



# Fiscal Policies and Procedures



## **FORWARD**

On April 12, 2014, the Board of Directors of New England Disabled Sports has adopted the policies and procedures that comprise this document based on organizational tenets of integrity, high ethical standards, financial transparency, and complete dedication to New England Disabled Sports' Mission: Through sports, to change lives affected by disabilities.

Since 1987, New England Disabled Sports has operated one of the most successful non-profit organizations in adaptive sports, creating a blueprint that has been used as a model in the creation of adaptive sports programs throughout the United States. Donors and grantors have never questioned the care with which New England Disabled Sports has treated their investments, or the dedication of the organization's Directors to their fiduciary responsibilities.

Maintaining meaningful and well-considered policies and procedures is a critical component of a strong financial management system. They are used to establish New England Disabled Sports' internal controls and for ensuring compliance with regulatory standards, as our funders expect our organization to comply with specific guidelines. Documenting the organization's fiscal policies also serves as an important tool for clarifying roles and responsibilities and ultimately for ensuring that financial data is an accurate and reliable basis for organizational decision-making.

The policies and procedures contained in this document are carefully and specifically designed to:

- Protect the assets of the organization;
- Ensure the maintenance of accurate records of the organization's financial activities;
- Provide a framework for the organization's financial decision making;
- Establish operating standards and behavioral expectations;
- Serve as a training resource for staff; and,
- Ensure compliance with federal, state, and local legal and reporting requirements.

Most importantly, these policies and procedures have been compiled and adopted to demonstrate to the hundreds of members of the New England Disabled Sports family – donors, volunteers, directors, students, and their families, staff, and business partners, as well as past family members who have contributed to the development of the organization – that their individual investments of time, money and dedication are treated with deserved respect and uncompromised integrity.

Please direct any questions regarding these policies and procedures to the Executive Director or any member of the New England Disabled Sports Board of Directors.



**New England Disabled Sports  
Fiscal Policies**

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# 1 Accounting Procedures

## 1.1 Basis of Accounting

### **Policy:**

New England Disabled Sports uses the accrual basis of accounting. The accrual basis is the method of accounting whereby revenue and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred. This method of recording revenue and expenses is without regard to date of receipt or payment of cash.

### **Procedures:**

- Throughout the fiscal year, expenses are accrued into the month in which they are incurred. The books are closed no later than the 15th day after the end of the month. Invoices received after closing the books will be counted as a current-month expense.
- At the close of the fiscal year, the above rule is not enforced. All expenses that should be accrued into the prior fiscal year are so accrued in order to ensure that year-end financial statements reflect all expenses incurred during the fiscal year. Year-end books are closed no later than 90 days after the end of the fiscal year.
- Revenue is always recorded in the month and year in which it was earned or pledged as specified in Section 4.2.

## 1.2 Financial Statements

### **Policy:**

All New England Disabled Sports Financial Statements, including monthly and annual reports to the Board of Directors (see Section 3.2) and Audited Financial Statements (see Section 3.3) shall be prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP). The presentation of Financial Statements shall follow the recommendation of Financial Accounting Standards (FAS) No. 117, *Financial Statements for Not-For-Profit Organizations* (see Appendix).

## 1.3 Journal Entries

### **Policy:**

New England Disabled Sports will avoid journal entries, except in rare circumstances. The staff will make every effort to affix the correct general ledger code and properly allocate expenses and revenues prior to submission. In all cases where journal entries are necessitated, the Executive Director must approve the entry and the Treasurer will be made aware of the reason in writing.

### **Procedures:**

- Any journal entries initiated by staff must be thoroughly annotated and approved by the Executive Director in writing, with a copy to the Treasurer, and submitted to the Bookkeeper.
- Any journal entries proposed by the Bookkeeper must be submitted to the Executive Director for approval prior to entry in the accounting system. The Treasurer will be copied on the proposal as well.
- All documentation related to journal entries will be filed and accessible.
- Year-end journal entries will be made only at the direction of the CPA and will be documented in annual reviewed or audited Financial Statements and will be reflected in tax returns.

## **1.4 Bank Reconciliations**

### **Policy:**

All bank statements will be opened and reviewed in a timely manner. Bank reconciliation and approval will occur within 15 days of the close of the month. Organization policy requires personnel other than the Administrative Director, who enters transactions in the general ledger, to perform bank reconciliation.

### **Procedures:**

- All bank statements and cancelled checks will be opened, reviewed and initialed by the Administrative Director upon receipt.
- Once reviewed, bank statements are to be immediately forwarded to the Bookkeeper for reconciliation.
- The Executive Director will review and approve reconciliation reports by signing and dating the report.

## **1.5 Monthly Close**

### **Policy:**

Books are to be closed by the Bookkeeper and monthly financial statements are to be compiled no later than the 15th of each succeeding month, preferably by the 10th.

### **Procedures:**

- Staff will provide the Administrative Director any pending invoices, credit or debit card reconciliations, revenue and deposit reports and bank reconciliations by the last day of the month. This includes employee expense reimbursement requests and credit or debit card reconciliation reports with applicable receipts.
- The Administrative Director will write checks and enter data by the 5<sup>th</sup> of the succeeding month, after which there are to be no further entries until the Bookkeeper has closed the month and returned updated data to the Administrative Director.
- All bank deposits will be made by the last day of the month.
- The Bookkeeper will close the month and compile profit and loss, cash flow, balance sheet, and budget variance reports and provide them to the Executive Director and Treasurer no later than the 15<sup>th</sup> of the succeeding month.

## **1.6 Record Keeping**

### **Policy:**

All financial records are retained for a period of time in keeping with state law and the recommendations of the Internal Revenue Service. Records are also retained as a function of New England Disabled Sports commitment to financial transparency.

### **Procedures:**

- The Administrative Director and Bookkeeper will retain records, including backup documentation, throughout the fiscal year and through compilation and submission of federal tax returns.
- Following the submission of federal tax returns, financial records will be boxed and archived at a secure location in fireproof file cabinets.
- Records will not be destroyed or shredded until the legally required period has ended and agreed to by the Board of Directors.

## **2 Internal Controls**

### **2.1 Lines of Authority**

It is the responsibility of the Board of Directors to formulate financial policies and review fiscal 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 Chair. Day-to-day fiscal responsibility is delegated to the Executive Director. The Executive Director acts as the primary fiscal agent for operational matters, implementing all financial policies and procedures and working within approved budgets.

Generally, the Executive Director, with oversight of the Finance Committee, has day-to-day operations responsibility for managing organizational funds, ensuring the accuracy of accounting records, oversight of internal controls, implementation of financial procedures, objectives and policies, oversight of financial statement preparation, and bank reconciliation, review, and approval. The Administrative Director is directly supervised by the Executive Director, and is responsible for data entry, preparation and making deposits of cash receipts, Accounts Payable processing, invoice preparation and Accounts Receivable processing. The Bookkeeper is directly supervised by the Administrative Director and, in addition to specific responsibilities documented in these policies and procedures, is responsible for monthly close, general ledger journal entries, monthly financial statement preparation for reports to the Board of Directors, bank account reconciliations, Form 1099 reporting, Form 5500 reporting, and for providing necessary information to the tax accountant for Form 990 reporting. A payroll service is contracted to provide payroll implementation, general ledger payroll reporting, payroll tax administration and deposits, and annual preparation of W-2 forms. The Administrative Director serves as staff liaison to the payroll service.

### **2.2 Conflict of Interest**

Board members and employees must avoid relationships or activities that might impair, or even appear to impair, their ability to make objective and fair decisions when performing responsibilities on behalf of New England Disabled Sports. At times, representatives of the organization may be faced with situations in which business actions taken on behalf of New England Disabled Sports may conflict with their own personal interests. New England Disabled Sports property, information or business opportunities may never be used for personal gain.

Specifically, members of the Board of Directors must avoid activities that might present even the appearance of conflicts of interest. The powers of directorship may not be used to personally benefit a Director at the organization's expense. If a Director has a financial interest in an organizational transaction, the Director must fully disclose the interest and abstain from voting. Loans to Directors are prohibited.

Conflicts of interest could arise in the following circumstances, which are listed by way of example; however, this is not intended as an exhaustive list:

- Being employed by, serving as a board member, or acting as a consultant to, a competitor or potential competitor, vendor, affiliated organization or contractor, regardless of the nature of the employment, while also representing New England Disabled Sports;
- Hiring or supervising family members or closely related persons;
- Owning or having a substantial interest in a competitor, vendor, affiliated organization or contractor;

- Accepting gifts, discounts, favors, or services from a volunteer, coach, student or member of the student's family, potential student, competitor, or vendor, in violation of New England Disabled Sports' Code of Ethics.

Board members or employees with a conflict of interest question should seek advice. Before engaging in any activity, transaction or relationship that could potentially give rise to a conflict of interest, employees should seek review from the Executive Director; and, members of the Board of Directors should consult the President of the Board.

### **2.3 Whistleblower Protection**

New England Disabled Sports encourages any staff member, coach, volunteer, or donor to bring instances of improper conduct, such as waste, fraud, financial impropriety or abuse, to the attention of the Executive Director or any member of the Board of Directors, who will report it to the President and/or the Chairman of the Finance Committee, who will, in turn, investigate the problem promptly and fairly.

There are several methods available to make a confidential – and anonymous, if so desired – report: by letter, email, telephone call, or in-person meeting to any member of the Board of Directors, who will welcome the contact. Contact information for current directors is always available from the Administrative Director.

The report will be taken seriously and promptly investigated. The person or persons charged with alleged impropriety shall be given an opportunity to respond to the allegations in person or in writing. Even if the matter is determined not to constitute improper conduct, the individual making the report will not be retaliated against. That person shall not be subject to any punishment – including firing, demotion, suspension, reprimand, harassment, failure to consider for promotion, or any other kind of discrimination – in retaliation for making a report.

Following the investigation, New England Disabled Sports will:

- Provide the person filing a report with a summary of the findings;
- Take appropriate steps to deal with the issue addressed, including making operational or personnel changes, or justify why corrections are not necessary;
- If warranted, contact law enforcement to deal with any suspected criminal activities.

The Finance Committee of the Board of Directors has responsibility for oversight of compliance with this Policy. New England Disabled Sports will maintain confidential records of all actions taken under this policy.

### **2.4 Segregation of Duties**

#### **Policy:**

In all financial transactions, New England Disabled Sports' fiscal duties are distributed among multiple individuals to help ensure protection from fraud and error, and to assure transparency. The distribution of duties aims for maximum protection of the organization's assets while also considering efficiency of operations. The key participants in the New England Disabled Sports regular fiscal processes are the Bookkeeper, Administrative Director, Operations Manager, Executive Director, and Treasurer. The Board of Directors reviews financial statements on a regular basis.

The Finance Committee and Executive Director provide oversight of internal controls. Finance Committee members collectively need to understand GAAP, New England Disabled Sports' fiscal policies, especially internal controls and procedures recommended for financial reporting, and have a general understanding of nonprofit financial issues.



The Segregation of Duties principle is a major factor in the development of the policies and procedures contained in this document, including, but not limited to, Journal Entries, Bank Reconciliations, Lines of Authority, Whistleblower Protection, Check Signature Policy, Deeds, Leases, Budgeting Process, Audit, Tax Compliance, Financial Reporting, Invoice Preparation, Revenue Recognition, Cash Receipts and Deposits, Payroll, Purchases and Procurement, Invoice Approval and Processing, Cash Disbursements, Expense Reimbursement, Travel Policy, Expense Allocation and General Ledger Coding, Cash Management, Notes and Loans.

## **2.5 Check Signature Policy**

### **Policy:**

The signature of the Treasurer of the Board of Directors is to be affixed to all checks, unless the Treasurer is incapacitated, in which case the Executive Director can sign checks. Checks over \$5,000 require two signatures.

### **Procedures:**

- Upon preparation of checks, the Executive Director will contact the Treasurer of the Board of Directors and request his or her signature.
- In the absence of a physical signature, the Executive Director may stamp the signature of the Treasurer if the Treasurer provides explicit written approval for each specific check.
- In the case of a check over \$5,000, the Executive Director will also sign the check.

## **2.6 Physical Security**

### **Policy:**

New England Disabled Sports maintains physical security of its assets to ensure that only individuals who are authorized have physical or indirect access to money, securities, real estate and other valuable property.

### **Procedures:**

- Blank checks are stored under lock and key. The Administrative Director issues checks in numerical order and keeps a log of all checks, including those voided, which will be available for viewing by the Executive Director or Treasurer at any time.
- Online access to accounting software and bank account information is limited to the Bookkeeper, Administrative Director, Treasurer, and Executive Director. Only the Administrative Director and Bookkeeper are permitted to make entries into accounting software. All users must change their passwords at least once every six months and online access for an employee who leaves the organization will be immediately terminated.
- In order to provide as much protection as possible for the security of employees and New England Disabled Sports property, certain items such as security codes and keys will be issued only to those employees whose responsibilities require them.
- The Executive Director will make the designation of restricted items. Examples of such items include: security codes, building keys, office or room keys, file, desk and cabinet keys, access to organizational vehicles, credit cards, and telephones.
- The New England Disabled Sports Employee and Volunteer Handbooks contain additional policies with regard to access to organizational assets such as buildings, vehicles and equipment.
- See Section 4.3 of these policies for policies regarding cash receipts and bank deposits.

## **2.7 Contracts, Deeds, Leases, etc.**

### **Policy:**

Leases and other contractual agreements are negotiated by the Executive Director and executed with the approval of the Board of Directors.

### **Procedures:**

- The Executive Director is authorized to develop and enter into contractual agreements with vendors and other third parties, consistent with these policies, and for the purpose of ensuring the organization's general operations. Contractual agreements that obligate the organization for more than \$5,000 over the course of the agreement require prior approval by the Board of Directors.
- Most business arrangements should be memorialized in contracts, memos of understanding or letters of agreement, all of which must be approved by the Executive Director. The Executive Director will use his or her best judgment as to the best means of documenting business arrangements. The Treasurer and President of the Board of Directors shall review such agreements and make recommendations when necessary.
- All notes, loans or other indebtedness to be contracted in the name of New England Disabled Sports (except for open accounts and all other routine banking transactions), shall require the signature of the Executive Director, unless otherwise specified by the Board of Directors. All indebtedness must be approved by the Executive Director and Board of Directors
- Only the Executive Director, Treasurer or President of the Board of Directors shall execute any Deeds, Conveyances, Mortgages, Leases, Contracts or other instruments in the name of the organization.

## **3 Financial Planning and Reporting**

### **3.1 Budgeting Process**

#### **Policy:**

New England Disabled Sports' budget is prepared by the Executive Director in conjunction with the Finance Committee and approved annually by the Board of Directors prior to the start of each fiscal year. The budget shall contain revenues and expenses forecasted by month.

#### **Procedures:**

- The Executive Director will work together with staff to ensure that the annual budget is an accurate reflection of programmatic and infrastructure goals for the coming year.
- The Executive Director will ensure that the budget is developed using the organization's standard revenue recognition (Section 4.2) and expense allocation (Section 5.5) procedures.
- The Executive Director and the Board Treasurer will present a draft budget to the Finance Committee at least 60 days prior to the end of the fiscal year and at least 30 days prior to its submission to the full Board of Directors.
- The Finance Committee shall review and approve a recommended fiscal year budget and submit it for final approval to the Board of Directors. A chart projecting monthly cash flow shall also be included.
- The Board of Directors will endeavor to approve the budget at its last meeting prior to the start of the fiscal year.

### **3.2 Internal Financial Reports and Reporting to the Board of Directors**

#### **Policy:**

New England Disabled Sports prepares regular financial reports on a monthly basis. All reports are finalized no later than 15 days after the close of the prior month.

#### **Procedures:**

- The Bookkeeper is responsible for producing the following year-to-date reports within 15 days of the end of each month: Statement of Financial Position, Statement of Activities, Budget vs. Actual Variance Report, and updated Cash Flow Projection.
- The Executive Director and Board Treasurer review financial reports each month, and the Finance Committee presents reports to the full Board of Directors at each regular meeting.
- On a quarterly basis, the Executive Director prepares a narrative report that summarizes the organization's current financial position and includes explanations for budget variance.

### **3.3 Audit**

#### **Policy:**

External independent audits for New England Disabled should be conducted at least every five years at the direction of the Board of Directors. An independent auditor will determine whether the financial statements have been prepared according to generally accepted accounting principles (GAAP) and present fairly the organization's activities and financial position. Audited statements should be used by the Board of Directors to verify the financial statements presented by management are consistent, reliable, comparable and accountable, and are often required by major donors, grantors, creditors, and regulators.

#### **Procedures:**

- The Board of Directors will rely on the Finance Committee to work with management to select, retain and terminate the independent auditor, and to determine the objective of each independent audit.
- The Executive Director will serve as staff liaison to the auditor; and, all staff members are expected to fully cooperate with auditors.
- In addition to producing audited financial statements, the independent auditor should evaluate the organization's internal controls, adherence to its fiscal policies, compliance to GAAP, and correct observance of FAS 116 (non-profit revenue recognition) and 117 (financial statements for non-profit organizations).
- In conjunction with the independent auditor, the Finance Committee should evaluate whether management exhibits the proper tone at the top, fostering an ethical culture.
- The Finance Committee will obtain and review the report by the independent auditor to evaluate the auditor's qualifications, performance, and independence. Auditors are not independent if they make management decisions and/or perform management functions.
- The Finance Committee should discuss audited financial statements with management and the independent auditor, including any major risk areas that have been identified.
- The Finance Committee should discuss any audit problems or difficulties with the independent auditor that may have occurred during the audit.

- The Finance Committee should meet with management and the independent auditor periodically during the course of the audit.
- The Finance Committee will present the independent auditor's findings to the full Board of Directors upon completion.

### **3.4 Tax Compliance**

#### **Exempt Organization Tax Returns**

##### **Policy:**

The Treasurer of the Board of Directors and the Executive Director shall retain a Certified Public Accountant to prepare all required tax returns, including Federal Form 990, on an annual basis. Tax returns shall be filed by February 15 of each year unless an extension request is necessitated by rare and unforeseen circumstances.

##### **Procedures:**

- The Executive Director will serve as staff liaison to the CPA. All required materials and records should be provided to the CPA on a timely basis. The Executive Director will ensure that the Bookkeeper provides the CPA with any required Financial Statements and records.
- The Treasurer of the Board of Directors will review, approve, and sign tax returns on behalf of New England Disabled Sports.
- Upon filing, tax returns will be provided to the Board of Directors and available for viewing by the membership, donors and potential donors.

#### **Quarterly and Annual Payroll Reports**

##### **Policy:**

New England Disabled Sports outsources payroll responsibility to a payroll service that shall be responsible for timely and accurate payroll tax reporting.

##### **Procedures:**

- The Executive Director shall select a payroll service and will remain ultimately responsible to the Board of Directors for payroll and for payroll tax compliance.
- The payroll service provider will prepare employee W2's by January 31 of each year and ensure accuracy and timeliness through an annual report to the Executive Director.
- The payroll service provider will file quarterly payroll reports (941 and state reports) by the filing deadlines and will certify accuracy and timeliness through written reports to the Executive Director.

## **4 Revenue and Accounts Receivable**

### **4.1 Invoice Preparation**

#### **Policy:**

All grants and other receivables are invoiced each month to correctly capture and allocate billable time (if applicable) and expenses, and to ensure a regular healthy cash flow. All final invoices for the prior month will be completed by the 15th of the following month (e.g. June 15th for May).

#### **Procedures:**

- The Administrative Director gathers relevant expense documentation, prepares all invoices, and submits to the Executive Director for approval by the 10th of each month.
- Following approval, the Administrative Director makes three copies of each invoice. One copy is mailed to the client/grantor no later than the 15th of the month, one copy is provided to the Bookkeeper for correct accrual recognition and recording, and one copy is filed in the client or grant folder.
- As part of the monthly close process, the Bookkeeper reviews an Accounts Receivable Aging report and alerts the Administrative Director of invoices more than 60 days overdue.
- The Executive Director determines appropriate collection efforts for long outstanding invoices. The Treasurer is also notified of any receivables that are more than 90 days outstanding and/or more than \$1,000.

### **4.2 Revenue Recognition**

#### **Policy:**

All contributions will be recorded in accordance with GAAP, with specific attention to standards FAS 116 and 117. Contributions are recorded as pledged or received in accordance with FAS 116 (Accounting for Contributions Received and Contributions Made), and must be credited to the appropriate revenue lines as presented in the annual budget and coded as designated in the Chart of Accounts.

#### **Procedures:**

- The Administrative Director opens all mail (in the presence of another employee – both of whom will initial any revenue which is included in mail), collects all Point of Sale revenues, prepares daily revenue reports and bank deposits. The Administrative Director also prepares thank you letters for contributions for the signature of the Executive Director. The Executive Director will initial and approve all daily revenue reports.
- The Executive Director will also review all grants received, as well as contributions in excess of \$500, to ensure that revenues are properly recognized.
- The Executive Director indicates on the letter or copy of the check how the revenue shall be recognized (as earned/contributed, conditional/unconditional and restricted/unrestricted). If there is a question or uncertainty about how to recognize a particular contribution, the Executive Director will ensure that the donor is contacted to clarify the intent of the contribution.
- The Administrative Director is responsible for posting revenue to the general ledger in accordance with the determination of proper revenue recognition made by the Executive Director.
- All recording of revenues to the general ledger shall be in accordance with FAS 116: Generally, contributions



received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. Conditional promises to give, whether received or made, are recognized when they become unconditional – that is, when the conditions are substantially met.

- Any restricted revenues are to be recognized as such on Financial Statements as a separate line item, as are applicable expenditures. It is the ultimate responsibility of the Executive Director and the Treasurer of the Board of Directors that restricted revenues are correctly utilized.

#### **4.3 Cash Receipts and Bank Deposits**

##### **Policy:**

To ensure a healthy cash flow and accurate financial reporting, and to avoid any appearances of impropriety, staff members not involved in the accounting function should be involved in processing cash receipts. Checks and cash are to be processed and deposited as soon and often as practical, especially during peak revenue periods such as ski season.

##### **Procedures:**

- All mail is to be opened and distributed to applicable staff by the Administrative Director. Unless impractical, a second employee should observe the mail opening process.
- All checks received should be immediately endorsed "for deposit only," using the organization's endorsement stamp and initialed by any employees involved in the mail opening. Copies of all checks received are made, and retained pursuant to Section 1.6.
- Any employee who receives a check or cash, such as a donation or program fees should immediately give such check or cash to the Administrative Director.
- The Administrative Director prepares daily revenue reports, to be approved by the Executive Director in accordance with the policies and procedures in Section 4.2, records them in the general ledger, and prepares bank deposits. Daily revenue reports with copies of deposit tickets should be forwarded to the Bookkeeper for bank reconciliation.
- All cash is to be counted by two individuals who will affix their initials to deposit tickets. Cash in excess of \$250 shall be deposited the same day it is received, utilizing night deposit procedures when necessary. Other deposits, including deposits of checks should be made as soon and often as practical.
- Monies received electronically, such as stock transfers and online contributions should be properly recorded by the Administrative Director for inclusion in daily revenue reports, recognized and approved by the Executive Director and coded in compliance with revenue recognition procedures (see Section 4.2), and reported to the Bookkeeper.
- The Administrative Director shall make appropriate entries into the accounting system and create logs of all cash receipts to be reconciled by the bookkeeper with deposit tickets and bank statements.

#### **4.4 Point of Sale**

##### **Policy:**

Credit and debit card transactions processed through point of sale software shall be recorded separately and internally to ensure that all revenues of the organization are correctly received and deposited.

**Procedures:**

- Upon receipt of funds received through credit card transactions, in addition to processing the payment through point of sale methods (e.g. credit card processing device, "Square"), a notation is made by the Administrative Director on internal records (e.g., student records, registration documents, donation acknowledgement letters), and copies are provided to the Bookkeeper for reconciliation and audit purposes.
- Upon receipt of monthly reports from credit card providers, such reports are forwarded to the Bookkeeper who shall make appropriate entries into the accounting system and create logs of all credit card transactions to be reconciled with bank statements.

#### 4.5 Receipts to Donors

**Policy:**

The Executive Director shall ensure that all donors and contributors receive proper acknowledgement of their contributions in accordance with IRS Guideline. Such acknowledgement shall be made as promptly as practical as a component of New England Disabled Sports' donor relations philosophy.

## 5 Expenses and Accounts Payable

### 5.1 Payroll

**General Policy:**

New England Disabled Sports outsources payroll responsibility to a payroll service that shall be responsible for timely and accurate payroll processing. The Executive Director is responsible for monitoring the organization's relationship, and the Administrative Director is the day-to-day liaison with the payroll service provider

Salary payment is made bi-weekly for salary earned up to close of the pay period. Paydays are normally scheduled every other Wednesday. Overtime payments, which are included with the nonexempt employee's base salary payment, are also paid bi-weekly with such payment covering hours worked in the prior two-week period. If a pay date lands on a holiday, paychecks will be distributed on the closest business day before the holiday. Paychecks will only be given to the employee, mailed to his or her home address, or direct deposited.

**Time Reporting and Approval****Policy:**

Each employee is to maintain accurate daily records of his or her hours worked. Reporting forms will be provided by the organization. All absences from work schedules should be appropriately recorded. Exempt employees are responsible for keeping accurate time records if he or she intends to request compensation time or variations to regular workweeks. For non-exempt employees, overtime is defined as hours worked in excess of 40 hours in a workweek. The Executive Director must approve overtime hours in advance.

**Procedures:**

- Recognizing the unique nature of New England Disabled Sports' programming and calendar, the organization has established a paid time off (PTO) policy, which contains provisions for and replaces traditional policies for vacation time, sick leave, inclement weather, medical appointments, personal time, and other time away from

work. The complete policy is contained in the New England Disabled Sports Employee Handbook.

- The Administrative Director will keep a master time record for all employees, which will record regular time, compensation time, and PTO and will ensure that policies are adhered to. Each employee is responsible for reporting his or her time to the Administrative Director weekly. The Administrative Director will also track overtime for non-exempt employees.
- Any alterations to normal payroll processing and amounts require written approval of the Executive Director.
- In the event an employee's attendance violates policies such that an adjustment of pay is required, the Executive Director, who will provide such documentation to both the employee and the payroll service in accordance with state law, will document and sign the adjustment.

### **Payroll Additions, Deletions and Changes**

#### ***Policy:***

The Executive Director has overall authority to approve payroll changes for staff. If any payroll change will exceed the adopted budget, the Executive Director is required to receive approval from the Board of Directors. All payroll changes must be approved in writing.

#### ***Procedures:***

- Any employees added or removed from the payroll system require written notification and approval of the Executive Director.
- Salary increases require the approval of the Executive Director who must inform the Board of Directors in advance. The Board of Directors must approve any increases to the compensation of the Executive Director and the President of the Board of Directors must sign written documentation to be submitted to the payroll service.
- Employees must submit requests for payroll changes (e.g. changes in deductions, direct deposit information, etc.) in writing to the Administrative Director, who will submit the request to the payroll service provider.

### **Payment Upon Termination**

#### ***Policy:***

Employees who employment with New England Disabled Sports is terminated will be given their final paycheck as required by New Hampshire statutes: within 72 hours if termination was initiated by the organization, and on the next regularly scheduled pay date if the employee voluntarily resigned.

#### ***Procedures:***

- Upon termination of an employee's employment with New England Disabled Sports, the Executive Director will immediately inform the payroll service of the precise date of termination and whether the organization or the employee initiated the termination.
- The payroll service provider will be required to submit payment to the employee as required by state law.
- Paid Time Off (PTO) balances will also be paid upon separation up to and including a maximum of 240 hours, if requested by the terminated employee. If an employee does not request PTO payout and returns to New England Disabled Sports within one year from separation date, his or her PTO balance will be reinstated.
- Should a terminated employee be unable to personally retrieve his or her paycheck, it will be mailed to the

address on file unless direct deposit arrangements have been made.

## **5.2 Purchases and Procurement**

### **Policy:**

Purchases by employees in excess of \$250 require written advance approval of the Executive Director. Any expenditure in excess of \$1,000 for the purchase of a single item should have bids from three (3) suppliers, if possible. The Executive Director will review these bids with the employee and must specifically approve the bid award in advance.

### **Procedures:**

- New England Disabled Sports does not require purchase orders. However, purchase requests in excess of \$250 should be made by email to the Executive Director who will provide his or her approval in a return email. This email approval should be printed and attached to the invoice upon receipt.
- When multiple bids are required for a purchase, documentation of adherence to the policy should also be attached to the invoice.

## **5.3 Invoice Approval, Coding and Processing**

### **Policy:**

All invoices require the signature of the Executive Director, correct general ledger coding and appropriate back-up documentation before payment is processed. Checks issued for invoices require signature(s) in adherence with Section 2.5. Approved invoices will be paid within 30 days of receipt.

### **Procedures:**

- Invoices and bills will be opened, reviewed, and date-stamped by the Administrative Director, who will then route the invoice to the appropriate employee. The Executive Director will be notified immediately of any unexpected or unauthorized expenses.
- The employee who was responsible for the order must sign the invoice, provide the proposed general ledger code, and attach appropriate back-up documentation such as purchase preauthorization, appropriate contracts or agreements and/or proof of receipt for goods (e.g. packing slips) and forward the invoice to the Executive Director for final approval. This step must take place promptly to assure that all invoices are paid within 30 days.
- The Executive Director will provide final approval of invoices, must approve the correct general ledger codes, and have them returned to the Administrative Director for payment and entry into the general ledger. If the Administrative Director feels the expense is incorrectly coded, he or she should immediately contact the Executive Director for clarification.
- After issuing the check, the Administrative Director will attach a copy of the check to the documentation and return both checks and documentation to the Executive Director who will contact the Treasurer for authorization to affix the Treasurer's signature. Upon approval and signature, the Executive Director will initial the documentation as paid.
- Copies of checks and all invoices paid will be filed with the Administrative Director. After two years, these documents will be archived, but not destroyed.

## 5.4 Cash Disbursements

### **Policy:**

Itemized invoices and/or copies of business agreements and contracts will be required with any check requests. Advance check requests require the same level of approval as invoices.

### **Procedures:**

- If a check is required in advance for a particular good or service, a check request memo will be submitted to the Administrative Director. Such request must include a complete explanation, correct general ledger coding and approval of the Executive Director.
- In every case, checks issued require signature(s) in adherence with Section 2.5.
- It is preferential that the check be mailed to the vendor. If the vendor is local and requires the check immediately, the check can be hand-delivered by the requesting employee with advance approval of the Executive Director.

## 5.5 Expense Allocations

### **Policy:**

Expense allocations at New England Disabled Sports will be in compliance with GAAP and any applicable grant agreements. It is the responsibility of the Executive Director to ensure that correct expense allocations are documented, recorded, and accurately reflected in Financial Statements. If the Administrative Director, Bookkeeper, External Auditor, or any other individual believes that expenses are incorrectly allocated, he or she should immediately bring the concerns to the Executive Director and the Treasurer of the Board of Directors. Appropriate changes to expense allocations on Financial Statements will be made with the approval of the Executive Director and Treasurer, if necessary.

## 5.6 Credit and Debit Cards

### **Policy:**

With the approval of the Board of Directors, the Executive Director and Administrative Director will be issued a credit and/or debit card for expenditures on behalf of the organization. The Executive Director may request a card for other employees who require one, especially those who travel frequently. The Board of Directors must approve issuance of credit or debit cards.

### **Procedures:**

- Organizational credit and debit cards can only be used for business expenses. Employees are prohibited from using organizational cards for personal expenses and/or purchases.
- All purchase thresholds and approval policies apply to credit and debit card purchases (Sections 5.2 and 5.3), as they do to invoiced transactions.
- Credit and debit card transaction reconciliation should be submitted to the Administrative Director by the 10<sup>th</sup> of each month with required documentation, general ledger coding and approvals.
- The credit/debit card reconciliation reports of the Executive Director require the approval of the President of the Board of Directors. The credit/debit card reconciliation reports of other employees require the approval of the Executive Director.



## **5.7 Staff Travel**

### **Policy:**

The Executive Director must authorize all staff travel that will require reimbursement and/or time away from the office in advance. The Executive Director will evaluate proposed travel based on its alignment with the organization's mission, and the stated goals and objectives of the Board of Directors, along with budgetary, operational and manpower considerations.

### **Procedures:**

- Employees are required to verify that planned travel is eligible for reimbursement before making travel arrangements.
- Upon completion of approved trips, and within 30 days, employees must submit both a Travel Expense Reimbursement form, with supporting documentation, and an explanation of accomplishments from the trip.
- Employees seeking reimbursement should incur the lowest reasonable travel expenses and exercise care to avoid the appearance of impropriety. If a circumstance arises that is not specifically covered in travel policies, the most conservative course of action should always be taken.
- The Executive Director will seek approval from the President of the Board of Directors for any reimbursed travel, except for local trips.

## **5.8 Employee Expense Reimbursement**

### **Policy:**

Reimbursement is authorized for reasonable and necessary expenses incurred while carrying out job responsibilities. Employees serving in an official capacity for New England Disabled Sports will be reimbursed for actual expenses, as long as the general purpose of such expenditures is approved in advance.

### **Procedures:**

- Employees are responsible for transportation costs between the office and home during normal work hours. Transportation costs are paid by New England Disabled Sports for pre-approved work outside normal work hours, but only if the employee is on official business.
- Employees authorized to use their personal cars for organizational business are reimbursed at the U.S. Internal Revenue Service approved rate. Gasoline purchases are not reimbursable.
- Forms will be provided to request reimbursement for actual expenses and advance payment for travel. Itemized receipts must be provided for all expenditures in order to claim reimbursement. Requests for expense reimbursement should be made weekly.
- Reimbursement forms submitted more than 30 days after expenses are incurred may be rejected as untimely.
- With the exception of approved travel, employees should refrain from using personal credit cards for reimbursable expenses and purchases. Purchases on behalf of the organization should be made in accordance with the Purchase and Procurement policy (Section 5.2). In cases where an approved purchase requires immediate and advance payment, the Executive Director or Administrative Director may provide a debit card on which to make the purchase.

- The Executive Director must approve all expense reimbursements. The President of the Board of Directors must approve expense reimbursement requests of the Executive Director.

## **6 Asset Management**

### **6.1 Cash Management and Investment Policy**

#### **Policy:**

The Finance Committee and/or Executive Director are responsible for administering investment accounts and bank account balances, and for seeking investment advice. Cash surpluses may be transferred to the New England Disabled Sports Foundation with the approval of the New England Disabled Sports Board of Directors. With the exception of transfers between operating accounts, all transfers between bank accounts, between bank accounts and investment accounts, and between New England Disabled Sports and its Foundation shall be recommended by the Finance Committee and approved by the Board of Directors.

#### **Procedures:**

- A cash fund of 30-40% of annual operating expenses should be maintained at all times. When the fund balance falls below this minimum, the Finance Committee and the Executive Director shall develop a plan and budget for rebuilding it.
- Cash and cash equivalents include all cash balances and highly liquid investments with maturity of six months or less. New England Disabled Sports will place temporary cash investments with highly rated financial institutions at the direction of the Finance Committee. The Treasurer and Executive Director will closely monitor the balances of operating account(s), money market accounts and certificates of deposit accounts.
- The philosophy of New England Disabled Sports' short-term investments is safety of principal and liquidity.
- When operating account balance reaches a level significantly higher than necessary, the Finance Committee shall transfer funds to an interest-bearing account or determine an investment strategy to be approved by the Board of Directors.
- All long-term investments shall be with a financial institution selected and approved by the Finance Committee and must have a long-term investment rating of A or higher by Standard and Poor's, or a compatible rating. Investments will follow the Prudent Man Rule, meaning that each investment be judged on its own merits and that speculative or risky investments are to be avoided.
- Pursuant to its agreement with the New England Disabled Sports Foundation, an amount equal to 10% of gross fundraising revenues from the prior fiscal year shall be budgeted for and transferred to the Foundation at the beginning of each fiscal year.

### **6.2 Capital Equipment**

#### **Policy:**

Equipment valued at \$5,000 or more shall be capitalized over its useful life, rather than expensed. An accurate inventory of equipment and maintenance policies shall be maintained by the organization.

**Procedures:**

- 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.
- Depreciation should be posted to the general ledger annually at the recommendation of the organization's CPA, with the approval of the Finance Committee.
- The organization's CPA, at the direction of the Executive Director and Treasurer, should prepare a depreciation schedule annually, taking into consideration the current equipment inventory.
- A Property Removal Form and approval of the Executive Director shall be required for the removal of the organization's property and/or equipment from the New England Disabled Sports premises.
- New England Disabled Sports shall maintain an accurate inventory of all equipment at all times. Assets and equipment that are no longer in use shall be disposed of or donated with the approval of the Executive Director and correctly removed from inventory and depreciation schedules.

### 6.3 Operating Reserve

**Policy:**

The target minimum operating reserve fund for the organization is three months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, office, travel, and program expenses, and ongoing professional services.

**Procedures:**

- The amount of the operating reserve will be calculated each year after approval of the annual budget, reported to the Finance Committee and Board of Directors, and included in regular financial reports.
- The operating reserve will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for operating reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.
- To use the operating reserves, the Executive Director will submit a request to the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within twelve (12) months to restore the operating reserve fund to the target minimum amount.

## **APPENDIX**

### ***Effective Systems of Internal Control***

Internal control can be divided into two areas: accounting controls and administrative controls. Administrative controls deal with the operations of the organization, 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 well 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 organization. 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 authorized 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 from 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.

## *Statement of Accounting Standards No. 116: Accounting for Contributions Received and Contributions Made*

### **Summary**

This Statement establishes accounting standards for contributions and applies to all entities that receive or make contributions. Generally, contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. Contributions made, including unconditional promises to give, are recognized as expenses in the period made at their fair values. Conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met.

This Statement requires not-for-profit organizations to distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire.

This Statement allows certain exceptions for contributions of services and works of art, historical treasures, and similar assets. Contributions of services are recognized only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of works of art, historical treasures, and similar assets need not be recognized as revenues and capitalized if the donated items are added to collections held for public exhibition, education, or research in furtherance of public service rather than financial gain.

This Statement requires certain disclosures for collection items not capitalized and for receipts of contributed services and promises to give.

This Statement is effective for financial statements issued for fiscal years beginning after December 15, 1994, except for not-for-profit organizations with less than \$5 million in total assets and less than \$1 million in annual expenses. For those organizations, the Statement is effective for fiscal years beginning after December 15, 1995. Earlier application is encouraged. This Statement may be applied either retroactively or by recognizing the cumulative effect of the change in the year of the change. The provisions for recognition of expirations of restrictions may be applied prospectively.

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## *Statement of Accounting Standards No. 117: Financial Statements of Non-Profit Organizations*

### **Summary**

This Statement establishes standards for general-purpose external financial statements provided by a not-for-profit organization. Its objective is to enhance the relevance, understandability, and comparability of financial statements issued by those organizations. It requires that those financial statements provide certain basic information that focuses on the entity as a whole and meets the common needs of external users of those statements.

This Statement requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. It requires reporting amounts for the organization's total assets, liabilities, and net assets in a statement of financial position; reporting the change in an organization's net assets in a statement of activities; and reporting the change in its cash and cash equivalents in a statement of cash flows.

This Statement also requires classification of an organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets—permanently restricted, temporarily restricted, and unrestricted—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

This Statement amends FASB Statement No. 95, Statement of Cash Flows, to extend its provisions to not-for-profit organizations and to expand its description of cash flows from financing activities to include certain donor-restricted cash that must be used for long-term purposes. It also requires that voluntary health and welfare organizations provide a statement of functional expenses that reports expenses by both functional and natural classifications.

This Statement is effective for annual financial statements issued for fiscal years beginning after December 15, 1994, except for organizations with less than \$5 million in total assets and less than \$1 million in annual expenses. For those organizations, the Statement is effective for fiscal years beginning after December 15, 1995. Earlier application is encouraged.

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