

**FINANCIAL MANAGEMENT POLICIES AND PROCEDURES**

1. **GENERAL PURPOSE**

The purpose of these policies is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of MANA de San Diego (the Company), and managing the Company’s funds.

1. **FINANCIAL RESPONSIBILITIES**

It is the responsibility of the Board of Directors to formulate financial policies and review operations and activities on a periodic basis. The Board of Directors delegates this oversight responsibility to the Treasurer of the Board and any designated committee of which the Treasurer will be the Chair (the Finance Committee). This responsibility is shared through delegation with the Programs Manager. The Treasurer acts as the primary fiscal agent, implementing all Board approved financial policies and procedures. The Treasurer, in coordination with the President, is responsible for the coordination of the following: Annual budget presentation, research and recommendation of investments and selection of the outside auditors, revenue and expenditure objectives in accordance with the Board approved long-term plans. The Programs Manager with oversight by the Treasurer and any Finance Committee has the day-to-day operations responsibility for managing organization’s funds, ensuring the accuracy of the accounting records, internal controls, and financial objectives and policies. The Bookkeeper/Accountant is directly supervised by the Program Manager and is responsible for the preparation of the chart of accounts, reporting formats, accounts payable processing, payroll input and payroll processing, cash receipts input, journal entries for general ledger, Form 1099 reporting and Form 5500 reporting. Additionally, the Bookkeeper/Accountant is responsible for the preparation of the financial statement and bank reconciliation for review by the Treasurer. The CPA is responsible for the Form 990 reporting.

1. **CONFLICT OF INTEREST**

Members of the Board of Directors are prohibited from activities that might present conflicts of interest. The powers of directorship may not be used to personally benefit the Director at the corporation’s expense. If a Director has a financial interest in a corporate transaction, the Director must fully disclose the interest and abstain from voting. Loans to Directors are prohibited.

1. **BUDGETING PROCESS**

The Company’s President and the Treasurer shall be responsible for presenting to the Board of Director’s an annual operating budget draft sixty (60) days prior to the end of the fiscal year. The Board of Director’s shall review and approve the recommended fiscal year budget revenues, expenditures and cash flow. The budget shall contain revenues and expenses forecasted for by program as well as on a consolidated basis.

1. **FINANCIAL STATEMENTS**

The Company’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 the Company and changes 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. The Bookkeeper/Accountant shall prepare and the Treasurer shall review and present monthly financial statements in a format approved by the President. The statements shall be presented by the Treasurer to the Board of Directors for approval.

1. **CASH FUND**

A cash fund of one-quarter to one-third of the Company’s annual operating expenses shall be maintained. When the fund balance falls below this minimum, the Board of Directors or designated committee shall develop a plan and budget for rebuilding it.

1. **AUDIT**

The Company will have an audit of its financial statements annually, within 4 months of the end of each the fiscal year. The audit shall be completed by a firm of Independent Certified Public Accountants. The Company President and the Treasurer shall have direct responsibility in overseeing the selection of a firm to perform the annual audit as well as the implementation of the annual financial audit. The Treasurer shall report the final results to the Board of Directors. A representative of the audit firm shall be invited to attend the annual presentation to the Audit Committee, and shall be required to make a presentation to the Board of Directors if the audit report is other than unqualified, or if the auditors report material weaknesses in internal controls or reportable conditions. The CPA or auditor shall prepare the Form 990 and it shall be reviewed by the, the Company’s president and Treasurer before submission to the IRS.

1. **REVENUE AND INCOME PROCEDURES**

The Company President in conjunction with the Treasurer, develops and proposes revenue goals and objectives and submits them to the Fund Development Committee prior to Board of Directors discussion and approval. 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 the Company’s Chart of Accounts.

1. **RECORDING RECEIPTS**

The following procedures for cash received through the mail or given to a staff person shall be in place: Mail should be opened by a staff person that is not involved in the accounting function. All checks shall be endorsed with the Company’s official stamp or handwritten with the bank account number and “for deposit only.” This person records all checks and cash by date, name of company or individual, designation, and amount. After recording checks, or cash, they are forwarded to the Bookkeeper/Accountant who records it for accounting purposes. An individual deposit ticket shall be prepared. 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 shall be deposited the same business day if possible, and no later than 3 business days into the Company’s Bank Account. The same procedures followed for cash receipts shall be followed when monies are received by employees as contributions for special events. Gifts received electronically, such as stock transfers or on-line contributions should be properly recorded by the designated staff person and by the Accountant. Transactions should be periodically rechecked by the Treasurer. The Bookkeeper/Accountant shall make the appropriate entries in the General Ledger books. The Accountant shall reconcile all logs of incoming cash/checks with the deposit slips, and with the record of receipts maintained by the designated staff person.

1. **RECEIPTS TO DONORS**

The Program Manager shall ensure that all donors and contributors shall receive proper acknowledgement of their contributions in accordance with IRS Guidelines.

1. **EXPENDITURES PROCEDURES**

All expenditures shall be approved by the Program Manager in accordance with the approved budget. All expenditures shall be coded by account number using the Company’s Chart of Accounts. The Accountant maintains standard accounting records containing all aspects of the Company’s financial operations. They include but are not limited to: A general ledger, a check register, and a payroll register. Invoices shall be approved by either the Program Manager or President. Following the review and approval, check payment vouchers shall be prepared and the invoices shall be distributed to the Company’s Bookkeeper/Accountant for check payment preparation. 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 company/individual name and shall be kept on a fiscal year basis on file.

1. **SIGNATURE POLICY**

The Company President, Vice President, Treasurer or Secretary (two signatures) shall sign all checks, drafts, or orders for payment of money. All contracts, and commitments for services issued in the name of the Company must be signed by the President, unless otherwise delegated to the Program Manager or a Program Director and the amount does not exceed $1,000 and the cost is approved in the organizational budget.

1. **COMPENSATION AND PAYROLL***.*

Payroll is executed periodically. Paychecks or direct deposits will be provided to each employee by the Accountant. Monthly payroll expenses shall be verified by the Accountant against payroll reports and direct deposit reports and reconciled with checking account reports. The salaries of all employees shall be determined by the Executive Board. Compensation ranges for all staff positions shall be approved by the Board of Directors. No employee of the Company may be compensated outside of the approved range, without the approval of the Board of Directors.

1. **LOCAL TRAVEL AND EXPENSE REIMBURSEMENTS**

Employees must abide by the Company’s Travel and Expense policy, in effect at the time. Travel and expense reports for mileage, meals, hotel, supplies, etc., will be maintained by each employee and then submitted to the supervisor for approval and payment on a monthly basis by the Bookkeeper/Accountant. Mileage to and from the employee’s residence to the place of work will not be paid by the Company. Reimbursements will be based on the travel rate established by the Board of Directors and approved through the budgeting process. Travel reimbursement shall not be above IRS Guidelines. All parking and other expenditure receipts must be attached to the expense voucher as a condition for payment. Refer to expense reimbursement form for more details.

1. **CREDIT CARD EXPENDITURES**

The President and Treasurer may approve the issuance of a company-issued credit card. Authorized users must utilize that card only for business travel and other business purposes. Authorized users must submit a voucher/receipt that explains the business reason for items purchased using the credit card. The Treasurer must approve the voucher, which is then submitted to the Bookkeeper/Accountant for recording and reconciliation.

1. **EXPENDITURES**

Any expenditure not shown on the budget shall be approved by the Board of Directors, and if the expenditure will be greater than $1,000 shall obtain three (3) bids from suppliers/providers if possible. These bids are reviewed by the Board of Directors and the bid award must be specifically approved in advance by the Company’s Board of Directors. Purchase of less than the approved amount may be made at the discretion of the Company’s President or Treasurer without competitive bids, s. Reasonable good faith diligence should be exercised to comparatively shop for available sources.

1. **LEASES AND OTHER CONTRACTUAL AGREEMENTS**

The Company conducts a major part of its operations from leased facilities. Leases and other contractual agreements are negotiated and executed with the approval of the Company President. New leases in excess of an amount determined by the Board of Directors require the approval of the Board of Directors. The Company President and the Treasurer are authorized to develop and enter into contractual agreements with vendors, bankers, and third parties for the purpose of ensuring the Company’s general operations.

1. **NOTES, LOANS, ETC.**

All notes, loans and other indebtedness to be contracted in the name of the Company (except open accounts and all other routine banking transactions), shall require the signature of the Company President, unless otherwise specified by the Board of Directors or established in the present management policies and procedures. All indebtedness must be approved by the Board of Directors.

1. **DEEDS, CONVEYANCES, ETC.**

The Company President shall execute all Deeds, Conveyances, Mortgages, Leases, Contracts and other instruments in the name of the Company with Board of Directors approval, except as otherwise set forth herein.

1. **BANK ACCOUNTS AND INVESTMENT ACCOUNTS**

The Treasurer shall maintain and oversee bank and investment accounts, and ensure the Company’s day-to-day financial operations. Several accounts may be maintained by the Company as follows:

1. Checking Account

2. Money Market Account

3. Certificates of Deposit

4. Brokerage Account

These accounts may be changed as the Company’s financial conditions and requirements change

1. **CHECKING ACCOUNT**

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

1. **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 Bookkeeper/Accountant. The Statements shall be then reviewed by the Company Treasurer and presented to the Board of Directors. All bank statements, credit card statements, and other fund reports will be reconciled every month by the Accountant, and records will be kept in the Company’s office.

1. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of six months or less. The Company must place its temporary cash investments with highly rated FDIC insured financial institutions. The Treasurer shall closely monitor the balances of the Checking account, Money Market and Certificates of Deposit accounts. At times such investments may be outside of the FDIC insurance limit.

1. **PETTY CASH**

A petty cash fund provides a systematic method for paying and recording out-of-pocket cash payments too small to be made by check. The Company shall maintain a One Hundred ($100.00) petty cash fund that is replenished as needed. The Program Manager shall maintain control of, and responsibility for, payments disbursed from the Petty Cash fund; however, amounts should not exceed an amount determined by the Executive Board for each transaction. The total fund should not exceed an amount determined by the Board of Directors.

1. **INVESTMENTS REPORTS AND INVESTMENTS POLICY**

Investments shall be reported with the monthly financial statements at cost or market value. The Company President and Treasurer, with oversight of any designated committee, shall review and determine the general investment strategy for all funds. The philosophy of the Company’s short-term investments is safety of principal and liquidity. Acceptable investments shall be: Certificates of Deposit.

1. **INSURANCES**

Reasonable and adequate coverage will be maintained to protect the Company’s interests as well as the Board of Directors and the Company’s employees. The following insurance policies shall be kept on a yearly basis: General and Professional Liability Insurance, Directors and Officers Liability Insurance,, Workers Compensation Insurance, Long-Term Disability Insurance, and Sexual Misconduct Insurance. Insurance Policies shall be carefully reviewed by the Company’s President and Legal Counsel before renewal each year.

1. **PROPERTY AND EQUIPMENT**

Property and equipment shall be stated at historical cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. A Depreciation schedule shall be prepared and maintained by the Bookkeeper/Accountant on an annual basis, taking into consideration the annual equipment inventory. A Property Removal Form shall be required for the removal of the Company’s property, supplies, and/or equipment from the Company’s premises.

1. **EQUIPMENT INSTALLATION**

Purchase, installation and maintenance of telephone equipment, telephone lines, office equipment, computer equipment, etc. shall be approved by the Program Manager after discussion and approval by the Company President. 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.

1. **DONATED MATERIALS AND SERVICES**

Donated materials and equipment shall be reflected in the Financial Statements at their estimated values measured on the date of receipt. Volunteers donate time to the Company’s Program services on an on-going basis. Other volunteers contribute time and services for Administrative or fundraising activities. Such contributed services are generally not reflected in the Company’s financial statements, since there is no objective way of assessing their value.

1. **CONFIDENTIALITY AND RECORDS SECURITY**

Subject to applicable law, financial records are restricted materials with limited access. Only the Treasurer, Program Manager, President, Legal Counsel (or others authorized by the Board of Directors) shall have access to financial records (vendor files, checks, journals, payroll, etc.).

1. **DOCUMENT RETENTION**

Financial documents are retained for a period of time in keeping with State law, the recommendations of the IRS, and the Company's document retention policy.

1. **TAX REPORTING**

The Company 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.

**Appendix Effective Systems of Internal Control**

**General**

Internal control can be divided into two areas: accounting controls and administrative controls. 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 the 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 will as a final check of completeness, subsidiary ledgers and journals with control accounts need to be maintained.

**Maintenance**

The objective of the maintenance controls is to monitor accounting records after the entry of transactions to ensure that they continue to reflect accurately the operation of the business. The control system should provide systematic responses to errors when they occur, to changed conditions, and to new type 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 b limiting the number of employees involved in recording and posting transactions.