowhead to click “edit more details”



- Like Quicken fill in the description and split the transaction to the proper categories.
- Link the customer to the cadet being registered or renewed.

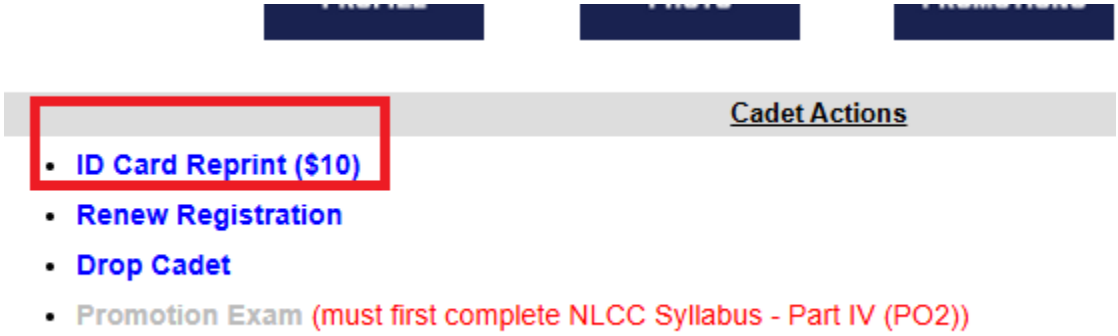


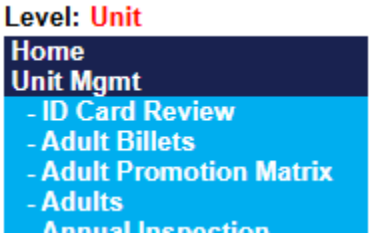
ID Card Replacement

Very similar to Registrations with the following exceptions.

- The process starts with either a request from the CO or a paid invoice from the parents.
  - Note: In most instances but not all we charge cadets for ID card replacement.

  - In some cases, particularly when the cadet needs the ID to attend training, the FO will order the card prior to the parent paying to expedite the process.
- Click id card reprint rather than renew the registration under the relevant cadets landing page.



- Once the Reprint has been paid for in Magellan, the CO or the FO must go through some additional steps under ID Card Review on the left-hand side to actually get the card to print.
- Detailed instructions are provided on the website once the hyperlink is clicked.
- 

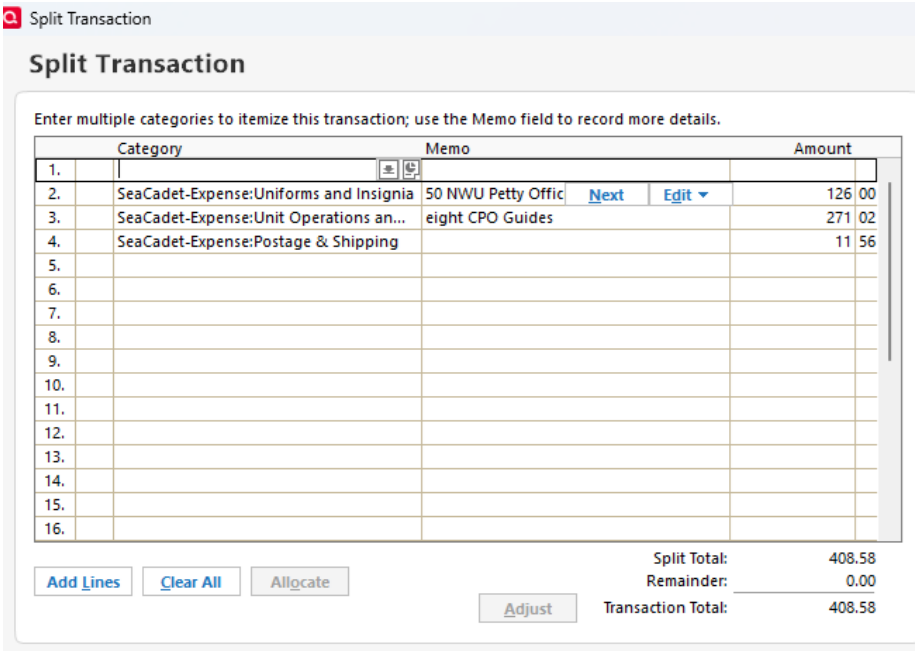
Other Expenses

All other expenses (admin supplies, training materials, food, etc.) are typically paid for with the debit card or by another officer and then reimbursed via a check or the M&T bank's pay anyone process.

The receipt from all these expenses needs to be scanned or printed and the uploaded into Quicken, Wave, and the financial binder. Costs need to be allocated to the corresponding categories. Best judgement is sometimes required for this allocation e.g. is an ID card replacement 3a or 3h. Historically the unit has recorded them as 3h. 3e includes shipping and posting. 3a. Administration and Office Supplies

- 3b. Banking Fees
- 3c. Enrollment Fees to National Headquarters
- 3d. Messing and Berthing
- 3e. Postage
- 3f. Unit-Run Training Activities
- 3g. Transportation and Fuel
- 3h. Uniforms and Insignia

Many purchases should be broken down into multiple categories. Taxes are not a separate category but allocated proportionally to the purchase.

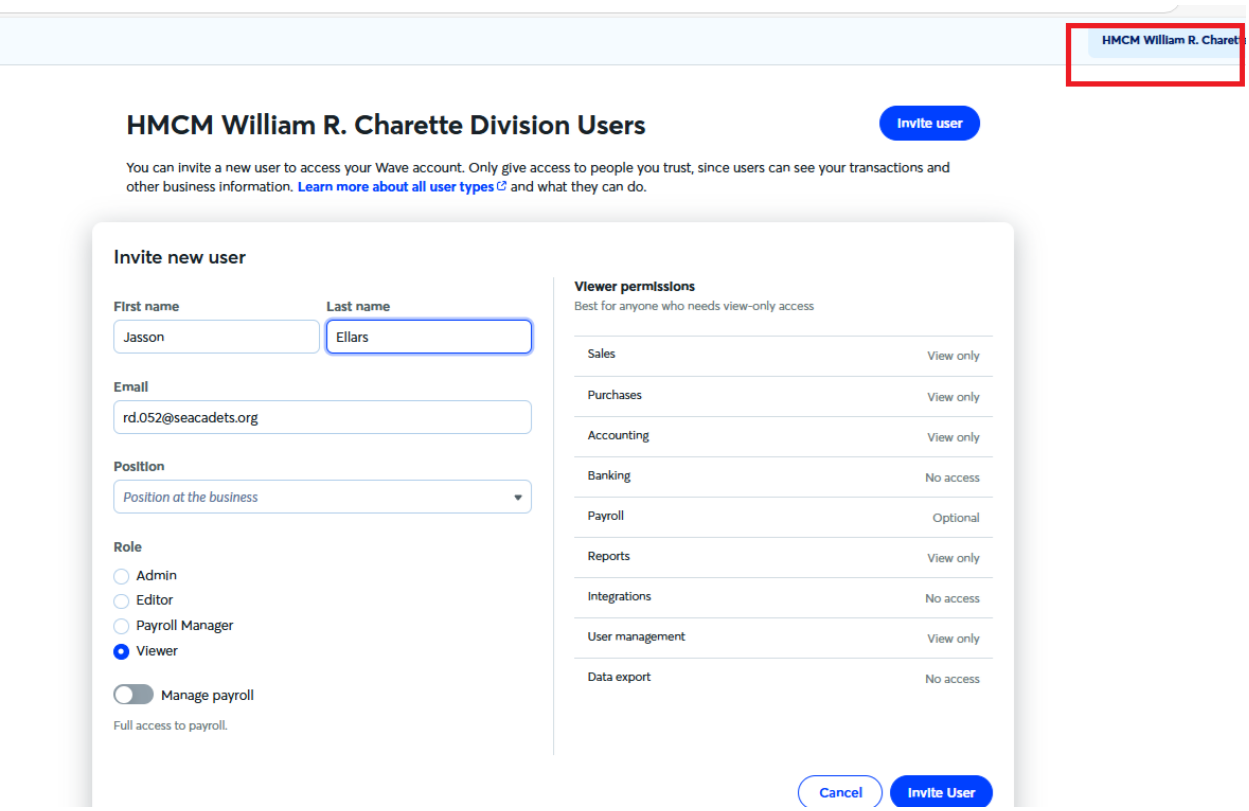


Reporting

Unit finances should not be a secret. At a minimum they need to be shared with the CO, the XO, and the regional director. One way to accomplish this is to give the CO and RD “viewer access” to the Wave account. This access needs to be updated as COs and RDs change over time.

In addition, the National Policy required the CO and the RD to have access to the unit’s bank accounts. Real access can only be given by all parties showing up at a physical bank branch. However, partial access can be given via web access to both the bank accounts and Wave.

While the CO and the RD have access to the accounts and can dynamically run reports as desired, the reality is that they primarily rely on the FO and will only look after the fact if there is a problem. Therefore, the best practice is to generate and e-mail monthly reports and to create the yearly audit reports as described below. The report can either be generated with Wave cash flow report or Quicken spending by category for previous month.



Monthly

Compare to Budget

If in reviewing the unit's spending, the FO notices that spending has or will exceed the planned budget, they will notify the CO or XO in the monthly report. Quicken can compare spending to a budget and generate a report. If series discrepancies arise the FO will work with the CO to submit a new revised budget to the RD or otherwise modify the spending pattern.

Reconcile Bank Statements

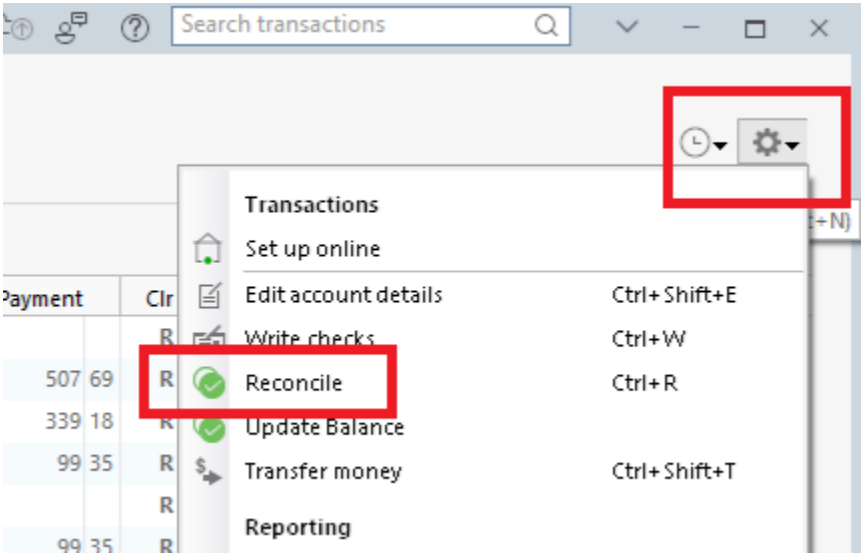
M&T Bank generates a monthly statement. This statement needs to be reconciled with both Quicken and Wave prior to any reporting.

Quicken

To reconcile the bank statement with Quicken

- Click setting icon
- Click reconcile
- Enter data from bank statements
- Check off income and expenses from bank statement.
- Account for all discrepancies

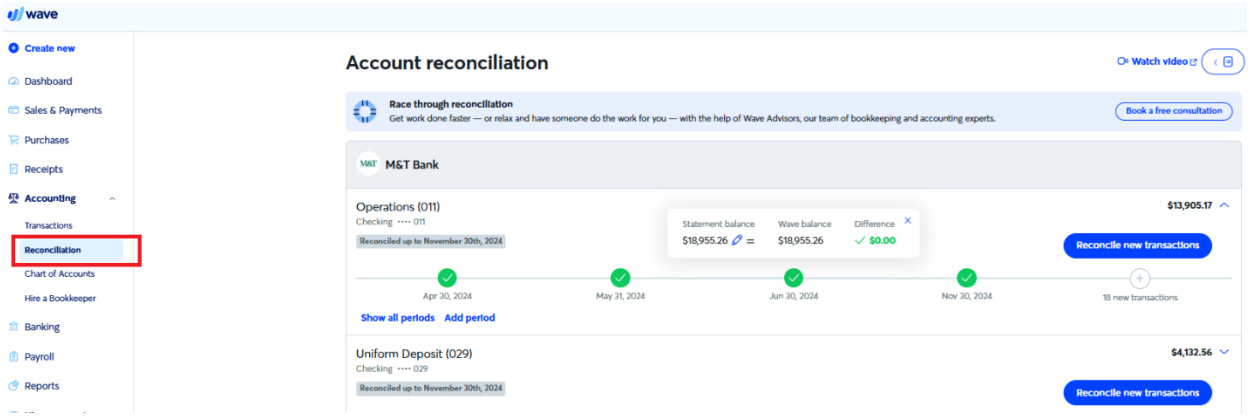
- Note: discrepancies are sometime uncleared checks. The simplest solution is to adjust the date to next month when the check is likely to be cleared. It is up the FO whether reporting is based upon the date funds were spent or the dates the funds cleared the bank. The unit currently uses the date the check cleared the bank.



Wave

Like Quicken the Wave application needs to be reconciled with the latest bank statements. On the left-hand navigation bar.

- Open accounting
- Click “Reconciliation”
- Click ” reconcile new transaction” for each account.



Financial Binder

Add Bank Statements to financial binders

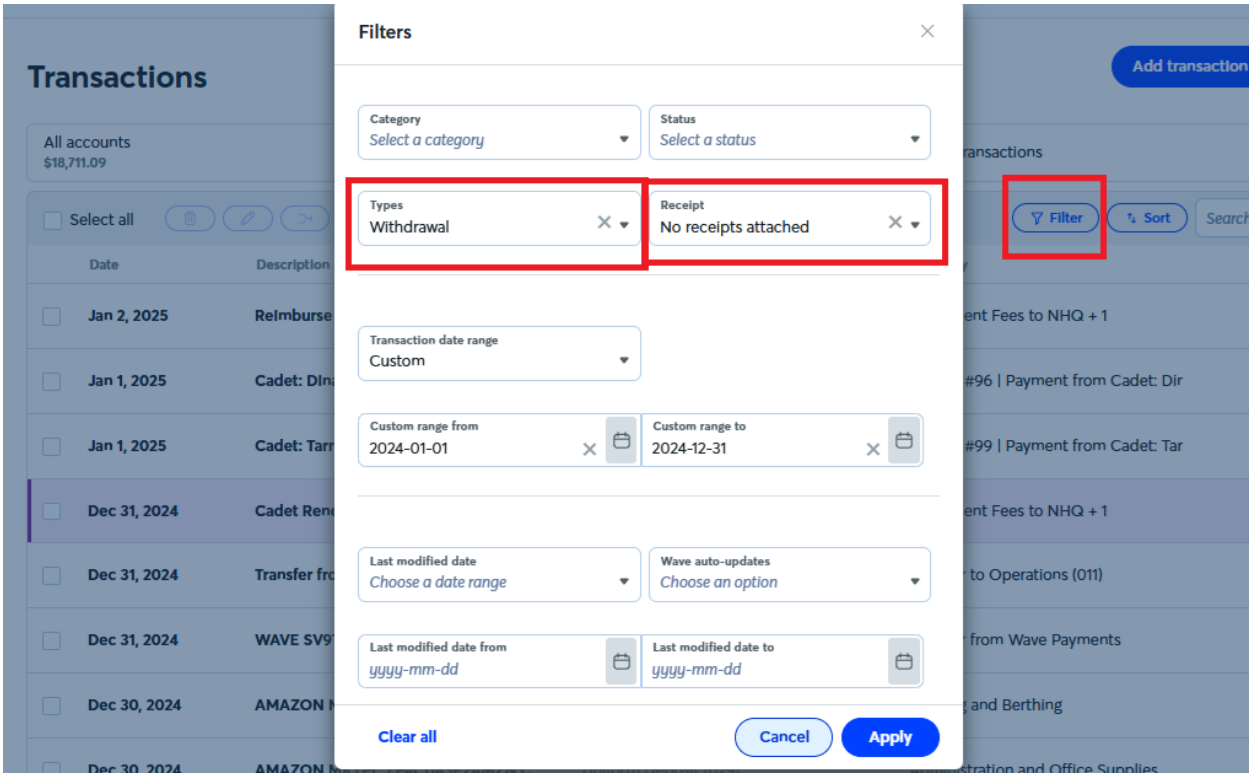
End of Year Audit

Each year, the region will perform an audit of each unit. To prepare for the audit, the FO should first run reports for the year in both Quicken and Wave to ensure all transactions have been properly categorized and that all expenses have a corresponding receipt.

Reconcile Quicken vs Wave Categories

One of the advantages of Wave is that it is easy to find transactions without a corresponding receipt.

- Click transactions
- Select operations account
- Click filter
- Select “No receipts attached”
- Select withdraws”
- Click “Apply”

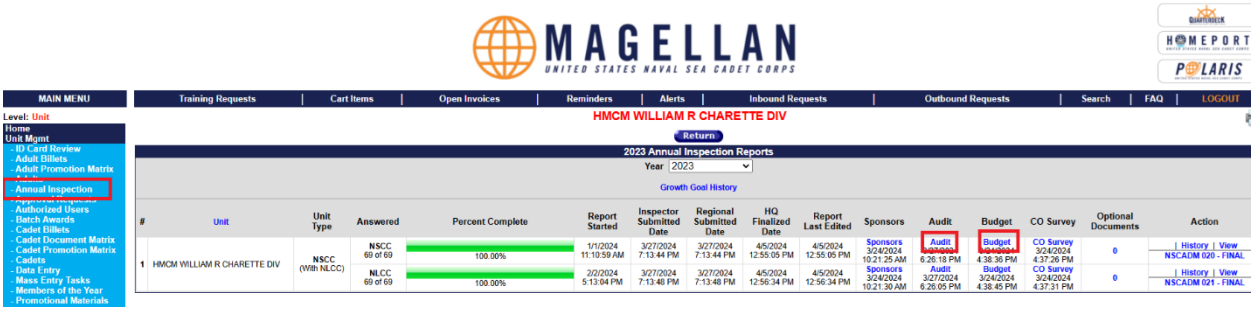


Audit and budget Forms

Each year, the region will perform an audit of each unit. To prepare for the audit, the FO should fill out the forms under both audit and budget

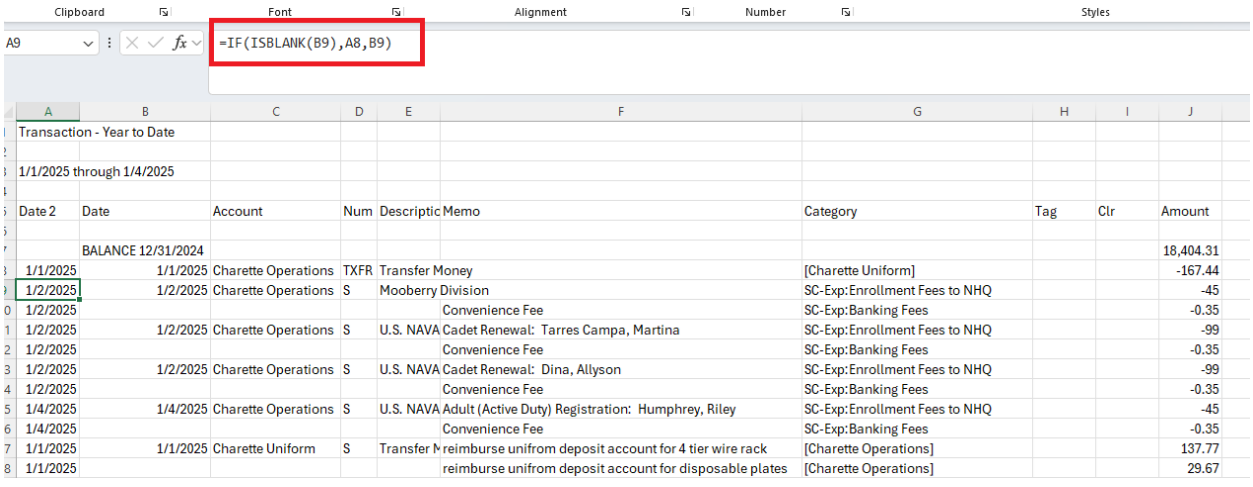
- Open Magellan
- On left hand navigation expand “Unit Mgmt.”

- Click on the Annual Inspection
- Click audit or budget
- Fill in Form

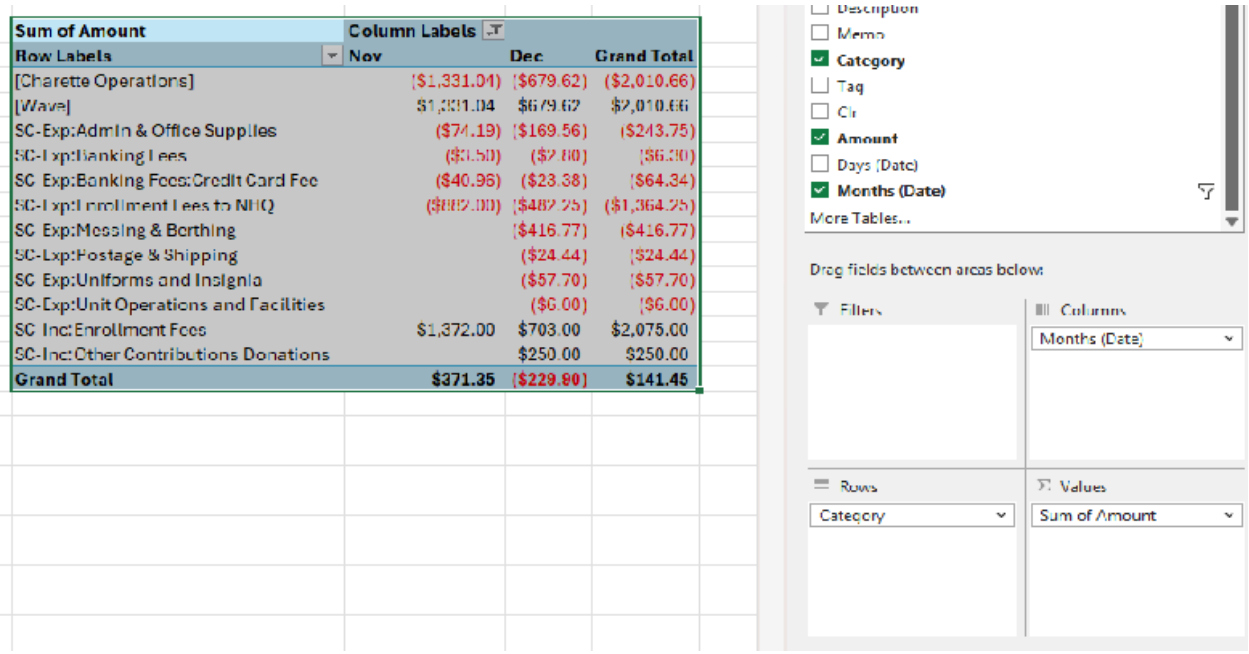


In Quicken there are several ways to generate spending per category per time. For monthly reports simply use the “reports”, “spending”, “Itemized categories”, set to last month. However, for yearly reports, it is desirable to

- generate a report of “Banking”, “transactions” customized to show splits and then set to previous year.
- Export report to Excel
- Fix blank dates for split items
    - Create a new column
    - Copy first date
    - Use algorithm as shown in example below to fill in missing dates.



- Generate pivot table
- Use months as columns
- Use categories as rows
- Use amount as Value
    - Set amount to sum



Sum of Amount	Column Labels		
Row Labels	Nov	Dec	Grand Total
[Charette Operations]	($1,331.04)	($679.62)	($2,010.66)
[Wave]	$1,331.04	$679.62	$2,010.66
SC-Exp:Admin & Office Supplies	($74.19)	($169.56)	($243.75)
SC-Exp:Banking Fees	($3.50)	($2.80)	($6.30)
SC Exp:Banking Fees:Credit Card Fee	($40.96)	($23.38)	($64.34)
SC-Exp:Enrollment Fees to NHQ	($882.00)	($482.25)	($1,364.25)
SC Exp:Messing & Berthing		($416.77)	($416.77)
SC-Exp:Postage & Shipping		($24.44)	($24.44)
SC Exp:Uniforms and Insignia		($57.70)	($57.70)
SC-Exp:Unit Operations and Facilities		($6.00)	($6.00)
SC Inc:Enrollment Fees	$1,372.00	$703.00	$2,075.00
SC-Inc:Other Contributions Donations		$250.00	$250.00
Grand Total	**$371.35**	**($229.90)**	**$141.45**

The per month/per category spending table generated this way can be printed and put in the financial binder. The values from the total column should be used in the Magellan audit report.

This data can also be exported and similarly manipulated from Wave. In Wave it is important to use the cash flow report. Waves default accounting uses values from sales/invoice dates while Magellan audit should match actual cash flow and bank statements.

The audit form also requires values for uniforms, insignia and other assets owned by the division. Rather than stringent inventory control mechanisms, the unit will calculate these values using the following depreciation algorithms.

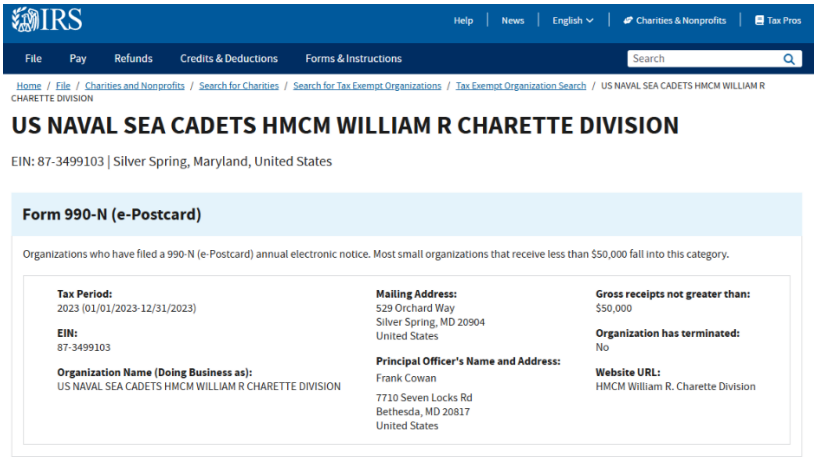
- Year 1 assets = asset purchase price.
- Year 2 assets = 50% asset purchase price.
- Year 3 assets = 25% asset purchase price.
- Year 4 assets = $0.00 (fully depreciated).

Unit asset values = Year1 value + yesr2 value + year 3 value.

Taxes

Federal Taxes

Our Sea Cadet unit is a nonprofit. By policy we are not allowed to be a 501C nonprofit organization. There is still a requirement to file a tax statement with the federal government. This is accomplished via Form **990-N (e-Postcard)**.



State Taxes

Current thinking is that nothing has to be done for the state unless the organization is registered as a state organization. Our unit has an EIN (required to get a bank account) but is not registered as a state company. (Other units or states may be different.)

Conclusion

Most of the work of the FO is tracking income and expenses, ensuring that all income and expenses have a receipt and are mapped to a category. Whatever mechanism the FO chooses to keep records should be capable of producing monthly and yearly reports.

In addition, the FO should keep the CO aware of how income and expenses are tracking against the budget.

Revision History

1. Rev 1 2/23/2025
    a. Added paragraph about Uniform Deposit Default
    b. Added Text for Budget Tracking and reporting
    c. Added Revision History
    d. Added Date to Footer
2. Rev 2 3/23/25
    a. Add unit asset depreciation algorithm