**FINANCIAL MANAGEMENT POLICIES AND PROCEDURES**

The purpose of these policies is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of ABC and managing ABC’s funds.

1. **FINANCIAL RESPONSIBILITIES**

It is the responsibility of the Board of Directors to adopt financial policies and review operations and activities on a periodic basis.  The Board delegates oversight responsibility to the Treasurer of the Board and the Finance Committee of which the Treasurer is the Chair. The Treasurer and Finance Committee may delegate these responsibilities to the CEO. The CEO, in turn, may delegate implementation of these Policies and Procedures to the Chief Financial Officer (CFO) and other ABC staff.

 Financial oversight and implementation responsibilities include:

* Annual budget presentation
* Management of the Endowment and other fund investments
* Selection of the outside auditors and providing the auditors with required information and records
* Approving revenue and expenditure objectives in accordance with Board approved long-term plans
* Day-to-day operations and management of ABC’s funds
* Providing timely financial reports to the Finance Committee and the Board in a format specified by the Committee and Board
* Providing grantors with required financial reports and application budgets
* Ensuring the accuracy of accounting records
* Internal controls
* Meeting and fulfilling financial objectives and policies
* Financial statement and reporting preparation
* Bank reconciliation review and approval
* Retaining and managing the Accountant
* Meeting Federal and State financial reporting requirements

The Accountant reports to the CFO and is responsible for:

* Preparation of the Chart of Accounts
* Reporting formats
* Accounts payable processing
* Payroll input and payroll processing
* Cash receipts input
* Journal entries for general ledger

2. **SPECIAL CIRCUMSTANCES**

ABC is a relatively small organization with limited administrative staff. While it is desirable to involve more than one person in these procedures, ABC recognizes that it may not always be practical or possible to accomplish this on a daily basis. Modification and delegation of these procedures to accommodate the reality of these circumstances is acceptable with the understanding that special care will be exercised through due diligence of the Finance Committee, the CEO and the CFO in providing oversight and monitoring of ABC financial policies and procedures.

3. **CONFLICT OF INTEREST**

Members of the Board of Directors and ABC staff are prohibited from activities that might present conflicts of interest. The powers of directorship or staff position may not be used for personal benefit at ABC’s expense. If a Director or staff member has a financial interest in a transaction, the individual must fully disclose the interest and abstain from voting or participating in the transaction.

Loans to Directors or staff are prohibited.

4. **BUDGETING PROCESS**

The entire Board must approve the budget. With input from staff, the CEO and the Treasurer are responsible for presenting to the Finance Committee for approval an annual operating budget draft at least sixty (60) days prior to the end of the fiscal year, and at least thirty (30) days prior to its submission to the Board of Directors for final approval.

The budget shall contain revenues and expenses forecasted by month. A chart describing monthly cash flow shall be included.

5. **FINANCIAL STATEMENTS**

ABC’s financial statements shall be prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (“GAAP”).  The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards No. 117, “Financial Statements of Not-For-Profit Organizations” (SFAS No. 117).  Under GAAP, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ABC shall be classified as unrestricted, temporarily restricted and permanently restricted.

Separate from Unrestricted Funds, resources for various purposes are classified for accounting and maintained for each fund. Several funds may be established for this purpose including but not limited to: Endowment Fund, Restricted Funds, Cash Management Fund, Property and Equipment Fund.

The CFO shall prepare and present monthly financial statements in a format approved by the CEO, Finance Committee and CFO. The statements shall be presented to the CEO, senior management, and the Finance Committee for review. Reports and statements shall include comparisons to budget and comparable prior year figures.

1. **CASH FUND**

A cash fund of at least 10% of ABC’s annual operating expenses shall be maintained. When the fund balance falls below this minimum, the Finance Committee and the Board shall develop a plan for rebuilding it.

1. **AUDIT**

If required, ABC will commission an audit or review of its financial statements annually, within four months of the end of the fiscal year. The audit shall be completed by a firm of Independent Certified Public Accountants selected by an Audit Committee consisting of individuals not involved in any ABC financial responsibilities or duties. Staff may not serve on the Audit Committee. The CFO shall have direct responsibility for assembling information required by the auditors to complete their work. The Audit Committee shall provide oversight and report final results to the Finance Committee and the Board of Directors. A representative of the audit firm shall be invited to attend the annual presentation to the Finance and Audit Committees, and shall be required to make a presentation to the Board if the audit report is other than unqualified, or if the auditor’s report material weaknesses in internal controls or reportable conditions.

The Auditors prepare the Form 990. It shall be reviewed by the CEO, the Finance Committee and all Board members before submission to the IRS. The IRS deadline is no later than four and one-half months following the close of the fiscal year. The Auditor also prepares financial reports required by the State of Wisconsin, to be submitted no later than six months following the close of the fiscal year.

8. **STATE AND COUNTY SALES TAXES**

Sales taxes are imposed on ABC concert ticket sales, Paper and Poinsettia sales, other fundraising sales and auction. (Fruit sales are exempt because they are "food items not consumed on the premises"). ABC must submit a worksheet each month even if it does not owe any taxes. The Accountant is responsible for preparing the worksheet and paying any taxes online.

9. **WISCONSIN NONSTOCK CORPORATION ANNUAL REPORT**

Chapter 181 of the state statutes requires an annual report to the Secretary of State, Form 17-I, with a $10.00 filing fee. Failure to file may subject ABC to "administrative dissolution". The report is due annually on June 30.

10. **REVENUE AND INCOME PROCEDURES**

The CEO, in conjunction with the Director of Development and the CFO, develop and propose revenue goals and objectives to be included in the annual budget.  All contributions shall be recorded in accordance with GAAP, with specific attention to standards FASB 116 and 117. Contributions are recorded as pledged or received in accordance with FASB 116, and must be credited to the appropriate revenue lines as presented in the annual budget and coded with the appropriate account number as designated in ABC’s Chart of Accounts.

* 1. 11**. RECEIPTS**

Procedures for checks or cash received through the mail or given to a staff member or volunteer (see Section 2):

* Mail should be opened by a staff person who is not involved in the accounting function. This person records all checks and cash by date, name of company or individual, designation, and amount
* All checks shall be endorsed with ABC’s official “for deposit only” stamp
* After recording checks or cash, an individual deposit ticket shall be prepared in triplicate, bearing a different designation for each account. That record shall include date of deposit, name of sender, amount, and designation. A copy of the bank deposit slip is retained in chronological order with copies of the deposited checks
* All cash and checks should be deposited into ABC’s Bank Account within two working days.
* Gifts received electronically, such as stock transfers, credit card payments, ACH remittances or other on-line contributions shall be properly recorded by the Accountant.
* The Accountant shall make the appropriate entries in the General Ledger books. The Accountant shall reconcile with the monthly bank statements all logs of incoming funds with the deposit slips and electronic records, and with the record of grants, donations and contributions maintained by the Director of Development.
* Transactions should be periodically rechecked by the CFO.

12. **OTHER CASH RECEIPTS**

Cash received from product sales, fundraising events, concert admissions and free will offerings should be counted by at least 2 volunteers, host organization representatives or staff members. Funds received are recorded and authenticated by the signatures of those completing the count.

Whenever possible, cash receipts are deposited in the checking account within two working days. Tour cash receipts may be used for incidental expenses on tour. A journal is kept of all receipts and expenditures

13. **RECEIPTS TO DONORS**

The Director of Development shall ensure that all donors and contributors receive proper acknowledgement of their contributions, in accordance with IRS Guidelines, within two days of receipt of the contribution.

14. **EXPENDITURE PROCEDURES**

All expenditures and invoices shall be approved by the CEO or the CFO, in consultation with the individual requesting payment. All expenditures shall be coded by account number using ABC’s Chart of Accounts.  The Accountant maintains standard accounting records containing all aspects of ABC’s financial operations. They include but are not limited to: a general ledger, a check register, and a payroll register. Following review and approval, invoices are provided to ABC’s Accountant for payment.

Upon payment of a bill, a copy of the check or duplicate of stub shall be stapled onto the bill and payment date and check number shall be printed on the invoice. The paid invoices shall be filed alphabetically according to payee’s name and shall be filed on a fiscal year basis according to ABC Record Retention Policies.

1. **SIGNATURE POLICY**

The CEO, Treasurer and CFO may sign all checks, drafts, or orders for payment of money, contracts, and commitments for services issued in the name of ABC. The Board may designate other signatories.

The CEO, Treasurer and CFO are authorized to sign checks for budgeted items up to $4,999. Two signatures are required for all disbursements of $5,000 or more.

All non-budgeted items of $5,000 or more require prior approval by the Treasurer and/or the Finance Committee.

16. **COMPENSATION AND PAYROLL**

  Payroll is executed monthly. Paycheck or direct deposit options will be provided to each employee. Monthly payroll expenses shall be verified by the Accountant against payroll reports and direct deposit reports and reconciled with checking account reports. The compensation of the CEO shall be determined by the Board of Directors. Salaries, stipends and fees of all other employees shall be determined by the CEO.

The CFO will establish payroll procedures so that all employees are paid in a timely manner, ensuring availability of funds by the last day of each month.

The CFO will also establish procedures that ensure that all Federal and State withholding rules and regulations and required reports to regulatory agencies and employees are fulfilled.

17. **SECTION 403b SALARY REDUCTION AGREEMENTS**

The Board of Directors may authorize creation of a 403b Salary Reduction plan for ABC employees.

18. **LOCAL TRAVEL AND EXPENSE REIMBURSEMENTS**

Employees must abide by ABC’s Travel and Expense policy. Travel and expense reports for mileage, meals, hotel, supplies, etc., will be maintained by each employee and then submitted to his or her supervisor for approval and payment by the Accountant. The CEO’s expense voucher must be approved by the Treasurer or the CFO.

Mileage to and from the employee’s residence to the place of work will not be paid by ABC. Reimbursements will be based on the travel rate established by the CEO and the CFO and approved through the budgeting process. Travel reimbursement shall not exceed IRS Guidelines. All receipts must be attached to the expense voucher as a condition for payment.

19. **CREDIT CARD EXPENDITURES**

The CEO may approve the issuance of a company credit card for employees who travel frequently or have other reimbursable expenses. Employees may utilize the card only for ABC business. Employees must submit a receipt that explains the business reason for items charged using the credit card. The receipt is then submitted to the Accountant for recording and reconciliation.

Credit card charges of $500 or more require prior approval by the CEO or CFO.

20. **PURCHASING**

Any expenditure in excess of $3,000 for the purchase of a single item should have bids from three (3) suppliers, if possible. These bids are reviewed by the CFO. The bid award is specifically approved in advance by the CEO.

Purchase of less than the approved amount may be made at the discretion of the CEO without competitive bids. However, for fixed assets, reasonable diligence should be exercised to comparatively shop for available sources. Any purchase made by a Board member on behalf of ABC requires prior approval by the CEO.

21. **LEASES AND OTHER CONTRACTUAL AGREEMENTS**

ABC conducts a major part of its operations from leased facilities. Leases and other  contractual agreements are negotiated by the CEO or his/her designee. New leases in excess of budgeted amounts require the approval of the Finance Committee.

The CEO is authorized to develop and enter into contractual agreements with vendors, bankers, and third parties for the purpose of conducting ABC’s general operations. The Finance Committee shall review such agreements and make recommendations when necessary.

22. **NOTES, LOANS, LINE OF CREDIT, ETC**.

All notes, loans and other indebtedness to be contracted in the name of ABC (except open accounts and all other routine banking transactions), shall require the signature of the CEO, unless otherwise specified by the Board or established in these Financial Policies and Procedures. All indebtedness must be approved by the CEO and the Board of Directors.

23. **DEEDS, CONVEYANCES, ETC**.

ABC’s President and CEO may execute Deeds, Conveyances, Mortgages, Leases, Contracts and other instruments in the name of ABC.

24. **BANK ACCOUNTS AND INVESTMENT ACCOUNTS**

The CFO shall maintain and oversee Bank and Investment accounts, and ensure ABC’s day-to-day financial operations. Several accounts may be maintained by ABC including:

* Checking Account
* Savings Account
* Money Market Account
* Certificates of Deposit
* Brokerage Account
* Line of Credit

These accounts may be changed as ABC’s financial conditions and requirements change.

25. **CHECKING ACCOUNT**

All checks, cash, money orders, and credit card deposits are reviewed by the CFO and deposited in the appropriate accounts. Fund raising events, foundations and corporate donations and miscellaneous contributions, shall be deposited into the appropriate accounts. Monies shall be transferred from the Checking account into the Money Market Account or the investment account when necessary, by the CFO. Checks are written at least bi-weekly to meet obligations or ongoing operational expenditures.

26. **BANK RECONCILIATIONS**

  Bank reconciliations shall be completed monthly by the Accountant and cross-referenced with the cash and receipts logs and the monthly Financial Statements. The Financial Statements shall be compiled by the CFO. The Statements shall then be reviewed by the CEO, and an unopened bank statement shall be provided to the Treasurer for review. All Bank Statements, Credit Card Statements, and Endowment Fund Reports will be reconciled monthly by the Accountant, and records will be kept in the Finance file according to ABC Record Retention Policies.

27. **CASH AND CASH EQUIVALENTS**

  Cash and cash equivalents include all cash balances and highly liquid investments with maturity of six months or less. ABC maintains its cash accounts only with highly rated financial institutions. The CFO shall closely monitor the balances of cash accounts to ensure liquidity is sufficient to fulfill ABC operating requirements.

28. **INVESTMENT REPORTS AND INVESTMENT POLICY**

Investments shall be reported in the monthly financial statements at cost or market value. The CEO, with oversight of the Finance Committee, shall periodically review and determine the general investment strategy for all funds.  The philosophy of ABC’s short-term investments is safety of principal and liquidity.  Acceptable investments shall be:

* Certificates of Deposit and Bankers Acceptances rated A1
* Insured savings accounts
* Short-term Securities of the U.S. Government

  Investment strategies shall be reviewed and evaluated by the Finance Committee annually, to ensure the portfolio’s proper diversification, security and return on investments.  All financial institutions shall be selected and approved by the Finance & Legal Committee and must have long-term investment rating of A or higher by Standard and Poor’s, or a comparable rating service.

29. **ENDOWMENTS**

Endowment Funds are held by the Madison Community Foundation and are subject to the policies of ABC as accepted by ABC. The Treasurer shall insure that all donations to the endowment funds are appropriately deposited, managed and monitored.

Current endowment funds include:

* **ABC Endowment Fund**

A general endowment, proceeds of which are utilized subject to Board designation.

* **ABC Legacy Fund**

These funds were created to honor ABC’s 5th anniversary and must reach $10,000 before ABC will be able to receive disbursements.

30. **INSURANCE**

Reasonable and adequate coverage will be maintained to protect ABC’s interests as well as the Board of Directors and ABC’s employees. The following insurance policies shall be maintained:

* Commercial Property Contents
* General and Professional Liability
* Directors and Officers Liability
* Employee Dishonesty
* Workers Compensation

Insurance Policies shall be carefully reviewed by CFO before renewal each year.

31. **BONDING**

All ABC employees shall be bonded or covered through an Employee dishonesty clause in ABC’s general liability insurance policy. ABC Officers, Directors and Finance Committee members and Board of Directors shall be bonded by a reputable bonding company or covered in the Directors and Officers liability policy.

32. **FIXED ASSETS AND DEPRECIATION**

Property and equipment shall be stated at historical cost. Depreciation is computed over the estimated useful life of the asset using the straight-line method. A Depreciation schedule shall be prepared and maintained, taking into consideration the equipment inventory.

Equipment and other fixed assets costing in excess of $1,000 that has a useful life of more than one year will be recorded as an asset. To determine if a repair or improvement will need to be capitalized, the following additional factor needs to be considered: does the expenditure extend the useful life of the asset repaired or improved?

All capital assets purchased with grant or other restricted funds will be cataloged.

An annual equipment inventory will be conducted.

33. **EQUIPMENT INSTALLATION**

Purchase, installation and maintenance of telephone equipment, telephone lines, office equipment, computer equipment, etc. shall be approval by the CEO. Staff Members and other managers shall be responsible for receiving and supervising the installation of equipment scheduled for their facility or working area, and for maintaining and protecting the equipment installed in their offices.

34. **DONATED MATERIALS AND SERVICES**

Donated materials and equipment shall be reflected in the Financial Statements at their estimated values as reported by the donor on the date of receipt.

Volunteers donate time to ABC’s programs on an on-going basis. Other volunteers contribute time and services for administrative or fundraising activities. Such contributed services are valued according to nationally recognized standards established by Independent Sector.

35. **CONFIDENTIALITY AND RECORDS SECURITY**

Financial records are restricted materials with limited access. Only the CEO, Treasurer, CFO and Accountant (or others so authorized) shall have access to financial records (vendor files, checks, journals, payroll, etc.)

36. **DOCUMENT RETENTION**

Financial documents are retained in accordance with the Record Retention Policy adopted by the Board.

37. **TAX REPORTING**

ABC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as amended. Accordingly, no provisions for income taxes shall be reflected in the financial statements.

38. **FINANCIAL CONTROLS (See Section 2)**

It is the role of the CEO and Treasurer to ensure that all financial policies, procedures and controls are implemented, up to date and regularly reviewed.

Internal control can be divided into two areas: accounting and administrative.

Administrative controls deal with the operations of the business, whereas the accounting controls deal with accounting for such operations. Accounting controls should be designed to achieve five basic objectives:

* Validation

Validation is the examination of documentation by someone with an understanding of the accounting system, for evidence that a recorded transaction actually took place and that it occurred in accordance with the prescribed procedures. As systems grow more sophisticated, validation is a built-in component whereby the transactions test themselves against predetermined exceptions.

* Accuracy

The accuracy of amounts and account classification is achieved by establishing control tasks to check calculations, extensions, and additions and account classifications. The control objective is to be certain that each transaction is recorded at the correct amount, in the appropriate account, in the right time period.

* Completeness

Completeness of control tasks ensures that all transactions are initially recorded on a control document and accepted for processing once and once only. Completeness controls are needed to ensure proper summarization of information and proper preparation of financial reports. To ensure proper summarization of recorded transactions, as well as a final check of completeness, subsidiary ledgers and journals with control accounts need to be maintained.

* Maintenance

The objective of maintenance controls is to monitor accounting records after the entry of transactions to ensure that they continue to accurately reflect the operation of the business. The control system should provide systematic responses to errors when they occur, to changed conditions, and to new types of transactions. The maintenance function should be accomplished principally by the operation of the system itself. Control maintenance policies require procedures, decisions, documentation, and subsequent review by a responsible authorized individual. Disciplinary control tasks, such as supervision and segregation of duties, should ensure that the internal control system is operating as planned.

* Physical Security

It is important in all business organizations that the assets are adequately protected. Physical security of assets requires that access to assets be limited to authorize personnel. One means to limit access to both assets and related accounting records is through the use of physical controls. Protection devices restrict unauthorized personnel form obtaining direct access to assets or indirect access through accounting records that could be used to misappropriate assets. Locked storage facilities restrict access to inventories, and fireproof vaults prevent access to petty cash vouchers. Transaction recording equipment limits access to assets by limiting the number of employees involved in recording and posting transactions.

## 39. IMPORTANT NAMES AND NUMBERS

Federal Employer ID number:

State of Wisconsin Employer ID number:

State of Wisconsin sellers permit number:

Tax-Exempt Number:

Bank Money Market:

Bank Checking Account:

Bank Line of Credit ($30,000 available):

VISA credit card through XYZ Bank:

Accounting Software:

40. **FINANCIAL CALENDAR AND CHECKLIST**

**Monthly**

* Prepare and mail paychecks and earnings statements to *arrive* by the last day of the month.
* Deposit federal withholding by the 15th of the month following deduction. Online.
* Deposit state withholding to the Department of Revenue by the 30th of the month following the deduction. Online.
* Reconcile bank accounts and charge accounts.
* Prepare monthly financial reports and checklist.

**Quarterly**

* Prepare and submit quarterly IRS withholding return (form 941). Pay difference owed, using proper payment coupon. Online.
* Prepare and submit quarterly state and county sales tax returns. Online.

**Annually**

* Assemble records and submit to auditor for annual audit (July).
* Prepare employee W-2s and mail to employees with January 31 check or earning statement.
* Prepare federal summary of withholding form W-3 and mail with W-2s to IRS (January).
* Prepare and submit annual state reconciliation of withholding and submit state copies of W-2s to Wisconsin Department of Revenue (January).
* Make sure auditor prepares Federal Form 990. Forward to Audit and Finance Committees. Submit to IRS no later than October 15.
* Make sure auditor prepares state form 308 (or form 1952) with annual audit report (due December 31).
* Prepare annual budget for presentation to Finance Committee and Board. (April 30).
* Prepare annual financial report and budget for state fiscal year (July 1) for State and County grant applications.
* Pay insurance premiums & file reports with insurance company
* File form 17 with the Secretary of State with $10.00 fee by June 30.
* Change withholding when required by IRS & state tables (Changes are effective January 1).

**As needed:**

* Advise employees of changes in IRS regulations.
* Obtain W-4s for all new employees.
* Revise W-4’s as requested by employees
* Provide financial advice & information as requested by the Board, Treasurer, Finance and Audit Committees, and others. Alert Board to changes in financial condition and potential problems.
* Provide financial information, copies of federal and state returns, etc. if requested by granting agencies, foundations, etc.
* Maintain the Public Records file for community review.
* Cull and warehouse files annually according to ABC Record Retention Policies.

41. **CHART OF ACCOUNTS**

Attached