

Friends of Nantasket Beach
Financial
Policies and Procedures

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I. Background Information

A. Fiscal Year

Friends of Nantasket Beach (“FONB”)’s fiscal year ends December 31st.

B. Division of Authority

Board of Directors

Responsible for fiduciary oversight of the organization including:

- Annual review and approval of financial statements.
- Annual review and approval of budget.
- Accountability of any personnel responsible for finance and/or operations.
- Development and oversight of organization’s financial policies.
- Oversight and approval of any auditor selection and annual audited financial statements.

Treasurer

Responsible for day-to-day finance of the organization. Roles of this person include:

- Processing transactions.
- Managing accounts receivable, accounts payable, and billing.
- Managing any payroll and related services.
- Budget preparation.
- Completing ongoing financial forecasting.
- Managing cash flow and projections.
- Audit preparation and support (if an audit is conducted)

C. Basis of Accounting

FONB organization uses the cash basis of accounting.

D. Primary Financial Systems

Financial records are stored on the Treasurer’s computer and are backed up on a regular basis.

E. Bank Accounts

FONB maintains accounts at the following banking institutions:

Bank Name	Account Type (checking, savings)	Signing/Transfer Authority	Signature Method	Account Access?
Rockland Trust	Checking	Treasurer President	Manual	Treasurer & President

F. Signing Authority

All checks require two signatures. No checks shall be signed prior to the check being completed in its entirety (no signing of blank checks). The following are authorized check signers:

- President
- Treasurer

II. Revenue and Accounts Receivable

A. Revenue Recognition

FONB generally receives the following types of revenues:

- Membership dues
- Contributions
- Grants
- Contract revenues through federal and state agreements
- Earned income through sales of merchandise

FONB will follow GAAP guidelines regarding revenue recognition

B. Contributions

Cash

FONB receives contributions through cash, check, or credit card transaction. All donations are initially deposited into the checking account.

Non-Cash

Non-cash donations are accepted at the discretion of the Treasurer

Pledges

It is FONB's policy to record the full amount of pledges with a determinable value at the time of written notification of the pledge. Note that the following "pledges" are recorded differently:

- *Donor Advised Funds*: If a donor creates a donor advised fund and identifies funds will be given to FONB, we do not record revenue at the time of the indication (even if in writing) because Donor Advised Fund control is technically given to the fund administrator, who could decide to change the amount or recipient of the funds. DAF contributions are not recorded until cash is received.
- *United Way multi-year grants*: The grant agreements typically note that funding is subject to United Way's fundraising results, and therefore may be a different amount.

Therefore, United Way revenues are not recorded until cash is received. (Note: review the grant agreement to ensure it is stated in this way).

In-Kind Donations

In-kind donations are non-cash, stock, or mutual fund gifts that are provided to the organization, at the discretion of the Treasurer. FONB records the gift at the fair market value as of the date of the receipt. Donations with an easily ascertainable value are recorded at the amount the donor spent on it (e.g.: a plane ticket for organizational business that a board member booked that the organization otherwise would have paid for). If the price is not easily ascertained, FONB should record the value noted as the “quoted price in the active market” as available. Note that gift acknowledgements should describe the gift and the date received, but should NOT identify a dollar value in the acknowledgement.

FNOB only records in-kind services that are professional in nature and that the organization would have otherwise had to pay for. These services are recorded at the fair market value hourly rate times the number of hours provided.

C. Grants

FONB receives revenues from government and philanthropic grants. Grant revenues may be restricted for a specific purpose or timeline, but are generally based on an agreed-upon total dollar amount up-front. The grant listing, including due dates and contact information for each grant, is stored on the computer of the Treasurer.

Grant revenues are recorded by the Treasurer on their computer including information regarding notification of the grant, accepting the grand, and recording of the revenue. Treasurer is responsible for grant reporting and contact with any grantor.

D. Contracts

FONB may engage in contracts to provide services to our clients. Contracts are mechanisms for procurement of products or services with specific obligations. Contract revenues are earned as the service is provided.

Contract revenues are billed and recorded by the Treasurer on their computer including tracking, billing and recording the revenues.

E. Earned Income

FONB earns income through the sale of branded goods and membership dues. The process for tracking and recording earned income is as follows:

Making the sale: sales of goods and membership dues are made online via credit card or by mail over check; checks are received and processed by the Treasurer. (describe process, who is involved, and related cash controls)

Recording the sale in the general ledger: The Treasurer will ensure all sales are recorded on the general ledger.

Sales tax remit (if applicable): if a sale is subject to sales tax (not part of the exempt activities), the Treasurer will record.

F. Classification and Designation of Funds

FONB records revenues as unrestricted, temporarily restricted, or permanently restricted.

Unrestricted

FONB records contribution assets as unrestricted unless specifically restricted by the donor.

Temporarily Restricted Fund

FONB records assets as temporarily restricted if they have a donor-imposed stipulation. Temporary restrictions expire with the passage of time, or in accordance with an action that will satisfy the donor-imposed restriction. When a restriction expires, FONB re-classifies temporarily restricted net assets to unrestricted net assets and reports them in the income statements. Contributions that are restricted and fulfilled in the same year are classified as unrestricted for annual financial statement presentation. Examples of temporary restrictions include:

- Unspent pledges restricted for a specific operating purpose.
- Gifts that are donor restricted for a specific purpose.
- Pledges to be received in future years.

Permanently Restricted Fund

FONB records assets as permanently restricted if they are designated as such by a donor-imposed stipulation. However, income derived from permanently restricted assets is classified as unrestricted, unless a written contract with the donor stipulates to the contrary.

Designated Funds

The Board of Directors may designate funds to be used for a specific purpose. Designated funds can be un-designated by the Board at any time, through approval in accordance with Board policies. Designated funds are considered unrestricted in the financial statements.

G. Cash Receipts

FONB can receive receipts in the form of cash, checks, or credit card. FONB's goal is to ensure that cash receipts are properly received, recorded and safeguarded whether they are on-hand, in the bank, or in transit.

Mail Opening

The Treasurer or President opens the mail each day. For any mail that appears to include cash or checks, the Treasurer will record the date, amount, check number (if applicable) and the organization or individual's name.

In-Person Payments

The Treasurer accepts payments or donations when presented. He/She follows the same cash receipts process as for payments in the mail.

H. Cash Deposits

Preparing the deposit

The Treasurer prepares a weekly cash and check deposit. He/she endorses all checks. The Treasurer reviews each deposit, signs and dates, and takes the deposit to the bank on the last business day of each week. After the deposit is made, the deposit slip is scanned and stored with the copy of the deposit.

Credit card deposits are automatically processed and deposited electronically.

Endorsement

All checks to FONB shall be endorsed with the following restrictive endorsement:

Friends of Nantasket Beach
For Deposit Only
Rockland Trust

Recording the deposit

Upon preparation of the deposit, the Treasurer records the deposit in the general ledger using the accounts receivable module. For all donations, the Treasurer records donor details.

I. Accounts Receivable

Receivables are due when billed and delinquent after 30 days. Interest is not charged on balances and amounts are written off when deemed uncollectible. Bad Debts are provided on the reserve method based on experience and analysis at year-end.

III. Expenses and Accounts Payable

A. Purchases and Procurement

The following purchasing processes are applicable for all purchases made by FONB. Purchases greater than \$500 must also be approved by the Board of Directors. Purchases made under federal awards are also subject to those award-specific purchasing requirements.

The following individuals/positions have authority to initiate purchases on behalf of the organization:

- Treasurer
- President

Additionally, directors may delegate purchasing authority to responsible individuals within their departments.

These individuals place orders or directly purchase needed items. They pay for the purchases using one of the following methods:

- FONB debit card
- Personal credit/debit card (later submitted for reimbursement)
- Requesting the vendor directly bill FONB, which is then paid by check.

Receipt and Acceptance of Goods

Upon delivery (as applicable), the Administrative Assistant or individual placing the initial order will sign a receipt noting we received the product, which is returned to the vendor. The Administrative Assistant checks the delivery for completeness, attaches the packing slip to the receipt and invoice, and provides these documents to the finance department.

B. Cash Disbursement

The following key steps outline the process for processing a payment by check.

Incoming Invoices – Incoming invoices should be routed to the responsible staff person for review and validation of expense and then presented to the Treasurer for payment.

Processing Check Requests – Checks will be processed on a weekly basis by the ~~accounting team~~ Treasurer. Checks will be processed to the due date if later.

Approval of Disbursement - The Treasurer will prepare a master list of all checks to be paid for approval by the President. If there are any questions or concerns about the amounts or account codes, the Treasurer should provide necessary information prior to running any disbursements.

Printing Checks - The Treasurer will print the checks from the accounting system. The checks should be attached to the invoice, purchase order (if applicable), and other supporting documentation, and delivered to an authorized signer for signing.

Signing of Checks – Printed checks will require one or two signature(s) from authorized personnel depending on the amount of the check.

Mailing Checks – Once checks are signed, checks will be distributed and mailed by the Treasurer.

Filing Documentation – Supporting documentation should be filed by the Controller in appropriate vendor files.

C. Credit Cards

Corporate credit cards will be available for select personnel for use on eligible expenses for business purposes. The cards will be used in alignment with the following parameters:

Eligibility – Only personnel specifically authorized by both the President and Treasurer are provided with corporate credit cards.

Allowable Uses – Corporate credit cards are for business purposes only of the entity for which the card is issued. Corporate cards may not be used for cash advances for any reason. Corporate credit cards are not intended for purchases that can otherwise be paid for using corporate checks. Instead, they are intended for vendors that do not accept corporate checks, purchases during travel, or emergency purchases.

Card Number Security – The person whose name the corporate credit card is in is solely responsible for all purchases on the card and ensuring that their credit card number is not used by unauthorized personnel. As such, the cardholder shall not share their card number with anyone other than their official designee. In addition, the credit card should not be stored in an online account that anyone other than the cardholder and their designee have access to.

Approvals – All purchases with corporate cards are to be expressly approved by the card holder. No purchases shall be made for amounts not included in the budget.

Receipts – The credit card holder or their designee is responsible for receiving, printing and retaining all receipts related to credit card purchases in the amount of \$20 or more. This includes receipts related to online purchases and restaurant purchases. The cardholder or their designee shall label all receipts with a description of what it is for to ensure proper coding by the Treasurer. If a receipt is accidentally lost, a written description of the items and cost must be submitted.

Termination – Upon the termination of position of a cardholder for any reason, all cards must be cancelled and returned to the designated person, along with any other company owned items.

Policy Violations – Violations of this policy may result in anything from a warning to cancellation of the card to termination, depending on the severity of the violation.

D. Wire Transfers

Wire transfers are eligible forms of disbursements in situations in which it is not appropriate or allowable to provide payment through a standard check.

Authorization - Wire transfers are subject to the same process and approval requirements for check requests.

Processing of Transfer – Wire transfers will require one or two authorized personnel depending on the amount of the transfer. The following positions are authorized signers: President and Treasurer. Wire transfers require two authorizations.

Documentation – Documentation of wire transfer must be provided to the accounting department for recording and processing, along with any supporting documentation.

E. Vendor Management

In order to create a payment voucher in the accounting system, the payee must be listed in the vendor master file. The Treasurer is the only employee with access to enter new vendors or change vendor information in the master file. All vendors include the following information:

- Vendor legal name and any DBA names
- Street address and PO Box (if applicable)
- Federal employer identification number
- Copy of form W-9
- Telephone number
- Fax number
- Key contact name and email address

A form W-9 is collected for every new vendor and stored on the Treasurer’s computer. No payments are made to vendors until a W-9 is collected. On an intermittent basis, vendors that have not been utilized in the preceding two years shall be marked inactive in the vendor master file.

F. In-Kind Expense and Barter

In-kind expenses and barter must be executed in alignment with the controls and process for all other distributions in this policy.

In-Kind Expenses – In-kind expenses are any non-cash contributions of value provided to others. These distributions of in-kind contributions must be authorized and accounted for in accordance with their value.

Barter – A barter applies to any situation where goods or services are exchanged, or when goods or services are received on the condition of providing a return benefit. These non-cash transactions require a barter agreement between the entities exchanging goods or services. These return benefit provided must be authorized and accounted for in accordance with its value.

IV. Accounting Procedures

A. Journal Entries

Manual journal entries are used to record entries outside of those that are system generated through modules such as accounts payable, accounts receivable, etc.

Access to making journal entries in the general ledger system is restricted to the following positions:

- Treasurer

All journal entries must have an approver that is different than the preparer. The approver must indicate review with a signature and date, prior to posting.

B. Bank Reconciliations

Bank statements are obtained electronically by the Treasurer and accounts are reconciled on a monthly basis. Reconciliations are performed by the Treasurer and the reconciliation packet (including the reconciliation, bank statement, and any supporting documentation) is reviewed by the President, indicating review with a signature and date. *Note that to ensure appropriate segregation of duties, the accountant should not be reconciling the bank statements as he/she is posting transactions.*

C. Credit Card Reconciliations

Credit card statements are mailed directly to the finance department. The department then scans the statement and emails it to each card-holder and their designee. All card holders must submit supporting documentation for each expense over \$20 within 10 days of receipt of the statement. Each receipt should be itemized and the appropriate coding (department and type of expense) should be indicated.

Upon receipt of the monthly credit card statement, the Treasurer gathers all credit card receipts and matches receipts to the statement. All purchases must be supported by a receipt; no exceptions. The credit card payment is then prepared as an unpaid voucher and follows the check disbursement process outlined in the check disbursement procedure.

V. Financial Reporting and Planning

A. Annual Budgeting Process

FONB prepares an annual budget on the accrual basis of accounting. The budget is finalized in December and approved by the Board of Directors.

Budget changes: Upon significant shifts in financial outlook, generally due to a new grant or change in federal funding allocation, the Treasurer may prepare an amended budget for the Board of Directors review and approval. The updated budget is then used in comparative reporting and management decisions.

B. Financial Reporting

FONB financial statements are used by management and the Board of Directors to monitor the organization's financial performance, make decisions, and communicate about the organization to interested parties external to the organization. The following financial statements are prepared by the Treasurer:

- **Balance sheet:** Reflects the assets, liabilities, and net assets of FONB. Classifies assets and liabilities as current or long-term. May be prepared to include a comparative balance, generally reflecting the balance at the end of the prior fiscal year. Net assets should be identified as unrestricted, temporarily restricted, or permanently restricted, if applicable.
- **Statement of revenues and expenditures:** Reflects all revenues and expenses for the current period and year-to-date. Includes delineation of restricted revenues. May be prepared to include a comparative balance.

C. Compliance

Form 990 Filings

Form 990 is due on the fifteenth of the fifth month following year-end. An automatic 3-month extension to file form 990 may be obtained by filing form 8868. The Executive Director is responsible to ensure for the timely filing of the Form 990. Finance staff may prepare the form 990 or may work with the outsourced accounting, audit firm or another firm to carry this out. All financial information in the 990 filing aligns with the financial information in the final audited financial statements. The form 990 should be reviewed and approved by the Board of Directors.

Attorney General Charities Annual Review

FONB files an annual report due July 15th of each year. A four-month extension can be obtained by submitting a copy of the Form 990 extension form. A \$25 annual registration fee is due at this time. A board resolution is required before this form can be filed.

Form 1099

FONB issues form 1099 for all applicable individuals or organizations. At the conclusion of each calendar year, the Treasurer reviews total fees paid to each vendor and issues a form 1099 for eligible individuals or organizations paid more than \$600. 1099s are due by January 31 of each year.

VI. Asset Management

A. Petty Cash

FONB maintains a petty cash box at the Treasurer's residence. A maximum of \$50 in various bills and change is kept in the box and it is only to be used for minor office expenditures. All disbursements from the fund must be accompanied by a completed and approved petty cash voucher and a receipt.

When the balance in the petty cash box is low, the Treasurer reconciles the cash balance and the receipts/voucher slips, records the expenses in the general ledger, and processes a check written to the organization to replenish the petty cash. This check undergoes the normal check disbursement procedure for approval prior to issuance. The Treasurer cashes the check and adds the funds to the petty cash box. After cashing the check, the Treasurer **immediately** brings the cash back to the organization's office.

B. Investments

FONB policy is to invest based on the Board of Directors approved investment policies. It is the responsibility of Executive Director to carry out those policies.

VII. Other Relevant Policies

A. Conflict of Interest Policy

This policy pertains to all members of the Board of Directors for FONB ("the Organization.")

Purpose

The purpose of this Conflict-of-Interest Policy is to protect the Organization's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interests of the Organization's Interested Persons or might result in a possible excess benefit transaction. This policy is intended to supplement, but not replace any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.

Definitions

Financial Interest

An Interested Person has a Financial Interest if the person has, directly or indirectly, through their business interest, investments, or family members (blood or marriage):

- An ownership or investment interest in any entity with which the Organization has a transaction or arrangement in; OR

- A compensation arrangement individually or with an entity, directly related to a transaction or arrangement with the Organization.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. An Interested Person is not allowed to accept a gift or favor that has a value of greater than \$50.

Conflict of Interest

A Conflict of Interest may exist if the Interested Person has a competing professional or personal interest. Such competing interests may make it difficult for the Interested Person to fulfill his or her other duties impartially. A Conflict of Interest can create an appearance of impropriety that can undermine confidence in the Interested Person's ability to perform his or her duties and responsibilities objectively.

A Financial Interest is not necessarily a Conflict of Interest.

Procedures

In connection with any actual or possible Conflict of Interest, an Interested Person must promptly disclose the existence of the Financial Interest prior to the start of negotiations. Disclosure is to be in writing to the Treasurer and the disclosure shall include all material facts. The Treasurer, working with the Board of Directors, shall determine if a Conflict of Interest exists.

Procedures of Addressing the Conflict of Interest

- If the Board has made a determination that a Conflict of Interest exists, it shall engage the Interested Person to make a presentation to the Board, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible Conflict of Interest.
- The Board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a Conflict of Interest, the Board shall determine by a majority vote of the disinterested members whether the transaction or arrangement is:
 - 1) in the best interest of the Organization, and
 - 2) whether it is fair and reasonable.
- In the conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

Violations of the Conflict-of-Interest Policy

- If the Board has a reasonable cause to believe an Interested Person has failed to disclose a Financial Interest in any existing or pending transaction or arrangement with the Organization, it shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.

- If, after hearing the Interested Person’s response and after making further investigation as warranted by the circumstances, the Board determines the Interested Person has failed to disclose a Financial Interest, it shall take appropriate disciplinary and corrective action.
- If the Board determines that an Interested Person entered into a transaction or arrangement that is a Conflict of Interest without Board approval, it shall be entitled to rescind the transaction and take any further legal action to protect the interests of the Organization.

Records of Proceedings

The minutes of the Board meeting shall contain:

- The names of the Interested Person who disclosed or otherwise were found to have Financial Interest in connection with an actual or possible Conflict of Interest, the nature of the Financial Interest, any action taken to determine whether a Conflict of Interest was present, and the Board’s decision as to whether a Conflict of Interest in fact existed.
- The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Annual Disclosure Statement

Each Interested Person has a duty to place the interest of the Organization foremost in any dealings with the Organization and has continued responsibility to comply with the requirements of this Policy. Promptly following the adoption of this Policy and annually thereafter, each person of interest shall acknowledge his or her familiarity with this Policy and shall disclose in writing to the Treasurer any existing financial interest or compensation arrangement subject to this Policy by completing a Conflict-of-Interest Annual Disclosure Statement. The Conflict-of-Interest Annual Disclosure Statements shall be reviewed by the Treasurer, and any issues referred by him/her to the Board.

B. Document Retention Policy

It is the policy of FONB to retain records as required by law and to destroy them when appropriate. The destruction of records must be approved by the Financial Manager, and logged into the organization’s Destroyed Records Log. The formal records retention policy of FONB is as follows:

Accounts Payable ledgers and schedules	Permanently
Accounts Receivable ledgers and schedules	Permanently
Articles of Incorporation	Permanently
Audit Reports	Permanently
Bank Reconciliations	3 years
Bank Statements	3 years
Chart of Accounts	Permanently
Cancelled Checks (taxes, property purchases, special contracts)	Permanently
Certificate of Incorporation & Corporate Records to the State	Permanently
Correspondence:	
General	2 years
Legal and important matters only	Permanently
Accounting	5 years
Routine with customers and/or vendors	2 years

Deeds, mortgages and bills of sale	Permanently
Depreciation schedules	7 years
Duplicate deposit slips	3 years
Expense analyses/expense distribution schedule	7 years
Financial Statements:	
Year-end	Permanently
Other	Optional
Form I-9	3 years
Garnishments	7 years
General Ledgers/year end trial balance	Permanently
Insurance policies (expired)	3 years
Insurance records (policies, claims, etc.)	Permanently
Internal audit reports	3 years +
Internal reports	3 years
Inventories of products, materials and supplies	7 years
Invoices (to customers, from vendors)	7 years
Journals	Permanently
Minute books of directors, bylaws and charters	Permanently
Notes receivable ledgers and schedules	7 years
Payroll records and summaries	7 years
Personnel records (terminated)	7 years
Petty cash vouchers	3 years
Physical inventory tags	3 years
Property records (incl depreciations schedules)	Permanently
Purchasing orders:	
Purchasing department copy	7 years
Other copies	1 year
Receiving sheets	1 year
Resumes and applications (unhired)	1 year
Retirement and pension records	Permanently
Requisitions	1 year
Sales records	7 years
Subsidiary records	7 years
Tax returns and worksheets, examination reports and other documents relating to determination of income tax liability	Permanently
Timesheets/cards	7 years
Trademark registrations and copyrights	Permanently
Training manuals	Permanently
Voucher register and schedules	7 years
Withholding tax statements	7 years