



Harbor District, Inc.

Financial Policies and Procedures

Version 2.1

Adopted January 28, 2016

Amended December 3, 2019

Amended September 1, 2020

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Introduction

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

All HDI staff with a role in the management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

These policies will be reviewed and revised as needed and approved by the Executive Director and Finance Committee of the Board of Directors.

1. Division of Responsibilities

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

Board of Directors

- Reviews and approves the annual budget
- Reviews annual and periodic financial statements and information
- Reviews Executive Director's performance annually and establishes the salary
- Two members of the board will be appointed by the board to be authorized signers on the bank accounts
- Reviews and approves all contracts over \$10,000.
- Reviews and advises staff on internal controls and accounting policies and procedures
- Selects and contracts with an accounting firm for performance of an annual audit

Treasurer

In the absence of the Treasurer, these responsibilities may also be fulfilled by the President.

- Reviews and is second signatory for all checks above \$5,000.
- Reviews and approves all financial reports
- Reviews Debit Card usage

Executive Committee

- Reviews and approves budget variances of greater than 10% (but not less than \$500). These items will be reported to the board at the following meeting.

Executive Director

- Reviews and approves all financial reports
- Sees that an appropriate budget is developed annually
- Reviews and signs all issued checks
- Reviews and approves all contracts

- Reviews and approves all grant submissions
- Is on-site signatory for all bank accounts and approves inter-account bank transfers
- Reviews all bank statements and completed monthly bank reconciliations
- Oversees the adherence to all internal controls
- Monitors program budgets and approves all program expenditures and expense allocations
- Reviews all payrolls and is responsible for all personnel files
- Reviews and manages cash flow
- Reviews and approves all reimbursements and fund requests
- Reviews all incoming and outgoing invoices
- Monitors grant reporting and appropriate release of temporarily restricted funds

Operations Manager

- Receives and opens all incoming mail
- Logs incoming cash and checks in Receipts Log; endorses checks for deposit
- Reviews credit card charges and reconciles receipts with bank statements

Bookkeeper

- Has overall responsibility for data entry into accounting system and integrity of accounting system data
- Processes invoices and prepares checks for signature
- Processes payroll
- Maintains general ledger
- Prepares monthly and year-end financial reports
- Reconciles all bank accounts
- Processes vendor payments for approval by ED
- Manages Accounts Receivable

Outreach Specialist

- Makes bank deposits

2. Budgeting

In consultation with the Executive Committee, the Executive Director shall prepare an annual budget for approval by the Board before the beginning of each Fiscal Year. Program staff shall prepare budgets for their individual programs to be included in the overall organizational budget.

The Bookkeeper shall enter budget amounts for each line item into the accounting system, and provide budget-to-actual reports for the organization and for each program or project at least quarterly.

Expenses of more than \$500 and causing a line item to exceed its budget by more than 10% shall be approved by the Executive Committee. Recognizing that the organization's size and

nature of its work may make accurate budgeting difficult, the Executive Committee may revise the budget as needed during the course of the year to reflect unanticipated revenues or expenses.

3. Annual Audit and Tax Return

The financial statements will be audited and fiscal policies and controls reviewed annually by an independent auditor selected by the Board of Directors. The Board will require that the audit be conducted in conformance with generally accepted accounting practices. The draft audit shall be presented to the Executive Committee and the final audit to the Board of Directors. Every five years, the Board shall solicit proposals for the annual audit from no less than three qualified firms.

The organization's annual federal and state tax returns shall be distributed to the Board of Directors for review prior to filing.

4. Receipts

The organization's primary source of revenue is grants and contributions. These may be received as checks via US Mail or as online contributions or Electronic Funds Transfers.

The Executive Director will maintain records of all online contributions and EFT transactions and provide copies for review to the Treasurer with each bank statement.

The organization shall not accept donations or other payments in cash.

See Appendix 1 for procedures governing the receipt and processing of deposits.

Reimbursement Grants; Drawdown of Federal Funds

Requests for payment of reimbursement grants shall be prepared and submitted by the designated contract manager in accordance with budget and actual expenditures.

Drawdown of funds from federal grants shall be authorized by the Executive Director. In order to expedite disbursement of federal funds, drawdown requests shall be made after expenditure requests have been received and authorized.

Donations, Gifts and Fundraising

Acceptance of gifts, with related restrictions or requirements, will be approved by the Executive Director in consultation with the Executive Committee when such restrictions or requirements are consistent with the mission of HDI and do not conflict with regulations or requirements of other funding sources or agencies.

Any acceptance of real property shall be approved by the Board.

Donors shall be offered the ability to donate anonymously.

HDI shall provide written acknowledgement of all contributions to the donor.

In Kind Donations

The organization shall record in its books any in kind donations that meet the following criteria:

- A single item valued at a minimum of \$1,000;
- Items in aggregate valued at a minimum of \$2,000 when added together for the fiscal year (e.g. repeated food and beverage donations);
- Services that meet the value threshold defined above and:
 - Require specialized skills (e.g. accounting, legal, electrical)
 - Are provided by individuals who possess those skills;
 - Would need to be purchased by the organization had they not been contributed.

The organization shall rely on the donor to provide an estimate of value of the contribution.

5. Disbursements

Generally, the organization's disbursements will consist of payment of invoices for budgeted services and/or supplies, and payroll. Disbursements are made via check, debit card, or bank transfer.

For each program or contract, the designated manager reviews invoices or other requests for payment and:

- Verifies that goods or services have been received and approved;
- Approves for payment if in accordance with budget and contract;
- Provides account allocation information;
- Submits to the Bookkeeper for processing.

The Bookkeeper:

- Enters invoices into Quickbooks.
- Once a month, processes payments and prepares checks for printing and signature by the Executive Director.

The Executive Director reviews all invoices or other requests for payment and verifies amounts prior to signing checks. Checks for amounts in excess of \$5,000 shall be signed by two authorized signers.

Once checks are signed, the Bookkeeper shall mail with appropriate back-up, and file invoice, marked paid, with check stub attached

The Treasurer shall review bank statements, debit card receipts and check images monthly.

Payments to Employees

Reimbursements will be paid upon complete expense reporting and approval using the official (Organization) form. Reimbursements to the Executive Director will be authorized by the Board Chair.

Employee reimbursement requests must be in compliance with any applicable HDI policies (e.g. travel or personnel) or funder restrictions, must be submitted on the appropriate HDI form for approval by the Executive Director, and shall include the following supporting documentation:

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

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

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

No salary advances will be made.

No travel cash advances will be made.

Expense Allocations

Most non-salary expenses that benefit more than one cost center (administration, fundraising, and program) are spread across centers using a shared cost method. Under this method, the number of employee hours devoted to a cost center are divided by the total number of employee hours to determine the percentage of shared costs they should bear. The shared cost ratio will be calculated at the end of each year by the Executive Director, based on actual hours recorded during the last month of the fiscal year.

Credit and Debit Card Policy and Charges

The Executive Director shall be provided a Debit Card for authorized expenses.

The debit card shall not be used for personal or unauthorized purposes. In the event that an expense is deemed unauthorized, the card holder shall be held personally responsible for the expense.

Unauthorized use of the debit card includes: personal expenditures of any kind; expenditures which have not been properly authorized; meals, entertainment, gifts, or other expenditures which are prohibited by budgets, laws, and regulations, and the entities from which HDI receives funds.

The receipts for all charges will be given to the Operations Manager within two (2) weeks of the purchase along with proper documentation. The Operations Manager will verify all charges with the monthly statements. A record of all charges will be given to the Bookkeeper with applicable allocation information for posting. A copy of all charges will be

attached to the monthly bank statement when submitted to the Executive Director for approval and signing.

The Executive Director's debit card usage will be provided to the Board Treasurer.

6. Cash and Banking

The organization will not accept cash donations, nor maintain a petty cash fund.

All cash accounts will be held in financial institutions which are insured by the FDIC. No bank account will carry a balance over the FDIC insured amount.

Bank Account Reconciliations

All bank statements are given unopened to the Executive Director. The Executive Director reviews the statements for unusual balances and/or transactions.

The Bookkeeper will view the bank statement on line for monthly reconciliation as follows: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of inter-account transfers, an investigation of any rejected items, a comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.

The Bookkeeper will verify that voided checks, if returned, are appropriately defaced and filed.

The Executive Director will investigate any checks that are outstanding over six months.

The reconciliation report will be attached to the applicable bank statement along with all documentation, reviewed, approved, dated, and initialed by the Executive Director.

7. Property and Equipment

It is the organization's policy to capitalize all items which have a unit cost greater than one thousand dollars (\$1,000). Items purchased with a value or cost less than one thousand dollars (\$1,000) will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

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

Depreciation is recorded annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The organization has a Property Management Policy which governs the management and annual inventory of property and equipment. Any impaired assets discovered during the inventory will be written down to their actual value.

8. Personnel Records

All personnel files contain the following documents: an application and/or resume, date of employment, position and pay rate, authorization of payroll deductions, W-4 withholding authorization, termination data where applicable, a signed acknowledgement of receipt of Employee Handbook, an emergency contact form, and other forms as deemed appropriate by the Executive Director.

All employees will fill out an I-9 form and submit the allowable forms of identification to the Executive Director.

All personnel files are to be kept in a secure, locked cabinet or password-protected electronic folder and accessed only by authorized personnel.

9. Payroll Processing

For payroll purposes, the workweek commences on Saturday and ends on Friday. Timesheets are to be prepared by all hourly staff on the approved form and submitted monthly on the 25th of the month. If the 25th of the month falls on a weekend or holiday, the timesheets are to be submitted the day prior to the weekend or holiday.

Timesheets are to be signed and dated by the employee and the Executive Director.

Any changes to the standing information of the payroll register from the prior period including addition of new employees, deletion of employees, or changes in base pay rate must be accompanied by an Employment Information Form and signed by the Executive Director before the change can be made.

The Bookkeeper will process payroll in a timely manner and record paid time off accrued and taken, sick time taken, and any other information deemed necessary to properly reflect time worked. Paid time off shall be accrued at the end of each pay period. Sick time does not accrue, but a record of employees' paid sick time shall be maintained and no employee shall be paid for sick days in excess of the annual maximum indicated in the Personnel Policies.

Paychecks will be directly deposited to the employee's designated bank account on the 1st of each month. If the 1st falls on a weekend or holiday the paychecks will be distributed the following day.

10. End of Month and Fiscal Year-End Close

The Executive Director will review and sign off on all month- and year-end journal entries. They will be printed and filed for audit trail purposes.

At the end of each month and fiscal year end, the Executive Director will review all balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations, fixed assets accounts reflect all purchases, write-downs and

retirements, accounts receivable and payable accounts match outstanding amounts due and owed.

The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match the payroll reports including federal and state payroll tax filings.

The books shall be kept open for two weeks following the end of the fiscal year to allow for the appropriate recognition of expenses and revenues.

11. Financial Reports

The Bookkeeper will prepare the monthly and annual financial reports for distribution to the Executive Director. The reports will include: balance sheet, statement of income and expenses, a budget versus actual report for the organization, and any other requested reports.

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