

JOHNSTON COMMUNITY SCHOOL FOUNDATION FINANCIAL CONTROLS POLICY

Purpose. The Johnston Community School Foundation (Foundation) is a nonprofit organization committed to protecting and using their assets to fulfill their mission. Proper financial practices are very important to prevent and detect errors and fraud. Good financial practices also assure donors the Foundation uses their gifts for the purposes for which they were intended.

I. GENERAL PRACTICES

Review of Risks. These policies were drafted after consideration of the risks associated with the various aspects of the Foundation's financial operations to enact policies and procedures designed to minimize those risks. The Board of Directors will review these policies each year to consider whether the risks have changed. Such changes may include receipt of cash donations or gifts for the first time or receipt of cash donations or gifts with restrictions, a change in the laws regulating nonprofit organizations, hiring of employees or a major change in programs. The Board shall consult with a professional, if necessary, to ensure that it is properly addressing these risks.

As much as possible, the Board seeks to separate the responsibilities for fiscal roles. At each step of handling funds, the Foundation shall ensure that more than one person verifies that the step is done correctly.

II. RECEIPT OF FUNDS

POLICY

All funds, whether cash or check, which the organization receives will be deposited intact into the appropriate bank account(s), with no monies removed to make payments or for other purposes (Petty Cash may be required for certain fundraising events). All cash receipts will be deposited into the appropriate bank account(s) as soon as possible.

Communications from donors that establish restrictions on the use of their contributions will be saved for the life of the donation. If the Foundation believes a donor has restricted the use of funds in a conversation, written confirmation from the donor should be requested to verify their intent and funds will be held in escrow until receipt of the intent or good faith efforts to obtain written intent are exhausted as deemed by the Executive Committee.

PROCEDURES

1. *Receipt of Checks in the Office.* The Secretary opens all mail addressed to the Foundation. The Secretary makes a photocopy of all checks received and provides the photocopies to the Treasurer as soon as reasonably possible. This allows the Treasurer to

verify all checks received are deposited.

The Secretary will endorse all checks by an endorsement stamp that restricts the check “For Deposit Only” and will list the Foundation’s name and account number. This lessens the risk that a check may be stolen and cashed.

2. *Receipt of Cash.* If the Foundation receives cash the person accepting the cash must provide a written receipt:

- The receipt should state the name, the date, the amount of the cash and the purpose of the payment.
- The person accepting the cash shall keep the cash in a secured location until the Secretary can retrieve it.
- If possible, when the Secretary opens the location with the cash, one other person will accompany the Secretary to count the cash together.

The Secretary or the Secretary’s designee shall train all volunteers in these procedures. The Treasurer will compare the receipts and the bank’s list of cash deposits when making the Bank Reconciliation described below.

3. *Deposit Slips.* The Secretary will deposit funds as follows:

- Prepare a deposit slip
- Prepare a log of all checks/cash in the deposit. The log should contain: the payor’s name, date of the check, amount of the check/cash, check # and purpose.
- Photocopy the checks
- Deposit checks in appropriate bank account(s) and retain deposit receipt
- Photocopy the deposit receipt and attach to the log with the check photocopies
- If cash is included in the deposit, the Secretary will include a copy of the receipt.
- Provide the original deposit receipt and photocopies of the log and checks to the Treasurer
- Retain copies of all documentation chronologically in a secure location

The Treasurer will consult the deposit receipt, and attached log and photocopies when making the Bank Reconciliation described below.

4. *Bank Deposit.* If no cash is present, the deposit may be mailed to the bank.

5. *Receipt of Checks and Cash Outside the Office.*

If checks and/or cash are received outside the office (such as at a fundraising event), special precautions need to be taken to protect these funds.

- Two people should count the cash and initial the cash count. At least one of the counters must be someone not involved in the cash receipt process. A cash log shall be kept at all Foundation events which details the name of the person who paid with

cash and the amount received. Prior to completion of the event, two people must count the cash received and verify the total against the cash log.

- Individuals accepting cash contributions –will provide a receipt to the donor if requested and make a list of all cash received including the name of the donor, address and amount of the contribution.
If the funds are received through a “pass the hat” style collection in which it is not possible to know who gave what amount, the individuals accepting the contributions will note that no receipts were provided.
- It is not necessary to provide a written receipt for contributions made by check unless the donor requests a receipt. However, the individuals accepting the contributions should make a list of all checks received at the event, including the name of the donor and the amount of the contribution. The Secretary and/or Treasurer will compare this list to the deposit to be sure all checks have been included in the deposit.
- Individuals accepting the contributions by cash or check will give the Secretary the cash, list of cash donations, checks and the list of checks received within 24 hours of the event.
- The Secretary will deposit the cash and checks within 24 hours of receipt or as soon as is reasonably possible after the event.
- The receipts and list of checks received shall be retained by the Secretary who will send acknowledgement letters.

The Secretary or the Secretary’s designee shall train all volunteers in these procedures.

6. Credit Card Contributions.

Credit card contributions/payments will be accepted via the Foundation’s PayPal account or such other account(s) approved by the Board of Directors.

The Secretary, Treasurer, or other board member(s) designated by the Board of Directors, shall monitor the Foundation’s PayPal account on a weekly basis. Funds accrued in the Foundation’s PayPal account shall be transferred to the appropriate bank account on a weekly basis.

The Secretary shall record all credit card receipts via PayPal and forward that information to the Treasurer as soon as reasonably possible.

The Secretary will send acknowledgement letters to donors.

7. Acknowledging Donations.

While IRS rules require acknowledgment of all donations of more than \$250, it is the Foundation’s policy is to provide written acknowledgement for every gift received whenever possible. The Board shall respond to each donation with a letter thanking the donor for their generosity:

- If the gift was cash (which includes a check), the letter should include the amount of the gift and state that the gift was cash.
- If the gift was donated property of some kind; the Secretary's letter does not need to and should not value the property. If the donor received something of value in return, the Secretary's letter must contain a description of the donation and a good faith estimate of the value of what the donor received.
- The letter should include the statement: "Thank you for your contribution of \$_____, received on _____, 20___. [PICK ONE: "The Internal Revenue Service code requires charitable contributions be substantiated. No goods or services were provided in return for this gift." or "The Internal Revenue Service code requires charitable contributions be substantiated. Goods or services were provided in return for this gift and is reflected in the above amount."")

8. *Posting Donor Names on Foundation Website.*

The Board may post the names of all donors (except those requesting anonymity) on the Foundation website. The website will direct donors to report omissions or errors to the Secretary.

III. DISBURSEMENT OF FUNDS/USE OF CORPORATE PROPERTY

A. PAYMENTS BY CHECK

POLICY

All disbursement of funds from the Foundation will be made by check.

PROCEDURES

1. *Opening Bank Accounts.*

Bank accounts may be opened only upon authorization by the Board of Directors through a Board resolution and documentation of meeting minutes.

- All bank accounts must be opened with the Foundation's employer identification number (EIN).
- The Board shall approve the authorized signers on the Foundation's bank accounts.
- The Board President, Secretary and Treasurer shall be required to be present to open any new accounts.

2. *Custody of Checks.*

The Secretary is the only person authorized to have access to the unused check stock. The checks should be stored in a secure location and information about how to access them should be kept confidential from everyone but the Board President.

3. Check Authorization.

All invoices will be forwarded immediately to the Secretary for review and authorization to pay.

- The Secretary will review all invoices for mathematical accuracy, agreement with a written invoice, conformity to budget or Board authorization and compliance with grant fund requirements.
- The Secretary will ensure that all conditions and specifications on a contract or order have been satisfactorily fulfilled, including inventorying items received against packing slip counts.
- The Secretary will code the invoice with the appropriate expense account and other information as needed for accounting purposes.
- By approving an invoice, the Treasurer indicates that he/she has reviewed the invoice and authorizes a check.
- The Secretary is responsible for timely follow-up on discrepancies and payment.
The Secretary will send approved invoices to the Treasurer for a second signature.

4. Expenses Not Invoiced.

In some cases, expenses may not be invoiced, such as rent. When such expenses are due, the Secretary needs to ensure the expense is in the budget and write a note authorizing payment of the expense and the amount of the expense and supply it to the Treasurer.

4. Payment by Checks.

Upon approval of the invoice and note by the Treasurer, the Secretary is authorized to prepare all checks.

- If a check is voided, the check will have “VOID” written in large letters in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file.
- In the event that it is necessary to issue a duplicate check for checks in an amount over \$50, the Secretary will order a stop payment at the bank on the original check.

5. Duties of Check Signers.

All checks will be signed by at least two of the authorized signers designated by the Board of Directors. Prior to signing a check, a check signer will do the following:

- Compare the check to the original invoice or the Treasurer’s note to pay the expense.
 - Compare the amount on the check to the amount on the invoice or note.
 - Be sure that the Treasurer has initialed the invoice. This is to protect against the risk that you are paying based on a copy of the bill that has already been paid.

- Check the date on the invoice or the Treasurer's note against the date of signing the check. If the difference is more than 60 days, get written approval from the Treasurer before signing the check. This is to mitigate the risk that the Foundation is paying the same expense twice.
- Check to be sure that the amount of the check is not clearly unreasonable. For example, a \$30,000 monthly payment for bookkeeping services would be unreasonable for most small nonprofits.

6. *Prohibited Practices.*

In no event will:

- invoices be paid unless approved by the Secretary and Treasurer;
- blank checks be signed in advance;
- checks be made out to "cash," "bearer," etc.

7. *On-line Payments.*

When online payments are made via the Foundation's PayPal account, the Foundation will make arrangements to have one individual responsible for transferring deposits made through the PayPal account to the Foundation checking account on a routine basis, but no less than quarterly. The individual will take screen shots of the transfer and the detailed transactions and sends them to the Treasurer and Secretary for reconciliation.

B. EXPENSE REIMBURSEMENT

POLICY

In proper circumstances, Board members, employees and volunteers are entitled to be reimbursed for expenses related to the Foundation incurred on behalf of the Foundation. To receive reimbursement, the following requirements must be followed:

- The expense must have been authorized in advance by the Board or by the Secretary or later approved by the Board or the Secretary.
- The expense must have been incurred for goods or services purchased for the Foundation.
- If expense is for travel, the travel must be for work related to the Foundation.

Reimbursement mileage will be the standard mileage rate for business use of a car as established by the IRS. The Foundation will reimburse meal expenses incurred in direct connection with the Foundation's business, or at the per diem rate established by the IRS.

PROCEDURES

To be reimbursed for expenses:

1. *Documentation.*

Reasonable documentation must be provided showing the date, amount and purpose of the expense. Credit card receipts and store receipts that do not describe the purchase are not reasonable documentation. Receipts must describe the purchase.

2. *Timely Submission.*

A request for payment with documentation must be submitted within 60 days from the date the expense was incurred.

4. *Overpayment.*

If overpayment is made, any excess reimbursement must be returned within a reasonable period of time.

D. PURCHASING

POLICY

All purchases made on behalf of the Foundation must be made pursuant to the Board-approved budget or Board rules.

PROCEDURES

The Secretary can authorize purchases of up to \$500 or less which conform to the Board's budget. The Treasurer can authorize purchases of up to \$500 or less which conform to the Board's budget. The Board, through the Board President and/or Vice President must approve purchases above \$ 500 amount. Any purchases approved by Board President and/or Vice President between \$500 and \$1,999 must be reported to full Board monthly. The Board must authorize any purchase over \$2,000 which does not conform to the Board's budget or normal event purchases.

BANK RECONCILIATION AND ON-LINE MONITORING

POLICY

The Treasurer will monitor the Foundation's accounts regularly and will prepare a written reconciliation of all bank or investment accounts which proves the balances presented on financial reports agree with the records of the financial institution. The Finance Committee will independently review the accounting records maintained by the Treasurer on a quarterly basis.

PROCEDURES

1. *Records to Treasurer.*

The Secretary shall provide the Treasurer with a copy of all records of deposits, disbursements (checks written), and other bank transactions for review.

2. *Bank Statement.*

The Foundation will direct the bank to send the bank statements to the Foundation's PO Box. The secretary will deliver the unopened bank statements to the Treasurer for review.

3. *Reconciliation.*

The Treasurer will reconcile the bank statement monthly as follows:

- Compare the bank deposit records with the Foundation's accounting records to determine whether each deposit recorded in the accounting records agrees with the bank record.
- Check the cash entries with the cash receipts against the bank record of deposits to ensure that all cash was deposited.
- Check whether the ending balance in the general ledger cash account agrees with the bank statement, after making the adjustments on the bank reconciliation form.
- List all outstanding checks. On all checks outstanding over 90 days, take appropriate action.
- List all deposits in accounting records not yet recorded by the bank. If the reconciliation is done electronically, the Treasurer must check off on a form to be given to the Board that he or she performed the review above.

4. *Return of Cancelled Checks by the Bank.*

The Board will determine whether it is necessary to direct the bank to return the cancelled checks with the bank statement. If the Board determines that it will not require return of the cancelled checks, it will establish procedures to ensure retention of the electronic images of the checks for at least 3 years.