



# **FINANCIAL POLICIES**



## **Background Information**

HOPE 4 Youth, Incorporated, is organized and operates exclusively for the exempt purpose in accordance with its article of incorporation, by-laws, and the restrictions under the IRC 501(c)(3).

Specifically:

- No part of the net earnings of the organization may inure to the benefit of any individual.
- No substantial part of the activities of the organization may consist of the carrying on of propaganda or of attempting to influence legislation by lobbying.
- The organization may not participate in, or intervene in, any political campaign on behalf of any candidate for public office.

For HOPE 4 Youth's accounting procedures to be effective; internal controls are put in place to safeguard the organization's financial assets against errors and misstatements. Duties are to be segregated between employees and all transactions must be documented. In instances when employees are handling forms of cash, checks or credit card transactions, these forms will be handled by dual control; one employee counts and records, second employee verifies.

The organization records transactions on the accrual basis of accounting. The accounting principles will be consistent with all applicable laws accepted in the United States of America. These include Generally Accepted Accounting Principles, Statements of Financial Accounting Standards and, if applicable, the Office of Management and Budget (OMB) regulations.

While ultimate responsibility for financial management of the organization rests with the Board of Directors, the Executive Committee of the Board authorizes the Treasurer to act on behalf of the Board in urgent financial matters which must be addressed before the Board is able to meet. The Board authorizes the Executive Director to oversee the day-to-day financial management, to hire and supervise staff and consultants, pay bills, receive funds, enter into contracts, and maintain bank accounts. These activities are to be conducted within the parameters of the annual approved budget and if there are variances from the approved budget, reasons for those variances are to be reported to the Board.

Certain procedures resulting from these accounting pronouncements and releases are discussed in the sections below.

## **Revenue Recognition**

Contributions will be recorded as revenue in the period received or the period in which a pledge is received. Management will record pledge receivables on the date of the commitment, whether that commitment is in a formal letter, or a formal email specifically expressing the promise to give.

Grants and contributions will be recognized as revenue when all restrictions have been removed and the money is earned. Each restricted grant and/or contribution will be recognized as deferred income to allow for accurate and consistent recording.



Processing of cash, checks, and credit card payments received at events: The Finance and Data Specialist will determine for each event the number of cash boxes and amount of cash needed per box. Cash withdrawn from the bank to be used at each event, will be verified by two parties before being placed in each cash box. The cash in each cash box will be counted by two individuals at the end of each event. The cash will then be recorded on the Event Cash Counting form and signed by all parties. The Finance and Data Specialist, along with the Finance Controller or other appointed staff members will batch and balance all deposits at the end of the event. If discrepancies are found, the goal is to ensure all discrepancies will be researched and resolved at the event to confirm balanced records. Batch balance reconciliation summaries will be prepared summarizing the sales and donated revenue transactions by cash, check, and credit cards.

### **Fixed Assets, Depreciation, and General Inventories**

All equipment and other fixed assets costing more than \$1,000 will be recorded as an asset. All capital assets will be depreciated over their estimated useful lives. Any write-offs or adjustments are approved by the Executive Director. The Board must approve the sale or disposition of any fixed assets. Computer and Technical Inventory is performed by a third-party vendor. The Computer and Technical Inventory is requested by the Administrative Coordinator on an annual basis from the third-party vendor; this inventory will then be updated to the primary inventory document where all property and equipment will be maintained. The primary inventory document will contain sufficient information for insurance and funding requirements. The Data and Finance Specialist and the Administrative Coordinator have shared responsibilities in maintaining the primary inventory document.

Keyholder Inventory will be performed on a regular basis and updated on an ongoing basis. The inventory will be tracked by the individual and position who holds the key(s) during the following events: When a new employee or contractor joins the organization or when an employee or contractor leaves the organization. The Finance and Data Specialist or the Financial Controller will be responsible for the updating of the Keyholder Inventory, along with tracking of the keys. Example: An employee leaves employment and the keys are returned to their supervisor; the supervisor then notifies the Finance and Data Specialist or the Financial Controller that they have received the keys from the former employee and then secures the keys in an agreed upon location.

System Access Inventory will be performed on a regular basis and updated on an ongoing basis. The inventory will be tracked by position, along by the individual who holds that position during the following events: When a new employee or contractor joins the organization or when an employee or contractor leaves the organization. The Finance and Data Specialist and the Administrative Coordinator have shared responsibilities for updating the System Access Inventory. Example: An employee leaves employment, on the last day of employment, the Supervisor notifies the Finance and Data Specialist or Finance Controller and accesses will be shut down accordingly. Please note, accesses and special notes regarding Banking Partners, such as mobile apps, online accesses, and signers of accounts, will be organized accordingly by the Executive Director and maintained on the Banking Partners Access Inventory document. Portal Access Inventory of pass-through donations will be maintained by the Finance and Data Specialist and the Administrative Coordinator.



## **Cash Disbursements**

Generally, HOPE 4 Youth prints vendor and expense reimbursement checks on a weekly basis. The Finance and Data Specialist, who does not initiate or approve expenditures, prepares the checks for disbursement.

All vendor and expense reimbursement checks will be produced in accordance with the following guidelines:

- a. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
- b. Generally, all vendors shall be paid by the due date indicated on the vendor invoice, typically net thirty (30).
- c. Total cash requirements associated with each check run are monitored by the Finance and Data Specialist in conjunction with available cash balance in bank, prior to the release of any checks.
- d. All supporting documentation, if applicable, is attached to the corresponding check prior to forwarding the entire package to an authorized check signer. Supporting documentation includes an email approval, approved vendor invoice or expense reimbursement form and, if required, an approved purchase requisition form.
- e. Checks shall be utilized in numerical order and unused checks are safeguarded by the Finance and Data Specialist.
- f. Checks shall never be made payable to "bearer" or "cash."
- g. Checks shall never be signed prior to being processed.
- h. Two signatures are required for checks written on bank and investment accounts over \$5,000. Authorized check signers are the Executive Director, the Director of Advancement, and the Director of Programs.

The Executive Director, the Director of Advancement, and the Director of Programs are authorized check signers. Two signatures will be required for all checks over \$5,000. Anyone signing a check must review and initial the supporting invoice and/or other documentation. Individuals may not sign a check payable to themselves.

The Finance and Data Specialist will maintain the accounts payable system. Prior to payment, the Finance and Data Specialist will prepare the checks and organize the documentation.

## **Vendor Management**

An Approved List of Vendors is available upon request and is a compiled list of all vendors approved by HOPE 4 Youth. This list is created to guide internal personnel within HOPE 4 Youth of vendors currently working with or has worked with our organization in the past to purchase goods or services. Any vendor appearing or added to the Approved List of Vendors must meet and maintain standards set by HOPE 4 Youth in terms of quality and price. The Approved List of Vendors allows the organization access to a list of suppliers that HOPE 4 Youth prefers to hire or work with and ensures our organization a reference to updated vendors that can be called at any time. Vendor expenditures must be approved by the Executive Director, the Director of Programs, the Director of Advancement, and/or the Financial and Data Specialist.



## Procurement

The Executive Director is authorized to enter into contracts within the financial parameters established by the Board of Directors through the approval of the annual budget. This includes lease agreements and memorandums of understanding up to \$5,000. Those over \$5,000 must be approved by the Board, or the Executive Committee of the Board if action is needed prior to the next Board meeting. For non-budgeted items, the Executive Director may spend up to \$5,000 with dual approval by the Finance and Data Specialist. Please refer to **HOPE 4 Youth's Signature and Spending Authority Policy** for detailed information.

At least two bids are required, if practical, for the purchase of budgeted capital assets or contractual services more than \$5,000. Selection will be based on cost, service, and other elements of the contract, along with honoring current partnerships. The approval of the Executive Committee of the Board is required if the low bidder is not selected, or a bidding process was not utilized. Any capital assets or contractual services not budgeted by the Executive Committee of the Board must be approved by the Executive Committee of the Board prior to soliciting bids. All bids will be retained in accordance with **HOPE 4 Youth's Document Management Policy**.

Purchase requisitions may be generated by anyone in the office. The requisitions are turned in to their direct supervisor for approval and given to the Administrative Coordinator for order placement and filed appropriately.

Mail is received, sorted, and opened by employees under dual control. Mail is sorted by county, events, individual donations, organization/corporate (bills, corporate donations & documentation), junk mail and loose items. Mail is date stamped and opened by two employees, one employee records on the envelope any form of cash, check, or credit card payment, along with the value and initials of the employee. The second employee will then verify the information recorded on the envelope by their initials and if there are discrepancies, they will be reconciled immediately. If there are loose items in the mail, such as cash, checks, cashier checks or Silent Auction items, a Mail Received Log form will be completed.

Invoices and supporting documentation received through email by the Finance and Data Specialist will be forwarded to the appropriate approver. The approver will then reply with an approval via email. Invoices and supporting documentation received through the mail are scanned to the server by the Finance and Data Specialist. The invoice is then emailed to the appropriate approver who will then reply with an approval via email. Approvers are the Executive Director, the Director of Programs, the Director of Advancement, and the HOPE Place Manager. Approved invoices are entered by the Finance and Data Specialist to the Accounts Payable Computer Module. All documents are filed in the Accounts Payable folder on the server until they are paid.



## **Payroll Procedures**

Payroll is processed through a third-party vendor, UKG, which the Metropolitan Alliance of Connected Communities (MACC) manages and is processed on a bi-weekly basis. Timesheets are approved at the end of each pay cycle where the standard process for timesheet approval is first submitted for approval by the employee and then followed by their supervisor's approval through the UKG timekeeping system website. UKG website is MACC's system for managing payroll, benefits, staffing, and other human resources processes. Once the process of approving timesheets is completed, payroll reports are then submitted to the Executive Director and the Finance and Data Specialist. Once the payroll reports are received, the information is then entered into QuickBooks (QBO). Please refer to the procedures for entering payroll into QBO. The pay rates used to prepare payroll will be based on signed memos from the Executive Director. The salary for the Executive Director will be based on a signed memo or email from the Board Chair. In addition, HOPE 4 Youth initially provides MACC information on all personnel where files are established and maintained.

Please refer to the Finance Dates and Procedures available in the Finance Drive > Financial Management > Policies and Procedures > Finance Dates and Procedures, along with the Accounting Tasks document available in the Finance Drive > 0 Reference and How to > Accounting Tasks for procedures for referred to under this topic and other topics within the Financial Policies.

## **End of Month Accounting Procedures**

The Finance and Data Specialist prepares the monthly financial statements, the Statement of Financial Position, and the Statement of Activities which includes the Budget to Actual Expense report. The Finance Controller reviews the monthly financials. The Executive Director approves the financial statements before being sent to the Finance Committee members. The financial statements should be given to the Executive Director at least two days prior to the Finance Committee meeting to facilitate this review. The Executive Director presents the monthly financials to the Executive Committee followed by a presentation to the full Board of Directors.

The Finance and Data Specialist will maintain a file for each month to include work papers which document the balance of each balance sheet account. All balance sheet accounts will be reconciled monthly to help ensure that accurate statements are provided to management, the Finance Committee, and the Board of Directors.

## **End of Year Accounting Procedures**

The cutoff for financial statements is extended to four weeks after year end. Upon completion of the year-end financial statements, the Finance and Data Specialist run the preliminary year-end report and present to the Executive Director for review.

When an annual financial audit is scheduled, the Financial Controller working with the Finance and Data Specialist will contact the auditors following the Executive Director's agreement to terms and signature



of the audit engagement letter to begin planning the scheduling and work needed to complete the audit. The Financial Controller will be responsible for preparing for the scheduled audit in a timely manner.

During the scheduled annual financial audit, the Executive Director, the Financial Controller and the Finance and Data Specialist will be available to assist the auditors in a timely manner, not to exceed a 48-hour window during the scheduled audit window.

Upon completion of the audit, the Executive Director, the Financial Controller, and the Finance and Data Specialist, will meet with the auditors to discuss any issues raised, review the audit journal entries, evaluate the audit process, and plan improvements for the following year.

### **Annual Budget**

The Annual Budget is the financial reflection of what HOPE 4 Youth expects to accomplish over a 12-month calendar year. The planning process for the upcoming year begins in fourth quarter, several months before year-end which will actively engage many staff while planning for HOPE 4 Youth's future by revisiting goals, priorities, events, and activities. Strategic planning is necessary in the planning process which will focus on the overall direction, determine what needs to be accomplished, how much it will cost, and how the necessary resources will be generated. Once the Annual Budget is adopted, its an essential financial management tool for monitoring ongoing organizational activities and expenses compared to the actual performance throughout the calendar year.

### **Cost Allocations**

HOPE 4 Youth will adopt a cost allocation plan each year which satisfies the requirements of all grants for that year and complies with the Form 990 filing requirements. This cost allocation plan will need to be modified any time a new program is started or upon the receipt of a new grant and will be reviewed on an annual basis.

### **Debt Obligations**

Board approval is required for incurring any debt other than operating trade payables and budgeted payroll payables. The Executive Director will be authorized by the Board of Directors to negotiate loan agreements. The Executive Director and Board Chair or Treasurer will sign any debt agreements after receiving full Board approval. The Financial Controller will periodically review any loan covenants and report to the Executive Director if there are any violations or potential violations of the covenants.



### **Reserves and Designated Funds**

The purpose of a reserve and designated fund is to maintain an adequate level of unrestricted net assets to support any unforeseen cash shortfalls during day-to-day operations. With approval of the Board of Directors, the reserve may also be used for opportunities that may arise during the year for one time, non-budgeted/nonrecurring expenditures which will build long-term capacity or further the mission of HOPE 4 Youth. The reserve fund is a designated fund which is set aside by action of the Board of Directors. The target level of the reserve fund will be to maintain 3 to 6 months annual operating expenses and the balance will be evaluated annually by staff and can be adjusted by the Board of Directors in response to internal and external changes. The reserve fund will be recorded in the financial statements as "Board Designated Operating Reserve" and be funded and maintained in a segregated bank account. Please refer to **HOPE 4 Youth's Reserve Policy** for detailed information.

### **Internal Controls and Financial Audit**

Internal controls pertaining to the accounting records are established by the Executive Director in consultation with the Finance and Data Specialist, and the Financial Controller. The Finance Committee approves the public accounting firm upon the Executive Directors' recommendation who will perform the required year-end financial audit. The financial audit report is presented to the Executive Committee followed by the full Board of Directors who has the authority to approve the audit.

Whenever there is a change in administrative personnel or a change in the operating structure of the organization, the Executive Director and Financial Controller will meet to ensure the internal control system continues to meet the needs of HOPE 4 Youth and, if appropriate, the implement changes to be reflected in this financial policy manual.

To continue receiving government grants and restricted donations, HOPE 4 Youth will maintain systems to ensure compliance with the requirements and restrictions imposed by those grants and donations. The Financial Controller is designated as the compliance officer who will be responsible for overseeing the compliance with all applicable grant restrictions and conduct a former financial review on a monthly basis to ensure requirements and restrictions are met through the month-end process.

The Executive Director and/or Director of Advancement will be responsible for communicating the nature of all donor restrictions to the Development-team, the Finance and Data Specialist, and the Financial Controller. This information will be used to ensure that the General Ledger restricted donations account will reflect the restricted donations and the spending of those restricted amounts, as appropriate.

HOPE 4 Youth will maintain a record of all restricted donations in a separate database with the ability to generate periodic reports of the year's cumulative restricted funds. When a restriction has been satisfied, it will be noted in the database. As appropriate, the Executive Director or the Director of Advancement will be responsible for communicating the satisfaction of the restriction to the donor.





### **Cash Receipts**

Designated staff will receive and open the mail in the presence of another employee to maintain dual control over receipts, please refer to the Mail Process under Procurement. The Administrative Coordinator will restrictively endorse all checks when received. The bank deposit will be made at least weekly by the Finance and Data Specialist. If the Finance and Data Specialist is unavailable to prepare and drop off bank deposits, the Finance Controller or Executive Director will be designated as backup.

A copy of all checks will be scanned and filed on the server. The donation entries will be entered to accurately reflect any restrictions requested by the donor. The deposit is first entered into Giveeffect (donor database), and a total batch report is then created. The Finance and Data Specialist will then enter deposit(s) related to donations into the accounting system and create a Cash Receipt Log to ensure the accounting system and donor database are in balance. Any cash, check or gift card donations received will be counted by the Administrative Coordinator and an employee to adhere to dual control, then will be placed in the safe until a weekly deposit is made.

HOPE 4 Youth allows constituents to contribute by way of credit card payments which are processed by an online payment system. The website for both HOPE 4 Youth and the system will include options for the donor to reflect any restrictions on the gift. The Finance and Data Specialist will then record the previous month of transactions in the accounting system.

The bank statements are given to the Finance and Data Specialist who then reconciles them within the accounting system. The Financial Controller reviews the bank statements found on the Finance Drive and confirms the reconciliation verifying there are no unusual items or changes found to acknowledge compliance with HOPE 4 Youth's stated policies.

### **Computer Authorization and Backup**

The accounting computer software will have access controlled by password(s). The Finance and Data Specialist and Financial Controller will be given the system password. The Executive Director will have access to reporting along with any staff that the Executive Director deems necessary.

HOPE 4 Youth computers deployed to staff will be backed up by a third-party vendor with the exception of any information saved outside of the network. Per the Employee Handbook, all staff are asked to save information and work on their personal drive housed in the network.

### **Grants and Contracts**

Grant and contract billings will be timely prepared and filed. Adequate documentation will be maintained to support all billings. Completed grant and contract files will be electronically maintained. Grant and contract files will contain at least the following documents:



- Signed copy of contract
- Application and budget
- Correspondence
- Periodic billings
- Documentation supporting the billings

For billings based on a reimbursement of expenses, a copy of the program expenses and any reconciliation to the billing will be electronically maintained. The Finance and Data Specialist and the Executive Director will approve billings prior to issuance.

### **Credit and Debit Cards**

For operational effectiveness select staff may be provided with an organizational credit card to pay organizational expenses. Credit cards are to be used for organization expenses only.

In no circumstances should an organizational credit card be used for personal use. If a card is mistakenly used for a personal expense, the organization must be reimbursed within the billing cycle. The maximum purchase amount without prior approval by the Executive Director, the Director of Programs, and the Director of Advancement is \$500.

Original receipts or invoices for each expense must be provided, along with the correct general ledger or department coding. The credit card or bank statement will be given to the supervisor or designated position for review and approval monthly. Prior to approval, the supervisor will review and ensure the \$500 maximum purchase amount was honored or pre-approved, along with confirming all information is correct before submitting to the Finance and Data Specialist. The expenses are then recorded in the accounting system by the Finance and Data Specialist, and the credit card company is paid by due date according to accounts payable procedures.

Credit card management of purchases, to include receipts or invoices, along with the Credit Card Expense Summary is the sole responsibility of each staff member to manage ongoing throughout each month. At the end of each month, it is the staff member's responsibility to submit the completed Credit Card Expense Summary, with receipts or invoices for each charge on the monthly statement, along with the monthly statement to their supervisor for approval and then submitted to the Data and Finance Specialist to be paid in a timely manner. At no time should the completed Credit Card Expense Summary be submitted to a supervisor for approval without receipts or invoices to support each purchase. If receipts are missing, the ability to have a company credit card will be evaluated and possibly revoked.

Credit card distribution will be approved by the preset thresholds already established per position by the Executive Director.



### **Mileage Expense Reimbursement**

HOPE 4 Youth will reimburse employees for the use of their personal vehicle used for business purposes and operations. Reimbursement will be at the effective date and rate published by the Internal Revenue Service. Mileage reimbursement is meant to cover only those miles incurred above and beyond the employee's normal commute to their place of business. For example, if the normal commuting round trip is twenty miles, and the employee goes on a trip that covers fifty miles, only the incremental thirty miles are reimbursable. Board members or volunteers are not eligible for reimbursement.

Reimbursement requests should be reflected on the Employee Expense Report and should indicate the points of travel and the miles eligible for reimbursement should be calculated. The Employee Expense Report requests should be sent to the staff supervisor for approval and must be turned in within 30 days of the last day of the month for which reimbursement is requested or no reimbursement will be made. Please note that all reimbursement requests must be signed and dated by the employee, along with the supervisor, indicating approval when being submitted other than via email.

### **Travel and Meals Expense Reimbursement**

HOPE 4 Youth will reimburse employees for reasonable business travel expenses incurred while on assignments away from normal work locations in accordance with guidelines as issued by HOPE 4 Youth. In all cases travel expenses should be arranged in the most cost-effective way possible to include items such as airline tickets, rental vehicles, and lodging. When traveling, actual reasonable expenses for meals will be reimbursed to include gratuities. Other than when traveling, meal expenses may occur on a limited basis. Supervisory approval is required for all meal expenses and must meet specific business purpose requirements. Employees must obtain advanced approval before incurring any business travel expenses. Please note that all reimbursement requests must be signed and dated by the employee, along with the supervisor, indicating approval when being submitted other than via email.

### **Access to Records and Record Retention**

The records of HOPE 4 Youth are generally open to public inspection due to IRS rules, open records, laws, and the spirit of public service. However, certain information is not open to public examination and may only be released with the permission of the Executive Director. Questions in this area are to be resolved by the Executive Director. If the answer to a request is unclear, the Executive Director may contact HOPE 4 Youth's attorney for a consultation. Record retention is governed by various rules, statutes of limitations and common sense. Certain documents must be retained permanently, while other documents are deemed not useful after the required retention time.

It is the intent of HOPE 4 Youth to be a paperless organization where all documents are to be housed on the server. All paper documentation currently housed and stored within our buildings will be positioned to adhere to the intent of HOPE 4 Youth to be a paperless organization. Please refer to **HOPE 4 Youth's Document Management Policy** for detailed information.