



## Financial Policies & Procedures Manual and Guidelines

### POLICY STATEMENT:

The **Pilgrims of Hope** (POH) is committed to responsible financial management. The entire organization including the Board of Directors, Executive Director and staff will work together to make certain that all financial matters of the organization are addressed with care, integrity and in the best interest of POH.

The manual and guidelines contained in this handbook are designed to:

- Protect the assets of POH;
- Ensure the maintenance of accurate records of POH's financial activities;
- Provide a framework of operating standards and behavioral expectations; and,
- Ensure compliance with all levels of financial legal and reporting requirements.

The Executive Director of POH has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board of Directors. Exceptions to written policies may only be made with the prior approval of the Governance Committee. The Board of Directors may approve changes or amendments to these policies at any time. A complete review of the policies shall be conducted every two years.

Of the principal fiduciary obligations/duties owed by the Executive Director, Administrator and Board of Directors (henceforth referred to as "Directors") to POH is their *duty of care*. *Duty of Care* refers to the obligation of the Directors to exercise the proper amount of care in their decision making process. *Duty of Care* involves determining whether the Directors act (1) in "good faith", (2) with the level of care that an ordinary prudent person would exercise in like circumstances, and (3) in a manner that they reasonably believe is in the best interest of POH.

Every Director and Administrator with financial related responsibilities is expected to be familiar with and operate within the parameters of these policies and guidelines.

### LINE OF AUTHORITY

A system that clearly outlines who has the authority and responsibility for the financial assets of the organization and provides guidelines for handling and controlling their accumulation and consumption

#### Board of Directors

Has the authority to execute any policies it deems to be in the best interest of the organization within the parameters of the organization's articles of incorporation, bylaws, or federal, state and local law.

#### Governance Committee

Has and may exercise, when the Board is not in session, all of the powers of the Board of Directors in the management of the organization except the authority to amend the bylaws, adopt a plan of

merger or consolidation; or sell, lease, exchange, mortgage, pledge or make any other disposition of all or substantially all of the property and assets of the organization.

### **Finance Committee**

Has whatever authority as may be designated by the Board of Directors. Furthermore, the Finance Committee has the authority to, perform regular, in-depth reviews of the organization's financial activity; oversee the development of the annual budget; and determine the allocation of investment deposits. The Finance Committee will recommend an external auditor, when and if the need arises.

The Finance Committee as delegated by the Governance Committee has the responsibility to establish the objectives and to designate others within the organization to carry out the objectives set forth.

### **Executive Director**

Has whatever authority as may be designated by the Board of Directors. The Executive Director will have the authority to make spending decisions within the parameters of the approved budget; employ and terminate personnel; determine salary levels; create, and amend operating procedures and controls; make decisions regarding the duties and accountabilities of personnel and the delegation of decision-making authority; enter into contractual agreements within the board designated parameters.

The Executive Director is responsible for the ongoing management of invested funds including acting as the primary contact with banks, investors, or any financial institutions, reporting directly to the Governance Committee.

### **Indemnity Policy**

To the full extent that it shall have from time to time under applicable law and in the manner from time to time prescribed or permitted by applicable law, POH may indemnify any past, present or future Director, Officer, Employee or his Agent against all costs, expenses and liabilities, including attorney fees, actually and necessarily incurred by or imposed upon them in connection with or resulting from their involvement with POH.

No such reimbursement or indemnity shall relate to any expense incurred or settlement made in connection with any matter arising out of their negligence or misconduct as determined by a court of competent jurisdiction or, in the absence of such a determination, by POH acting on the advice of counsel.

POH shall purchase and maintain insurance on behalf of any person who is or was serving at the request of POH, as a Director, Officer, Employee, Agent, Staff Volunteer or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such.

### **Financial Controls and Operating Procedures**

Financial policies and procedures shall ensure that management complete their collective financial duties under the least amount of risk. These financial procedures shall be guided by an accounting concept called internal control. Internal control is defined as a process "affected by an entity's board of directors, management and other personnel designed to provide reasonable

assurance regarding the achievement of objectives” in the following categories:

- Reliability of financial reporting
- Effectiveness and efficiency of operations, and
- Compliance with applicable laws and regulations
- Safeguard of Assets and Records
- Fiduciary duty and explanation.

### **ACCOUNTING METHODS**

It is the policy of POH to utilize the cash basis of accounting for financial statements that recognize income when cash is received and expenses when payments have been made, with the exception of recognizing income from the donors and all other well-wishers on the accrual basis to more closely reflect the “matching concept”. If audited, the annual audited financial statement will be done on this modified cash basis of accounting using Generally Accepted Accounting Principles.

### **AUDITS**

At the Board’s request, an annual audit may be conducted on all accounts of the Organization (POH). The Audit shall be overseen by the Finance Committee, chaired by the Board Treasurer. The audit results shall be reported to the Finance Committee, and Board of Directors and made available on request whoever what for justification.

### **BARTERING**

It is the general policy of POH to prohibit entering into bartering agreements with members whereby dues are foregone in exchange for goods and services provided by the member.

Any bartering agreement in any form must be approved by the Governance Committee.

### **BID REQUIREMENTS**

When possible, it is the policy of the POH to require bids for the following expenditures and to make an effort to not to allow any qualified POH members to bid, if possible:

**PRINTING:** Three (3) written quotes are required for all printing expenditures exceeding \$250

**CAPITAL PURCHASES:** Three (3) written quotes are required for all Capital Purchase exceeding \$1,000.

**PROFESSIONAL SERVICES:** Professional services, including CPA firms and law firms, will be evaluated every three years and requests for proposals will be prepared and sent to qualified member firms.

### **BALANCED BUDGET REQUIREMENT**

The Executive Director and the Treasurer shall develop and submit to the Board a proposed balanced budget for the upcoming year no later than November Board’s meeting. The Board shall consider the proposed budget no later than the December Board meeting. Reasonable effort should be made to adopt an approved budget prior to and to be effective the 1<sup>st</sup> day of January each year. In the event the budget has not been approved on or before the 1<sup>st</sup> day of January of any

year, the previous year's budget shall be utilized until the board approves the current year's budget.

After approval of the budget by the Board of Directors, it shall be the responsibility of the Executive Director to supervise receipts and make disbursements to the finance department within limits set by the budget. Variations from the fixed budget shall have the admin/finance Committee approval pending final adoption by the Board.

No membership investment paid into the general fund shall be earmarked for any POH department or activity

All membership investments shall go into the general fund and appropriations for activities and departments shall be made on a basis of need rather than upon any percentage share of the budget. The general budget is prepared by the Executive Director for presentation to the Finance Committee and approval of POH Board. When so prepared and approved, it governs the expenditures of POH for the ensuing year.

The general budget, once approved by POH Board and all details concerning the receipt, disbursement and supervision of POH's funds are the responsibility of the Executive Director with oversight of the Treasurer and Finance Committee.

No advances may be made by POH general fund to a special POH fund, except with authorization from POH Board.

When, as a matter of general practice, a special POH fund is planned, no obligation is incurred for the use of such special fund until the raising of such fund is actually completed.

Only duly authorized officials may sign checks for POH financial accounts which consist of the Chairman (Executive Director), Secretary to the board and Treasurer of POH.

## **BANK RECONCILIATIONS**

It is the policy of POH to address bank statements to the Executive Director who will do an initial review of checks and deposits that cleared during the current month. Once all monthly financial records are received and reviewed by the Executive Director, then he will forward the financial information to the Board of Directors to conduct a general review of the quarterly reconciliation, which is performed monthly by the Financial Officer/Manager.

## **BILLING AND RECEIVABLES**

The Financial Officer/Manager prepares all invoices on a timely basis. Prior to mailing the billing/invoices, the billings are reviewed by the Executive Director.

Invoices are to be sent on or before the 17<sup>th</sup> day of the month for all invoices generated in the previous month. Invoices will state a due date for the fee.

The treasurer prepares a status report on all outstanding receivables on a monthly basis and submits the report to the Finance Committee and Board.

The treasurer initiates collection procedures as outlined below on all invoices older than 30 days unless otherwise approved by the Chairman of the Board.

All receivable records are maintained in a locked file cabinet located at POH offices.

## **BAD DEBT PROCEDURES**

It is the policy of POH to ensure all available means of collecting accounts receivable, as defined, have been exhausted before write-off procedures are initiated by a completed Accounts Receivable Write-Off Request Form.

Members reinstated after bad debt will be extended future credit only if the bad debt, plus accrued collection fees, is paid and the client has successfully completed a 90-day cash-on-delivery probation period.

A listing of all write-offs for the month is to be included with the monthly financial statements reviewed by POH Board.

**Collection of Past Due Invoices for Membership Dues:** All membership dues invoices are to be sent by the 17th of the month. The following procedure is to be utilized:

- ✓ 30 days past due: send a copy of the statement along with member statistics
- ✓ 60 days past due: send copy of invoice along with a call from the Executive Director, or designee, to see if there is any problem that can be addressed; Send, scan or fax an additional copy of invoice, if requested. All future commitments and or sponsorships agreed upon between member and POH shall be suspended until account is brought current.
- ✓ 90 days past due: send copy of invoice along with "over 90 days" letter and drop member.

### **Collection of Past Due Invoices for All Other POH Receivables:**

All invoices are to be sent by the 17<sup>th</sup> of the month. The following procedure is to be utilized:

- 30 days past due invoice: send a copy of the invoice with a hand-written request to pay;
- 60 days past due invoice: a copy of the invoice will be sent; the Executive Director or designee will call the member requesting payment
- 90 days past due invoice; a copy of the invoice will be sent; the Chairman of POH will contact the member to discuss payment
- 120 days past due invoice; the account will enter the account receivable write off procedure.
  
- An account, whether for Membership or Other Services Rendered will be written off;
- When all collection action is exhausted. The Finance Committees will approve the write-off of accounts at a regularly scheduled meeting. A report of written off accounts will be presented to POH Board during a regularly scheduled meeting. Once written off and for future reference, a notation will be place in the members' account describing the write-off occurrence.

## **CASH DISBURSEMENTS**

The Executive Director shall ensure the secure physical access to un-issued checks. Checks shall be pre-numbered and issued sequentially.

The Executive Director approves check requests after comparing to supporting documentation. The Finance officer/manager prints the pre-numbered checks only with approved requests. The unsigned check, support and requests are presented to authorized check signers for their signatures. Any checks outside of pre-approved, routine and reoccurring expense items for amounts over \$2,500 need a second signature.

The Executive Director will be responsible for obtaining the second signature from an authorized Board Member if the treasurer is not available.

All disbursements, except petty cash, are made by check and are accompanied by supporting documentation.

All expenses to be incurred, including travel, must be included in the current budget and/or approved by the Executive Director. Travel will be reimbursed for the least expensive direct method route.

All voided checks must be defaced and retained either on the check stub or with cancelled checks.

A petty cash account is maintained. The amount of petty cash is \$100. Vouchers are required for all petty cash disbursements. The petty cash fund is reconciled (beginning amount less voucher amounts) before the fund is replenished. Checks are written only after an approved check request has been presented.

Cash disbursements shall be posted to general and accounts payable ledgers immediately. The use of post-dated checks, checks payable to bearer or cash, and pre-signed blanks checks is prohibited.

#### Separation of Duties

- ✓ The check signer(s) must not be the person who writes the checks or who does the finance management/keeping
- ✓ Bank statements are reconciled monthly by the Finance officer/manager, and reconciliations are reviewed quarterly by someone other than the check signer or writer

### **CASH RECEIPTS**

A different employee shall be assigned for each of the following tasks: (head of programs in the organization)

- ✓ Opening the mail and listing the receipts
- ✓ Posting the accounts receivable

All cash received from any event or program is to be counted separately by two individuals and the amount written and signed off by each on the cash envelope.

All checks are stamped with "Deposit only" stamp immediately upon receipt.

All cash receipts are recorded on pre-numbered duplicate receipts. Copies of all receipts are given to the Finance officer/manager, who prepares the detailed cash listing to be posted to the general ledger (amount, date received, account number, etc.) All cash collected at registrations tables for

events/functions shall be the responsibility of the Executive Director or their designee to transport the cash back to POH.

This listing is compared to the cash journal to ensure all postings equal amount deposited. A copy of the check, a copy of the deposit slip from the bank is compared and attached to the corresponding receipt copies and cash listing and retained for accurate record keeping.

Credit Card payments are to be handled exclusively by the designated staff and the credit card number should be blacked out after the transaction is complete (if applicable). All credit card information will be secured.

### **CHECKS RETURNED FOR NON SUFFICIENT FUNDS (NSF)**

In an effort to be fiscally responsible without causing undue hardship to our members, POH will accept checks for fees and services providing sufficient funds are available to support those checks. If a check is returned for any reason by a financial institution, the following steps will be taken:

- The member will be contacted to determine if the check is valid
- The Member will be given an option to submit a replacement check.
- If a check is returned a second time, it will be returned to the member with notification that only cash or credit card will be accepted to satisfy the obligation.

Any fees associated with a non-sufficient fund will be passed on to the member.

### **POH MANAGEMENT & CONTROL**

All income of POH shall be deposited into an organization account.

Monies deposited in any one institution shall not exceed the limits as required by the law and policies of running the finance with that financial institution.

**Type of Accounts:** POH shall have the following accounts, as approved by the Board:

1. General Operating Account shall be a checking account opened by the organization authorized bank signatories.
2. Investment Account(s) [See Investment Policy] may be established by the Executive Director with approval of the Board to invest cash not required for operations. Investments shall be limited to savings accounts, money market accounts, certificates of deposit, and governmental securities. The priority for investment criteria shall be (1) security, (2) liquidity, and (3) rates of return.

- ✓ All accounts of POH shall be in the name of "Pilgrims of Hope"
- ✓ All expenses except specific exceptions allowed by the Treasurer shall be paid by check.

### **CHART OF ACCOUNTS**

It is the policy of POH to maintain a chart of accounts. All employees involved with accounting coding responsibilities or budgetary responsibilities will be issued a chart of accounts, and the chart of accounts will be updated at annual budget time.

## **OPERATING PROCEDURES:**

The HR office through the supervision of the Executive Director and the Board of Directors shall employ a Finance officer/manager with primary responsibility for designing and maintaining the accounting system. Monthly financial reports shall be made to the Executive Director, covering receipts, disbursements, receivables and payables.

The Executive **Director** will be required to include budget comparisons in periodic financial reports to the Finance Committee and monthly to the Board. Standard Journal Entries shall be reviewed by the Executive Director for reasonableness and approved for posting to the general ledger.

The **Finance Committee and the board** will be required to provide semi-annual budget reviews and annual reviews of the adequacy of insurance coverage.

### **Conflicts of Interest**

No employee in a position to recommend or influence purchasing should hold an interest in any company from which POH makes purchases when such interest would be sufficient to influence decisions.

### **Prohibited Expenses**

The Following expenditures are not eligible for credit card charges or expense reimbursed requests unless prior written approval by the Executive Director is received (unless it is the Executive Director seeking approval, then Board approval will be required):

- ✓ Spousal Travel on a business trip
- ✓ Unauthorized expenditures on entertainment

**Cash Advance** for business trips may be obtained with authorization from the Executive Director and if for the Executive Director, authorized by the board. All cash advances shall be reconciled against actual expenses within a reasonable time following the business trip.

### **Records Retention and Destruction**

It is the policy of POH to retain records as required by law and to destroy them when appropriate. The destruction of records must be approved via destruction Request Form. Once the records have been destroyed, a copy of the Records Destruction Request Form will be included in POH's Records Destruction Log.

### **Safeguarding of Assets and Physical Controls**

The Executive Director has the responsibility for the physical security of assets. The Executive Director shall ensure that a copy of all financial information is backed up and always kept at an offsite secure location, or electronically via cloud-based capabilities with redundancy back-up and security documented from vendor. Executive Director shall ensure all necessary risk management step are taken to ensure the safety of all financial information related to POH and its employees.

## **INVESTMENT POLICY**

### **Investment Policy Statement**

POH will be good stewards of its members' funds and maximize its return. At the discretion of the Board and the Executive Director of POH, monies may be put into an investment account (money market, high-yield checking account, and cash management equivalents) or a Certificate of Deposit may be purchased exhibiting sound financial action (favorable rate and terms). All investment accounts shall be placed only with insured commercial banks, savings and loan or credit unions that

are members of POH and support its activities. If a Certificate of Deposit is purchased, then upon maturity, the finance committee's designee will contact member insured banking institutions to determine the most favorable rate of interest and then, only with the approval of the Executive Director, secretary to the board and the Treasurer, shall these funds be transferred or rolled over for a period of time typically not exceeding 12 months.

POH has two "pools" of funds: Operating and Designated Reserves. The Operating cash fund represents the cash collected and used within a single fiscal year to meet the objectives outlined in the business plan and budget. The Designated Reserve cash fund represents the desired amount of funds to be available to sustain operations in the event of a disaster, meet long-term objectives, and provide for replacement or repair capital intensive items or allow for participation in unanticipated opportunities.

The POH will maintain the requisite accounts to service normal operating transactions. In addition, POH will carry and manage the following designated reserve accounts:

- ✓ Operational Reserve Account
- ✓ Miscellaneous Reserve Account(s)

Funds may only be transferred to and from any accounts with the approval and signatures of the Executive Director and an authorized signer.

**Excess Revenue Fund Policy**

At the end of each fiscal year, POH shall designate any excess revenue to the Operational Reserve Fund. The Operational Reserve Fund is established to cover any shortfalls in operating expenses caused by economic adversities, competitive pressures or natural disasters. In addition, at the end of each fiscal year, the Board, at the recommendation of the Finance Committee, shall vote to approve the transfer of any excess balance between the actual Miscellaneous Reserve account and its stated reserve goal. Funds may only be transferred to and from the Operational Reserve Fund with approval and signatures of the Executive Director and an authorized signer on POHs' accounts.

**Reserve Goal Policy Statement**

Through membership dues, program fees and other sources of revenue, POH should endeavor to maintain a contingency reserve (Reserve Goal), which, at a minimum will be equivalent to six months of the budgeted annual operating expenses for that given year. The Governance Committee, with the Finance committee providing support, shall review these goals and funds annually to determine the fiscal responsibility of funds. The only expenditures that can be paid from the Operational Reserve Fund are those that pertain to unusual circumstances caused by economic hardship (market driven), competitive pressures (market infringement or deterioration) or natural disaster. All expenditures shall be reviewed and approved by the Executive Director, Treasurer or authorized signers on POHs' accounts.

**Prepared and Endorsed by**

**Board of Directors**

**Signed on behalf: .....**

**Date**

**POH**

