Financial Policies and Procedures

Manual

Table of Contents

Introduction

The purpose of this manual is to set policies & procedures that are consistent with the mission of the MCCOY. Also, the purpose of this manual is to set sound financial guidelines that promote prudent fiscal management; and to abide by Generally Accepted Accounting Principles (GAAP) and the legal requirement governing Nonprofit Organization.

Manual Protocol

1) MCCOY management will review the financial practices annually. Any recommended revisions will be presented to the Finance Committee of the Board of Directors.

2) The Finance Committee will review and recommend financial policies and procedures changes to the Board of Directors which will review and approve all changes to financial policies and procedures.

Accounting Guidelines and Internal Controls

To ensure that record keeping is in accordance with Generally Accepted Accounting Principles (GAAP) and appropriate internal controls are maintained. The following procedures need to be followed:

1) Standard accounting procedures, in accordance with GAAP, will be utilized for all financial functions.

2) Accounting will be done on the accrual basis.

3) The Chart of Accounts will be utilized, reviewed annually and updated as required.

4) Management and the Finance Committee will review financial statements monthly.

5) To ensure optimal internal controls, MCCOY will separate functional responsibilities as recommended by GAAP, to the extent possible based on staffing resources.

6) The Executive Assistant in coordination with MCCOY's external bookkeeper will maintain financial records in accordance with the record retention policy or as determined by Federal, State or local law.

7) All Accounts Payable records will be stored electronically by fiscal year and alphabetized by vendor.

8) All Accounts Receivable and Payroll records will be stored electronically by fiscal year.

Annual Audit

It is the policy of MCCOY to arrange for an annual audit of the Organization's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by MCCOY will be required to communicate directly with the MCCOY's Finance Committee upon the completion of their audit. In addition, members of the Finance Committee are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm at the Organization's Annual Meeting, after the financial statements have been reviewed and approved by the Audit Committee.

Annual audits should be conducted annually to ensure accuracy in accounting functions and to facilitate positive audit results.

1) The designee appointed by the President or the Finance Committee would conduct the internal audits of accounts receivable, payroll, and accounts payables semiannually.

2) The designee conducting the audit will prepare an audit report and submit the report to the President and/or the Finance Committee for review.

3) The President will retain the records regarding the results of all internal audits and report inconsistencies or problems to Finance Committee as appropriate.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Organization's year-end. By performing significant portions of audit work as of an interim date, the work required after year-end is reduced. Throughout the audit process, it shall be the policy of MCCOY to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

Annual Budget

The following guidelines represent basic budgeting steps:

1) The President will present an annual budget to the Finance Committee not later than one month before the final Board meeting of the current fiscal year. Once approved by the Finance Committee, the budget will be presented to Board of Directors for review and approval. The Budget must be presented for approval to the Board of Directors during its December meeting.

2) The budget will be developed based on historical as well as projected costs for each program, reflecting budgets included in any restricted grants.

3) In the event that MCCOY desires to alter, add or expand programs, a budget amendment may be proposed. The Finance Committee will recommend to the Board of Directors any revisions to the budget.

Financial Statements

Standard Financial Statements

The basic financial statements of MCCOY shall include:

1. **Statement of Financial Position (Balance Sheet)** - reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or noncurrent/long-term
2. **Statement of Activities (Income Statement)** - presents support, revenues, expenses, and other changes in net assets of the organization, by category of net asset (unrestricted, temporarily restricted and permanently restricted)
3. **Statement of Deferred Revenue** – presents the deferred revenue items by grant including details of released revenue by month

Frequency of Preparation

A standard set of financial statements described in the preceding section shall be produced on monthly basis, by the 15th of each month. The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received by the 155th of the month. All financial statements and supporting schedules shall be reviewed and approved by the President.

After approval by the President, a complete set of financial statements shall be prepared and distributed to the Treasurer and Finance Committee members.

Anti-Lobbying Certification

MCCOY asserts that no federal funds have been or will be spent on lobbying activities in connection with any project where the funder forbids such activity, including federally funded projects. MCCOY agrees to make a disclosure as required by 2 CFR 200.450 if funds other than funds received under this agreement are spent or committed for lobbying activities.

Insurance Coverage

Annually insurance coverage needs to be reviewed to ensure that MCCOY maintains adequate property, liability and employee insurance.

1) The President and the insurance broker shall review the insurance policy limits on property and contents based on current value and new capital purchases upon policy renewal.

2) The President will report to the insurance broker any purchase of equipment or property which could surpass the limits of current insurance coverage.

3) The President will review Director and Officer insurance and general liability insurance coverage a minimum of one time per year.

4) The President will prepare a status report on all insurance coverage levels and premium expenses a minimum of one time per year. This information will be presented to the Finance Committee of the Board of Directors.

5) The President will work insurance claims agent on Workmen's Comp claim rates and classification of employees.

Security

Access to Electronically Stored Accounting Data

It is the policy of MCCOY to utilize passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis, no less frequently than quarterly. Administration of passwords shall be performed by a responsible individual independent of programming functions.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties.

Record Retention

It is the policy of MCCOY to retain records as required by law and to destroy them when appropriate. The destruction of records must be approved by the President.

Cash Receipts and Revenue Processing

Processing of Checks and Cash Received in the Mail

For funds that are received directly, cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis. Mail is opened and a listing of cash/checks received shall be prepared by the Executive Assistant for all contributions. The Executive Assistant will enter any donor information into the fundraising software. A deposit slip is prepared by the Executive Assistant from the cash/checks received. Deposits are prepared and taken to the bank by the Executive Assistant. All deposit information is forwarded to MCCOY's bookkeeper to enter into the accounting system.

Endorsement of Checks

It is the policy of MCCOY that all checks received that are payable to the Organization shall immediately be restrictively endorsed. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only
2. MCCOY
3. The bank name
4. The bank account number of MCCOY

Timeliness of Bank Deposits

It is the policy of MCCOY that bank deposits will be made at least one time each week, unless the total amount received for deposit is more than $5,000 which must then be deposited within 24 hours of receipt. In no event shall deposits be made less frequently than weekly.

Bank Reconciliation

The President looks at the bank statements and reconciliation statement each month after it's prepared by the bookkeeper.

Cash Disbursements and Accounts Payable

Nonprofit Organization processes the following three types of disbursements:

1) Repetitive (e.g. utilities)

2) Purchase orders | Invoices

3) Check requests

Use of Check Requests

All checks require an actual signature of the President.

The policy and procedures for processing invoices and accounts payables is as follows:

1) When invoices are received, by mail or electronically, the invoices are placed in the electronic accounting folder to be forwarded weekly to MCCOY's bookkeeper.

2) The Executive Assistant adds invoices to the electronic folder including information about the Class/project and expense line item.

3) Whenever possible, MCCOY will pay invoices within the specified deadlines required to take advantage of payment discounts.

4) The bookkeeper will prepare payments weekly or as needed. At no time will checks be drawn to "cash" or "bearer."

5) Payments will not be made unless proper documentation is secured (i.e., invoices, receipts and purchase orders.)

6) The bookkeeper forwards the spreadsheet of accounts payable items to the President for approval and signature.

Travel Expense Reimbursement

The items listed below set forth the acceptable expenditure guidelines as well as reimbursement procedures for business travel and travel related expenses:

1) A travel expense report form must be used to document all travel and travel related expenses. Such expenses may include, but are not limited, to mileage, parking, tolls and meals. The form will also serve as a request for reimbursement.

2) Receipts must be attached to the expense report.

3) The expense report must contain the following information: date, location visited, mileage, purpose of the travel and the cost of any other travel-related expenses.

4) The program benefiting from the travel must be indicated. If the costs pertain to more than one program, the total for each program must be indicated.

5) When attending conferences requiring overnight travel, the per diem meals allowance must be adhered to. Any expense report containing meal expenses greater than this must be approved by the President.

6) Generally, mileage to and from the work site will NOT be reimbursed. Trips to work in excess of five round trips per week are reimbursed if the travel is due to a specific work related need.

7) Mileage in excess of normal commuting miles due to employer-directed conferences or special meetings may be submitted may be submitted for reimbursement.

8) Questions about unusual or unique travel should be directed to the immediate supervisor

9) The rate of mileage reimbursement will be at standard IRS reimbursement rate per mile. The Executive Assistant will verify the rate annually.

Payroll and Human Resources

Classification of Workers as Independent Contractors or Employees

It is the policy of MCCOY to consider all relevant facts and circumstances regarding the relationship between MCCOY and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between MCCOY and the individual.

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on a cash basis, is $600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from "compensation" are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

If an individual qualifies as an employee, a personnel file will be created for that individual and all documentation required by the MCCOY's personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

Payroll Administration

MCCOY operates on a semi-monthly payroll. A personnel file is established and maintained with current documentation, as described throughout this section and more fully described in MCCOY's Employee Handbook.

The following forms, documents and information shall be obtained and included in the personnel files which are kept by MCCOY's payroll administrator for all new employees:

1. Form W-4 Employee Federal Withholding Certificate
2. State Withholding Certificate
3. Form I-9 Employment Eligibility Verification
4. Copy of driver's license
5. Copy of Social Security card issued by the Social Security Administration
6. Starting date and scheduled hours
7. Job title and starting salary
8. Authorization for direct deposit of paycheck, with a voided check or deposit slip

For employees without a current, valid driver's license, acceptable alternative documents shall include:

1. U.S. Passport
2. Certificate of U.S. Citizenship (INS Form N-560 or N-561)
3. Voter's registration card
4. U.S. Military card
5. ID card issued by a federal, state or local government, provided it contains a photo
6. School record or report card (for persons under age 18 only)

For employees without a Social Security card, acceptable alternative documents shall include:

1. U.S. Passport
2. Certificate of U.S. Citizenship (INS Form N-560 or N-561)
3. Original or certified copy of a birth certificate issued by a state, county or municipal authority
4. Certificate of Birth Abroad issued by the Department of State (Form FS-545 or Form DS-1350)
5. U.S. Citizen ID Card (INS Form I-197)
6. Native American tribal document
7. ID Card for use of Resident Citizen in the United States (INS Form I-179)

Each employee payroll file shall also indicate whether the employee is exempt or nonexempt from the provisions of the Fair Labor Standards Act. New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the President. The President's payroll changes are determined by the board of directors. Voluntary payroll deductions and changes in income tax withholding status shall be authorized by the individual employee. Documentation of all changes in payroll data shall be maintained by MCCOY's payroll administrator.

Payroll Taxes

The payroll administrator is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid.

Net Asset Classifications

All income received by MCCOY is classified as "unrestricted", with the exception of the following:

1. Grants and other awards received from government agencies or other grantors, which are classified as temporarily restricted
2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes

From time to time, MCCOY may raise other forms of contribution income which carry stipulations that MCCOY utilize the funds for a specific purpose or within a specified time period identified by the donor of the funds. When this form of contribution income is received, MCCOY shall classify this income as Temporarily Restricted income.

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), the Temporarily Restricted net assets are reduced to zero as assets are released from restriction.

Notes Payable

It is the policy of MCCOY to maintain a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral, if any
6. Interest rate
7. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position. Demand notes and any other notes without established repayment dates shall always be classified as current liabilities. Unpaid interest expense shall be accrued as a liability at the end of each accounting period.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

Board Conflict of Interest Policy

Objective
Effective non-profit governance depends on deliberate, thoughtful, and fair decision making by Board members. The ability to make good decisions is sometimes affected by other interests - personal or professional - of individual Board and committee members. One

cannot eliminate conflicts of interest - they are a regular part of organizational and personal life. The objective of this policy is to permit MCCOY to manage potential conflicts of interest successfully.

Definition

A conflict of interest arises when a person able to influence a decision, whether by official vote or moral and/or intellectual persuasion, is liable to gain

- Some personal advantage from the outcome of the decision in which they are involved, and/or some advantage for an organization with which the individual is directly involved.
- A conflict of interest also arises when as individual Board or committee members outside duties, interests or obligations may or do differ fundamentally from his/her obligations as a member of the Board, a committee or working group of MCCOY.

Policy

1. No Board or committee member shall use his or her position, or the knowledge gained there from, in such a manner that a conflict between the interest of MCCOY or any of its affiliates and his or her interests arises, but is not disclosed.

2. When functioning as a MCCOY Board or committee member, each person has a duty to place the interest of MCCOY foremost in any dealings with MCCOY and has a continuing responsibility to comply with the requirements of this policy.

3. Board and committee members are not eligible for employment or service contracts with MCCOY or its affiliates during their tenure. If a Board or committee member wishes to apply for a permanent position at MCCOY, he/she must immediately withdraw from active participation on the Board or committee. If the Board or committee member is the successful candidate, he/she must resign from the Board or committee upon accepting the position.

4. Any Board or committee member who becomes aware of a potential conflict of interest with respect to any matter coming before the Board, committee, or working group shall make this potential conflict known immediately in any discussion relating to the matter.

5. Decisions taken by the Board, committees or working groups, regarding the management of a conflict of interest, must not only be fair, they must be seen to be fair.

Procedure

Annually, each member of the Board must complete a Conflict of Interest form. If during the year, a new actual, perceived, or potential conflict is identified by any person, the following action must be taken:

1. The Board or committee member identifies the actual, perceived or potential conflict;
2. The Board or committee member must fully disclose the conflict to the Chairperson and, where appropriate, to all Board or committee members;

3. The Chairperson shall develop an appropriate response, including where necessary, disqualification from voting and discussion and any necessary remedial action. For example, if a vote may have been affected by a previously undeclared conflict of interest, it may be necessary to hold that vote again.
4. Where a potential conflict of interest is identified, the following options may be considered and combined as appropriate:
   - The Board or committee member with the conflict should not be involved in any aspect of the decision making process.
   - He or she may be present and/or participate in discussions but refrain from voting.
   - He or she will absent him or herself from any discussions in connection with the matter in question.
   - He or she may participate in initial discussions and then be asked to leave for further discussions before the vote.
   - He or she may vote or be present for the vote, but the vote will be done by confidential ballot
   - He or she may participate fully.

   The Board, committee or working group must agree in majority on the option or combination of options to be taken in any given conflict of interest situation.

5. Any Board or committee member may ask for a decision to be taken by secret ballot when dealing with a matter where there is a conflict of interest.
6. The official minutes of the meeting must record the potential conflict of interest and how it was avoided and/or dealt with.
7. When there is a failure to agree on whether a conflict of interest exists and/or how it is to be managed, the Chairperson (or if the potential conflict of interest involves him or her, the vice-chairperson) may seek legal counsel.

Common Sense Provision

The application of any part of this policy shall rely heavily on the common sense of the group as a whole. Conflict of interest circumstances vary and the judgment and flexibility of the Board, committee, or working group must be preserved.