



FAIR WORLD BUILDERS

ACCOUNTING POLICIES AND PROCEDURES

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I. Introduction

The purpose of this document is to describe all accounting policies and procedures currently in use at Fair World Builders (FWB) and to ensure that the financial statements conform to generally accepted accounting principles; assets are safeguarded; guidelines of grantors and donors are complied with; and finances are managed with accuracy, efficiency, and transparency.

All FWB's staff with a role in the management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual. These policies will be reviewed annually and revised as needed by the staff and approved by the Chief Executive Officer and Finance Committee of the Board of Directors.

II. Division of Responsibilities

The following is a list of personnel who have fiscal and accounting responsibilities:

Board of Directors

1. Reviews and approves the annual budget
2. Reviews annual and periodic financial statements and information
3. Reviews Executive Director's performance annually and establishes the salary
4. Two members of the board will be appointed by the board to be authorized signers on the bank accounts
5. Reviews and approves all contracts over 10 000.00 USD
6. Reviews and advises staff on internal controls and accounting policies and procedures
7. Determines whether the organization should have an audit and, if so, chooses and contracts with the auditor

Chief Executive Officer

1. Reviews and approves all financial reports including cash flow projections
2. Sees that an appropriate budget is developed annually
3. Reviews and signs all issued checks and/or approves check signing procedures
4. Reviews and approves all contracts under \$5,000.00 US
5. Reviews and approves all grant submissions
6. Approves inter-account bank transfers
7. Is on-site signatory for all bank accounts
8. Opens all bank statements, reviews for any irregularities, and reviews completed monthly bank reconciliations
9. Oversees the adherence to all internal controls

Finance and Accounting Officer

1. Approves all program expenditures
2. Monitors program budgets
3. Reviews all payrolls and is responsible for all personnel files
4. Reviews and manages cash flow
5. Reviews and approves all reimbursements and fund requests
6. Processes all inter-account bank transfers
7. Assists CEO with the development of annual and program budgets

8. Reviews all incoming and outgoing invoices
9. Manages the petty cash fund
10. Receives and opens all incoming accounting department mail except bank statements
11. Monitors and manages all expenses to ensure most effective use of assets
12. Monitors grant reporting and appropriate release of temporarily restricted funds
13. Oversees expense allocations
14. Monitors and makes recommendations for asset retirement and replacement
15. Reviews, revises, and maintains internal accounting controls and procedures
16. Initiates donor thank you letter acknowledgements
17. Reviews all financial reports
18. Overall responsibility for data entry into accounting system and integrity of accounting system data.
19. Processes invoices and prepares checks for signature
20. Makes bank deposits
21. Processes payroll
22. Maintains general ledger
23. Prepares monthly and year-end financial reports
24. Reconciles all bank accounts
25. Mails vendor checks
26. Manages Accounts Receivable

III. Chart of Accounts and General Ledger

Fair World Builders (FWB) has designated a Chart of Accounts specific to its operational needs and the needs of its financial statements. The Chart of Accounts is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification (program vs. fundraising vs. administration). The Finance and Accounting Officer is responsible for maintaining the Chart of Accounts and revising as necessary. The Chart of Accounts is attached to this manual as an addendum.

The general ledger is automated and maintained using our accounting software. All input and balancing is the responsibility of the Financial and Accounting Officer. The FAO should review the general ledger on a periodic basis for any unusual transactions.

IV. Cash Receipts

Cash receipts generally arise from:

1. Contracts and Grants
2. Direct donor contributions
3. Fundraising activities

The principal steps in the cash receipts process are:

The Receptionist receives incoming mail and forwards it unopened to the Finance and Accounting Officer. The Finance and Accounting Officer opens, date stamps, and distributes the mail. The Finance and Accounting Officer enters all checks into a log, stamps all checks “for deposit only,” and makes two (2) copies of each check. The checks are kept in a locked cabinet until put in the bookkeeping file for processing and deposit.

Biweekly, the Finance and Accounting Officer submits the following to the file for processing: the endorsed checks, the deposit log book, and the correct account allocation for each deposit. The Finance and Accounting Officer processes the deposit and takes it to the bank for deposit. A copy of the deposit slip is attached to the deposit. The deposits are put in a file to attach to the bank statement. The deposit log book is returned to the Office.

All cash received will be counted, verified, and signed off by the Finance and Accounting Officer and another available staff member. The cash will immediately be posted using the appropriate allocation. A receipt will be given to the paying party and a copy kept for internal purposes. The cash will be kept in a locked, secure location and deposited within 24 business hours.

V. Inter-Account Bank Transfers

The Finance and Accounting Officer monitors the balances in the bank accounts to determine when there is a shortage or excess in the checking account. The Finance and Accounting Officer recommends to the CEO when a transfer should be made to maximize the potential for earning interest. The record is directed in writing when to make a transfer and in what amount. A copy of the transfer is given to the Finance and Accounting Officer.

VI. Cash Disbursements & Expense Allocations

Cash disbursements are generally made for:

1. Payments to suppliers for goods and services
2. Taxes/license fees
3. Staff training and development
4. Memberships and subscriptions
5. Meeting expenses
6. Employee reimbursements
7. Marketing/promotional materials

Checks are processed weekly. Invoices submitted to the Finance and Accounting Officer by Wednesday will be processed and paid by Friday of the same week. Checks can be prepared manually within one day, but this should be limited to emergency situations.

Requests for cash disbursements are submitted to Accounting in three ways:

1. Original invoice
2. Purchase request (submitted on approved form) or REI form
3. Employee expense report or reimbursement request

All invoices must have the account code written on them and approved by the President prior to being submitted to accounting.

Every employee reimbursement or purchase request must be documented on the approved form with travel authorization, receipts, nature of business, program allocation, and funding source (if applicable) before approving for reimbursement as follows:

Lodging - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose.

Meals and Entertainment - a receipt must be provided showing the cost of food, beverage, and gratuities, including the names of every person for whom food or beverage was provided, and the specific business purpose.

Other Expenditures - a receipt from the vendor detailing all goods or services purchased (including the class of service for transportation) and the specific business purpose.

The Finance and Accounting Officer reviews all requests for payment and:

1. Verifies expenditure and amount

2. Approves for payment if in accordance with budget
3. Provides or verifies appropriate allocation information
4. Provides date of payment taking into account cash flow projections
5. Record to the bookkeeping file for processing

The Finance and Accounting Officer processes all payments and:

1. Immediately enters them into the Accounts Payable module
2. Prints checks according to allocation and payment date provided by the Finance and Accounting Officer
3. Submits checks, with attached backup documentation, to CEO for approval and signature. All checks in excess of \$5,000.00 US require a second signature from an authorized board or staff member; checks in excess of \$10,000.00 US must be authorized by the President of the Board of Directors
4. Stamps invoice “paid”
5. Mails checks and appropriate backup documentation
6. Files all backup documentation in the appropriate file
7. Runs an accounts payable aging at the middle and end of each month and submits to the Finance and Accounting Officer to assure timely payment of all invoices

Expense Allocations

Most non-salary expenses that benefit more than one cost center (administration, fundraising, and program) are spread across centers using a shared cost method. Under this method, the number of full-time equivalents (FTEs) within a department is divided by the total number of FTEs at the organization to determine the percentage of shared costs they should bear. This is done monthly by the Finance and Accounting Officer. Occupancy expenses may be split between departments based on the percentage of square footage that is used by each department.

VII. Credit Card Policy and Charges

All staff members who are authorized to carry an organization credit card will be held personally responsible in the event that any charge is deemed personal or unauthorized. Unauthorized use of the credit card includes: personal expenditures of any kind; expenditures which have not been properly authorized; meals, entertainment, gifts, or other expenditures which are prohibited by budgets, laws, and regulations, and the entities from which Fair World Builders receives funds.

The receipts for all credit card charges will be given to the Finance and Accounting Officer within two (2) weeks of the purchase along with proper documentation. The Finance and Accounting Officer will verify all credit card charges with the monthly statements. A record of all charges will be put to a file with applicable allocation information for posting. A copy of all charges will be attached to the monthly credit card statement when submitted to the CEO for approval and signing.

VIII. Accruals

To ensure a timely close of the General Ledger, Fair World Builders may book accrual entries. Some accruals will be made as recurring entries. Accruals to consider:

1. Monthly interest earned on money market accounts, certificates of deposits, etc.
2. Recurring expenses, including employee vacation accrual, prepaid corporate insurance, depreciation.

IX. Bank Account Reconciliations

1. All bank statements are given unopened to the Chief Executive Officer. The Executive Director reviews the statements for unusual balances and/or transactions.
2. The Chief Executive Officer gives the statements to the Finance and Accounting Officer for timely reconciliation as follows: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of inter-account transfers, an investigation of any rejected items, a comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.
3. The Finance and Accounting Officer will verify that voided checks, if returned, are appropriately defaced and filed.
4. The Finance and Accounting Officer will investigate any checks that are outstanding over six months.
5. The Finance and Accounting Officer will attach the completed bank reconciliation to the applicable bank statement, along with all documentation.
6. The reconciliation report will be reviewed, approved, dated, and initialed by the Executive Director.

X. Petty Cash Fund

Petty cash funds are maintained by the organization. The funds are to be used for miscellaneous or unexpected purchases and the same approval procedures apply as mentioned in the cash disbursement section.

1. The petty cash fund will not exceed \$200 US and is kept in a locked file cabinet at all times.
2. The Finance and Accounting Officer oversees the petty cash fund.
3. All disbursements made from petty cash are acknowledged in writing by the receiving party.
4. All money returned to the petty cash fund is counted and verified by the Finance and Accounting Officer and another staff member. Receipts for items purchased with petty cash must be included with the return and should include appropriate account allocations as well as supervisor approval.
5. The Finance and Accounting Officer will periodically count the cash in the petty cash fund.
6. No checks will be cashed by the petty cash fund.

XI. Property and Equipment

Property and equipment includes items such as:

1. Office furniture and equipment
2. Computer hardware
3. Computer software
4. Leasehold improvements

It is the organization's policy to capitalize all items which have a unit cost greater than one thousand dollars \$1,000.00. Items purchased with a value or cost less than one thousand dollars \$1,000.00 will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

Computer Hardware	36 months
Office Equipment	60 months
Office Furniture	60 months
Computer Software	36 months
Leasehold improvements	Length of lease

1. A Fixed Asset Log is maintained by the Finance and Accounting Officer including date of purchase, asset description, purchase/donation information, cost/fair market value, donor/funding source, identification number, life of asset.
2. The Log will be reviewed by the Finance and Accounting Officer.
3. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
4. The Finance and Accounting Officer shall be informed in writing of any change in status or condition of any property or equipment.
5. Depreciation is recorded at least annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

XII. Personnel Records

1. All personnel files contain the following documents: an application and/or resume date of employment, position and pay rate, authorization of payroll deductions, termination data where applicable, a signed confidentiality agreement, a signed acknowledgement of receipt of Employee Handbook, an emergency contact form, and other forms as deemed appropriate by the Finance and Accounting Officer.
2. All employees will fill out an EEF-1 form and submit the allowable forms of identification to the Finance and Accounting Officer.
3. The completed EEF forms will be kept in a secure location separate from the personnel files.
4. All personnel files are to be kept in a secure, locked file cabinet and accessed only by authorized personnel.

XIII. Payroll Processing

1. Timesheets are to be prepared by all staff on the approved form and submitted semi-monthly on the 12 of the months. If the 12 of the months fall on a weekend or holiday, the timesheets are to be submitted the day prior to the weekend or holiday. Exceptions to the submittal date may occur and will be communicated accordingly.
2. Timesheets are to be kept on a daily basis and completed in ink – unless prepared electronically.
3. Any corrections to timesheets are to be made by making a single line through the error and writing in the correction. Correction fluid and/or tape are not allowable.
4. Timesheets are to be signed and dated by the employee and the employee's supervisor for submission to the Finance and Accounting Officer.
5. Any changes to the standing information of the payroll register from the prior period including addition of new employees, deletion of employees, or changes in base pay rate must be accompanied by an Employment Information Form and signed by the Chief Executive Officer before the change can be made.
6. The Finance and Accounting Officer will process payroll in a timely manner and record vacation time, holiday hours, sick time, and any other information deemed necessary to properly reflect time worked.
7. Paychecks will be distributed by the Finance and Accounting Officer on the 15 of each month. If the 15 falls on a weekend or holiday the paychecks will be distributed the day before.
8. If the employee requests that his/her check be turned over to a third party, the request must be made in writing prior to distribution.
9. Employees may choose direct deposit to a designated bank account. Their paycheck is deposited directly into the designated account on the payroll date. The employee will receive a verification stub.
10. The Finance and Accounting Officer will review payroll expenditures and allocations monthly.

XIV. End of Month and Fiscal Year-End Close

1. The Finance and Accounting Officer will review and sign off on all month- and year-end journal entries. They will be printed and filed for audit trail purposes.
2. At the end of each month and fiscal year end, the Finance and Accounting Officer will review all balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations, fixed assets accounts reflect all purchases, write-downs and retirements, accounts receivable and payable accounts match outstanding amounts due and owed.
3. The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match the payroll reports.
4. Once the final monthly and fiscal year-end financial statements are run, reviewed, and approved by the Finance and Accounting Officer and Chief Executive Officer, no more entries or adjustments will be made into that month or year's ledgers.

XV. Financial Reports

The Finance and Accounting Officer will prepare the monthly and annual financial reports for distribution to the Finance and Accounting Officer. The reports will include: balance sheet, statement of income and expenses, budget versus actual report for each program which has an established budget, a budget versus actual report for the organization, accounts receivable aging, accounts payable register and aging, cash flow projection, and any other requested reports.

Periodic and annual financial reports will be submitted to the Board of Directors for review and approval.

XVI. Fiscal Policy Statements

1. All cash accounts (except petty cash) owned by Fair World Builders will be held in financial institutions which are insured by the DGI.
2. All capital expenditures which exceed one thousand dollars \$1,000.00 US will be capitalized.
3. Employee or public personal checks will not be cashed through the petty cash fund.
4. No salary advances will be made under any circumstances.
5. No travel cash advances will be made except under special conditions and pre-approved by the Chief Executive Officer.
6. Reimbursements will be paid upon complete expense reporting and approval using the official Fair World Builders form. Reimbursements to the Chief Executive Officer will be authorized by the Board Chair.
7. Any donated item with a value exceeding \$1 000.00 US will be recorded and a letter acknowledging the donation will be sent to the donor within two weeks of the receipt of the donation.
8. All volunteer time shall be recorded as in-kind donations.
9. The Chief Executive Officer and one designated Board and staff member are the signatories on Fair World Builders' bank accounts. Disbursements exceeding \$5,000.00 US require a second signature by an authorized board or staff member. Checks over \$10,000 USD require approval from the Board of Directors.
10. Bank statements will be reconciled monthly. All bank statements will be given unopened to the Chief Executive Officer for review.
11. Correction fluid and/or tape will never be used in preparing timesheets or any accounting documents.
12. Accounting and personnel records will be kept in locked file cabinets in the finance office and only parties with financial and/or HR responsibility will have access to the keys.