



AN ETHICS AND ACCOUNTABILITY CODE  
FOR THE NONPROFIT SECTOR

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## Financial Policies and Internal Controls

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## **PREAMBLE**

America's nonprofit sector serves the public interest and plays an essential role in our society and economy. Hard at work strengthening communities across the nation, nonprofits enrich our lives in a variety of ways by creating a broad array of benefits to society in fields such as charitable, religious, scientific, economic, health, cultural, civil rights, environment, and education.

Public investment and confidence drive the success of nonprofit organizations. Individuals, corporations, foundations, and federal, state, and local governments add value to the services that nonprofits provide by investing time, resources, and funds.

The Standards for Excellence Institute aims to raise the level of accountability, transparency, and effectiveness of all nonprofit organizations to foster excellence and inspire trust. The Standards for Excellence code (Standards, or code) provides a framework and step-by-step guidelines to achieve a well-managed and responsibly governed organization.

The code builds upon the legal foundations of nonprofit management, governance, and operations to embrace fundamental values such as honesty, integrity, fairness, respect, trust, compassion, responsibility, and transparency. The code consists of six Guiding Principles in 27 topic areas with specific performance benchmarks that characterize effective, ethical, and accountable organizations. The Institute helps the nonprofit sector operate in accordance with the Standards for Excellence code by providing educational resources, assistance, and a voluntary accreditation process.

The Standards for Excellence Institute encourages all nonprofit organizations to adopt the Guiding Principles of the Standards for Excellence code. By implementing the performance benchmarks in the code, nonprofit organizations will meet the highest ethical standards for effective service in the public interest.

## **STANDARDS FOR EXCELLENCE - GUIDING PRINCIPLES**

### **I. MISSION, STRATEGY and EVALUATION**

Guiding Principle: Nonprofits are founded for the public good and operate to accomplish a stated purpose through specific program activities. A nonprofit should have a well-defined mission, and its programs should effectively and efficiently work toward achieving that mission. Nonprofits have an obligation to ensure program effectiveness and to devote the resources of the organization to achieving its stated purpose.

### **II. LEADERSHIP: BOARD, STAFF, and VOLUNTEERS**

Guiding Principle: Nonprofits depend upon effective leadership to successfully enact their missions and programs. Effective leadership consists of a partnership between the board and management, each of which plays an essential role. Understanding and negotiating these shared and complex elements of leadership is essential to the organization's success. A nonprofit's employees and volunteers are fundamental to its ability to achieve its mission.

Board members are in a position of trust to ensure that resources are used to carry out the mission of the organization. An organization's board leadership should consist of volunteers who are committed to the mission and who demonstrate an understanding of the community served. An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial resources are available, and actively monitor the organization's allocation of resources to effectively and efficiently fulfill its mission.

Nonprofits should also have executive leadership which carries out the day-to-day operations of the organization, ensures financial and organizational sustainability, and provides adequate information to the board of directors. An organization's human resource policies should address both paid employees and volunteers and should be fair, establish clear expectations, and provide meaningful and effective performance evaluation.

### III. LEGAL COMPLIANCE and ETHICS

Guiding Principle: Nonprofits enjoy the public's trust, and therefore must comply with a diverse array of legal and regulatory requirements. Organizations should conduct periodic reviews to address regulatory and fiduciary concerns. One of a leadership's fundamental responsibilities is to ensure that the organization governs and operates in an ethical and legal manner. Fostering exemplary conduct is one of the most effective means of developing internal and external trust as well as preventing misconduct. Moreover, to honor the trust that the public has given them, nonprofits have an obligation to go beyond legal requirements and embrace the highest ethical practices. Nonprofit board, staff, and volunteers must act in the best interest of the organization, rather than in furtherance of personal interests or the interests of third parties. A nonprofit should have policies in place, and should routinely and systematically implement those policies, to prevent actual, potential, or perceived conflicts of interest. Ethics and compliance reinforce each other.

### IV. FINANCE AND OPERATIONS

Guiding Principle: Nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization's financial and nonfinancial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reporting, and safeguards to protect the integrity of the reporting systems.

### V. RESOURCE DEVELOPMENT

Guiding Principle: The responsibility for resource development is shared by the board and staff. Nonprofit organizations depend on an array of sources of financial support. An organization's resource development program should be maintained on a foundation of truthfulness and responsible stewardship. Its resource development policies should be consistent with its mission, compatible with its organizational capacity, and respectful of the interests of donors, prospective donors, and others providing resources to the organization.

### VI. PUBLIC AWARENESS, ENGAGEMENT, and ADVOCACY

Guiding Principle: Nonprofits should represent the interests of the people they serve through public education and public policy advocacy, as well as by encouraging board members, staff, volunteers, and stakeholders to participate in the public affairs of the community. When appropriate to advance the organization's mission, nonprofits should engage in promoting public participation in community affairs and elections. As such, they should communicate in an effective manner to educate, inform, and engage the public.

## **ABOUT THE STANDARDS FOR EXCELLENCE INSTITUTE**

The Standards for Excellence Institute is a national initiative established to promote the highest standards of ethics and accountability in nonprofit governance, management and operations, and to facilitate adherence to those standards by all nonprofit organizations. The Institute uses as a vehicle the Standards for Excellence program, a system of nonprofit sector industry self-regulation originated by the Maryland Association of Nonprofit Organizations and currently replicated by licensed partners in Alabama, Central Virginia, Colorado Springs, Delaware, Ohio, Oklahoma, and Pennsylvania. The program is also being offered to chapters of The Arc nationwide through The Arc of the United States, to the American Nurses Association, and to Catholic nonprofit organizations nationwide through the National Leadership Roundtable on Church Management.

The centerpiece of the Institute's program is the Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector. The Institute also makes available to member organizations a comprehensive system of educational tools to enable individual nonprofit organizations to improve their governance and management practices. Standards for Excellence accreditation is available to individual organizations through a rigorous peer review process in selected locations and nationwide through the Standards for Excellence Institute.

For more information about joining the Standards for Excellence Institute or to obtain additional copies of the booklet or educational resource packets visit our website at [www.standardsforexcellenceinstitute.org](http://www.standardsforexcellenceinstitute.org).

# FINANCIAL POLICIES AND INTERNAL CONTROLS

As the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* states:

Nonprofits should have written financial policies that are adequate for the size and complexity of the organization. These policies should address investment of the assets of the organization, internal controls, purchasing, and unrestricted current net assets.

## Introduction

As the *Standards for Excellence* state, “Nonprofits must practice sound financial management and comply with a diverse array of legal and regulatory requirements. A nonprofit’s financial system should assure that accurate financial records are kept and that organization’s financial resources are used in furtherance of the organization’s charitable purposes.” Nonprofits should invest the time and energy necessary to develop effective financial policies. Such policies should be adopted by the board of directors who are ultimately responsible for the financial state of the nonprofit.

The *Standards for Excellence* call for an organization to have written financial policies in place addressing:

- Investment of the assets of the organization;
- Unrestricted current net assets (also known as reserves);
- Purchasing; and
- Internal controls.

Of course, in addition to these policies specifically addressed in the Standards for Excellence code, many nonprofits also have financial policies and procedures on a wide range of topics, such as:

- Invoicing and cash receipts;
- Disbursements and accounts payable;
- Payroll;
- Preparation of financial statements; and
- Fixed Assets.

## Policy versus Procedure

Organizations often report confusion when talking about the difference between policies and procedures. Policies tend to be somewhat broad, board-approved statements addressing a specific topic. For instance, the board may approve a policy on internal controls. This policy may outline a list of priorities that should be addressed in terms of internal controls.

To make the policy useful, an accompanying procedures document should be created to outline exactly how the mandated policy is to be implemented. Some organizations develop financial policy manuals, operating manuals, or similar documents to outline such procedures. Other organizations issue periodic updates addressing the internal policies of an organization. While an internal controls policy should be sufficiently broad to allow for growth or contraction over time, the internal controls procedures document will spell out the details of how the controls will be implemented - perhaps addressing specific staff or volunteer positions and their responsibilities for upholding internal controls. Many organizations find that the procedures document requires more frequent updates than the policy document, due to changes in personnel, technology, and other changes in the environment. For an example of an internal controls policy appropriate for organizations of various sizes, see the attached Internal Controls Policy at the end of this packet.

It is important to note that all financial procedures documents should be created specifically for one organization in accordance with that organization's set of unique circumstances. A procedures document may not be reproduced or copied from another organization, unless your organization is EXACTLY like another organization. Virtually all nonprofits will need to approach internal controls procedures documents, as well as all financial policies documents, on their own, taking into account their agencies unique circumstances, staffing patterns, resources, etc. The financial procedures document for a very small, all-volunteer organization may be very short and succinct in order to mirror the organization's simple financial policies. On the other hand, the financial procedures document for a large, multi-service nonprofit that receives funding from an array of different sources, including government grants or contracts, may be a more voluminous accounting-procedures manual. In short, like a nonprofit's financial policies, the accompanying procedures guide should be developed with consideration of the size and complexity of an organization.

The types of topics that are generally covered in a nonprofit's accounting manual include:

- Processing revenue and cash receipts;
- Processing purchasing and payments;
- Processing payroll;
- Maintaining the general ledger and recording adjustments;
- Preparing financial statements;
- Complying with Federal grants and the single audit (if relevant); and,
- Budget process.<sup>1</sup>

## **Policies Addressed in the Standards for Excellence Code**

### **Investment Policies**

Clearly written investment policies are a critical tool for charitable organizations. They help board members, staff, and outside advisors understand the organization's investment

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<sup>1</sup> Hartfield, Cheryl and Paschall, Winford. PPC's Nonprofit Financial and Accounting Manual, 12<sup>th</sup> edition, Practioners Publishing Company, 2006.

goals and the financial risks the organization is willing to take to achieve these goals. The proper investment of an organization's financial reserves (also known as unrestricted current net assets) is a significant aspect of financial management. Charitable organizations should adopt investment policies that protect both the organization and its board members from investment liabilities.

Investment policies should be developed to reflect the specific circumstances in each organization. Sample investment policies are included in this educational resource packet for your convenience. The first two investment policies provided (Attachment A) are quite simple and cover the basic elements of an investment policy for an organization with a small investment portfolio (defined for our purposes as less than \$500,000), which focuses primarily on short term cash investments.

A more comprehensive investment policy should be developed when an organization holds at least \$250,000 to \$500,000 in investable cash. Once organizations hold this amount of investable cash, they often retain the services of an investment adviser to manage the account. A comprehensive investment policy is usually developed by the board in consultation with an investment manager and an attorney. A sample Investment Policy Statement is provided as Attachment B to provide an example of a comprehensive investment policy for an organization with more significant resources that are managed by a professional investment manager.

#### **Prudent Investing**

Organizations should ensure that their investment policies include provisions for prudent management of the organization's assets and comply with their state's Uniform Management of Institutional Funds Act (UMIFA) or Uniform Prudent Management of Institutional Funds Act (UPMIFA) where applicable.

A few of the key issues that should be covered in any comprehensive investment statement include:

1. **Definitions, Background, and Key Information** about the mission of the organization and the goals of the investment program;
2. **Investment Objectives, Risks, and Return** including target rate of return and tolerable worst case scenarios for investment performance;
3. **Investment Guidelines and Constraints** defining how quickly the investments can be converted into cash (liquidity and marketability), the industry categories where investments may be made (permitted asset categories), other restrictions, and special concerns;
4. **Allocation of Assets** describing how the assets may be allocated between different investments and investment vehicles (minimum and maximum amounts of allowable asset allocation); and

5. **Monitoring and Control Procedures** outlining criteria for investment manager selection, monitoring, and evaluation of manager's performance.

For organizations that invest in joint ventures, for-profit entities and complicated or sophisticated financial products or investments, the IRS encourages such groups to adopt written policies and procedures requiring the charity to evaluate its participation and to safeguard the organization's assets and exempt status. For a sample Joint Ventures Policy, please see Attachment C of this packet.

Investment policies should be revisited by the board every few years.

**Unrestricted Current Net Assets**

Also known as reserves or reserve funds, unrestricted current net assets are comprised of current assets less current liabilities, restricted assets, and endowment assets. Many nonprofits accumulate unrestricted current net assets over a period of years by consistently having excess revenue over expenses.

Nonprofit boards often approve policies on unrestricted current net assets to set goals for optimal fund levels and define circumstances where such funds might be used.

Unrestricted current net assets provide a cushion for organizations in times of unanticipated losses, changes in financial position, and revenue delays. Through their unrestricted current net assets policy, nonprofits strive to have enough resources available to cover expenses over a set amount of time. For instance, a nonprofit may strive to have unrestricted current net assets available for at least 60, 90, 120, or 180 days.

Organizations without sufficient reserves place themselves and those who they serve at significant risk.

At the same time, having large amounts of unrestricted current net assets on hand is also considered to be a poor management practice. In fact, one watchdog group, Charity Watch, discourages organizations from holding more than three years worth of operating expenses in reserve. In this case, holding large reserve funds is often seen as hoarding funds that should be expended on the charity's primary purpose.

**Purchasing Policies**

Purchasing policies serve as a tool for maximizing available resources of funds, personnel, and time. Purchasing policies generally cover:

- Researching sources;
- Selecting vendors (when competitive bidding should be employed);
- Negotiating prices;
- Using consultants;
- Documenting the selection process;

- Separation of responsibilities for various steps in purchasing;
- Efficient use of staff; and
- Community considerations.

Like other internal controls, purchasing policies are unique to each organization depending on a particular set of circumstances, goods and services purchased, resources, sources of income, and client base. Organizations should have a purchasing policy and a set of purchasing procedures. Procedures should address the specifics in which your organization makes purchases and outlines the steps to follow. The procedures should be inclusive of different types of purchasing, not just major purchases. Consideration needs to be given to:

- Routine purchases of supplies and small equipment;
- Major equipment and furniture;
- Service contracts;
- Rental or leasing of space;
- Major systems (computer networks, program specific systems, telephone, fleet); intangibles (insurance, services);
- Reimbursement of expenses<sup>2</sup>;
- Consulting;
- Travel; and
- Conferences.

Board-established purchasing policies should be stated with enough generality that there is not a need for frequent changes. Periodic review is appropriate and necessary for this and all purchasing policies.

Attached, you will find a set of Model Purchasing Policies.

### **Internal Controls Policies and Procedures**

Internal control is the organization's plan or process (effected by those in governance, management, and other personnel) to provide reasonable assurance that the following are met:

- Safeguard its assets;
- Check the accuracy and reliability of its accounting data;
- Promote operational efficiency; and,
- Encourage adherence to prescribed managerial policies.

This definition recognizes that a system of internal control extends beyond those matters which relate directly to the functions of the accounting and financial departments.<sup>3</sup>

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<sup>2</sup> The Internal Revenue Service Form 990 requests information on whether or not filing organizations have a reimbursement policy in place. Reimbursement should be handled as part of the organization's purchasing policy or as part of the Internal Controls Policy.

There is a widely held misunderstanding that the primary function of internal controls is to uncover dishonesty and fraud. This leads to an internal control system that attempts to prevent the most obvious forms of dishonest behavior. A better view is that the internal control system is designed to detect and correct all sorts of human error, errors of commission and omission. Only a very small percentage of these errors will be deliberate deceptions, most are mistakes. Anyone who has dealt with financial transactions knows that human errors are very common at every stage, and that everyone regardless of education, intelligence, or position frequently errs. Information technology also introduces vast potential for additional errors.

In designing and implementing internal controls, it may be helpful to think of internal controls as a formal system for proofreading accounting records. By considering the kinds of errors that commonly occur, one can better design cross-check procedures. Some common tools for internal controls include:

- Segregating duties so that the steps in recording financial transactions are not all assigned to only one person (i.e., more than one employee is involved in each transaction). The role of authorizing transactions, having custody of assets, and record keeping should be separated. (In the case of financial assets, custody is maintained by a financial institution.) The primary purpose of this is to ensure that more than one set of eyes verifies each transaction for accuracy.
- Making specific employees responsible for specific transactions; limiting performance of these transactions to the authorized employee. If this practice is followed, it is also common to require that another employee perform the duties for at least a week each year.
- Using sequentially numbered forms and documents, and accounting for all numbers. This addresses common errors such as losing documents, confusing similar documents, and handling the same transaction twice. For this to be an effective control, all forms including unused (voided) forms must be accounted for.
- Archiving transaction records regularly (usually annually) and starting out fresh with new files for transaction records.
- Having a reviewer initial or circle a specific item of information to document that it has been reviewed.
- Having clearly written procedures for handling transactions. For complex activities, having checklists that can be initialed as the steps are completed.

Activity logs and/or reports produced at the time of the transaction that can be checked and reconciled to later reports.

- Verifying calculations using some form of cross-footing (comparing addition of rows to addition of columns). Spreadsheets can be used to verify output from

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<sup>3</sup> American Institute of Certified Public Accountants. Communicating Internal Control Related Matters Identified in an Audit, AU Section 325.

computerized systems. An adding machine can also be helpful for verifying some calculations, because an operator can often create an adding machine tape more quickly than printing from the computer. The adding machine tape should be attached as documentation.

- Requiring IDs, using locks, other limits on physical access, and computer passwords.
- Reviewing all procedures regularly and changing them from time to time.

## **Selected Resources for Financial Policies**

### **Books, Articles, and Websites**

Fry, Robert P. *Nonprofit Investment Policies: Practical Steps for Growing Charitable Funds*, New York: John Wiley and Sons, 1998.

Hartfield, Cheryl and Paschall, Winford. *PPC's Nonprofit Financial and Accounting Manual*, Practioners Publishing Company, updated annually.

Hopkins, Bruce R. *Nonprofit Law & Finance Essentials e-book set: Tools to Manage Money and Mission*. New York: John Wiley & Sons, 2012.

McMillan, Edward J. *Model Accounting and Financial Policies and Procedures Handbook for Not-for Profit Organizations. Model Accounting and Financial Policies and Procedures Handbook for Not-for Profit Organizations*, 4<sup>th</sup> edition, 4<sup>th</sup> edition, 2008.

Peters, Jeanne Bell and Schaffer, Elizabeth, *Financial Leadership for Nonprofit Executives: Guiding Your Organization to Long-Term Success*. St. Paul, Minnesota: CompassPoint-Wilder, 2005.

Rice, Matthew, DiMeo, Robert and Porter, Matthew. *Nonprofit Asset Management: Effective Investment Strategies and Oversight*. New York: John Wiley & Sons, 2012.

“Systems That Protect Nonprofit Organizations,” *The Financial Responsibilities of Nonprofit Boards*” Lang, Andrew S., C.P.A.-- Washington, DC: BoardSource, formerly National Center for Nonprofit Boards, 2009, pp.39-42.

US Government Accounting Office, “Standards for Internal Control in the Federal Government,” September 2014, <http://www.gao.gov/assets/670/665712.pdf>.

Zietlow, John and Seidner, Alan G. *Cash & Investment Management for Nonprofit Organizations*. New York: John Wiley & Sons, 2007.

## **Attachments**

- Attachment A: Sample Investment Policies, Standards for Excellence Institute
- Attachment B: Sample Investment Policy, The Delaplaine Visual Arts Education Center, 2002
- Attachment C: Sample Joint Venture Policy, Venable LLP
- Attachment D: Sample Policy on Restricted Net Assets, Standards for Excellence Institute
- Attachment E: Model Purchasing Policy, Standards for Excellence Institute
- Attachment F: Sample Internal Control Policy, Standards for Excellence Institute
- Attachment G: Practical and Almost Painless Approaches to Improving Internal Controls, Standards for Excellence Institute

**Attachment A**  
**Sample Investment Policies**  
**(c) 2000–2015 Standards for Excellence Institute<sup>4</sup>**

**Sample Investment Policy #1**

- Cash not required for current operations will be invested according to an investment plan approved and revised annually by the board of directors.
- Investments must be government-secured and guaranteed. Investments may be made at the discretion of the (finance director, executive director, chief financial officer) within the plan adopted by the board, with the exception of any investments in securities with a maturity of more than (one year, two years, 18 months) which must have the prior approval of the (board, investment committee).
- The (finance director, executive director, chief financial officer) reports to the board of directors at least quarterly the status of investments, including the rate of return and current market value.

**Sample Investment Policy #2**

- Cash not required for current operations will be invested according to an investment plan. The board approves the annual investment plan.
- Authorization for purchases and sales of investments according to the plan are delegated to the Investment Committee.
- All donated stocks and bonds under \$10,000 will be sold as soon as prudently possible. Any stock donation over \$10,000 will be handled as directed by the president after consultation with the (finance director, executive director, chief financial officer) and the Investment Committee.
- All investments will be held in the name of ABC Nonprofit.
- President or Secretary/Treasurer will report on investment activity to the board of directors on a quarterly basis.

**Sample Investment Policy #3**

- It shall be the policy of ABC Nonprofit to invest its temporary surplus cash in short term (defined as a period of up to two years) fixed-income instruments to earn a market rate of interest without assuming undue risk to principal. The primary objectives of making such investments shall be, in their order of importance, preservation of capital, maintenance of liquidity and yield.

These policies are not intended to apply to a certain nonprofit or offer legal advice specific to your organization. Such legal advice or opinions can only be rendered when related to distinct fact situations. Rather, these policies are designed to be used as a resource to provide you with ideas, suggestions, and guidelines, which may be valuable to your organization as a starting point for your own policy.

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<sup>4</sup> Permission granted for use by members of the Standards for Excellence Institute.

Carefully review every word in the policies you are interested in adopting and mold the language to your situation and organizational needs. Finally, before publishing a policy, it is always wise to consult an attorney in your state who is versed in nonprofit law to conduct a thorough review of the policy.

**Attachment B**  
**Sample Investment Policy**  
**The Delaplaine Visual Arts Education Center**

The Delaplaine  
VISUAL ARTS EDUCATION CENTER

**INVESTMENT POLICY STATEMENT**  
**(adopted May 28, 2002)**

**I. Purpose**

The purpose of this statement is to provide a clear understanding between The Delaplaine Visual Arts Education Center, (“the Center”) and investment managers, donors, and other interested parties concerning the investment policies and objectives of the Center’s assets. This statement outlines an overall philosophy that is specific, but flexible enough to allow for changes in the economy and securities market.

**II. Delineation of Responsibilities**

All parties are subject to the Prudent Man Rule which states:

Assets shall be invested with the care, skill, prudence, and diligence under the circumstances prevailing from time to time that a prudent man acting in a like capacity and familiar with such matters would use in the investment of a fund of like character and aims.

**A. Board of Directors**

The Board of Directors is charged with the authority in this Policy Statement to hire and fire investment managers with the advice of the Finance Committee. The Board is responsible for all investments made by the Center, but as a practical matter, will delegate day-to-day management of the assets to the Finance Committee or to investment managers and consultants hired for that purpose.

**B. Finance Committee**

The Finance Committee is charged with the direct oversight of investment managers when hired, asset allocation of the Center’s funds and oversight of outside consultants hired to assist the above. As a practical matter, the Committee may assign day-to-day management to a designated consultant or investment advisor.

**C. Consultants**

The Board may designate an investment broker or financial planner to act as consultant to the Board of Directors regarding the investment of the Center's funds. Their duties are, but not limited to, advice on asset allocation, screening and day-to-day monitoring of investment managers, independent reporting of investment results, custodianship of the Center's assets, and any other duties the Board or the Committee deems appropriate.

### **III. Objectives**

The Center seeks to maximize growth and income within the constraints of minimum to moderate principal fluctuations or risk. The assets must be invested with care and diligence with the overriding prudent man rule as a guide to investment management. The Center will, as a general guideline, make occasional disbursements, and care should be taken to ensure available funds. The Committee will notify the Investment Manager well in advance of the withdraw orders to allow sufficient time to build up necessary liquid reserves.

#### **A. Performance Expectations**

The desired investment objective is a long-term rate of return on assets that is at least 5% greater than the anticipated rate of inflation (currently 4%) as measured by the Consumer Price Index for all Urban Consumers (CPI-U). The target rate of return for the Fund has been based upon the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the Investment Policy Statement.

The Board realizes that market performance varies and that a 9.0% rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the managers are set forth in the "Control Procedures" section.

#### **B. Control Procedures**

The Board believes the Fund's risk and liquidity posture are, in large part, a function of asset class mix and it seeks sufficient portfolio diversification to maximize returns with reasonable and prudent levels of risk. The following asset classes were selected:

- Domestic Large Capitalization Equities
- Domestic Mid-Capitalization Equities
- Domestic Small Capitalization Equities
- International Equities
- Domestic Fixed Income
- High Yield Fixed Income
- Global Fixed Income
- Cash Equivalent

## 1. Equity Objectives

### a) Long Term

The Center seeks a total return over a market cycle, or at a minimum of three years, a compounded return that should equal or surpass selected Equity Index benchmarks as follows:

Asset Category	Index	Peer Group Universe
Large Cap Equity	Standard & Poor 500	Total Equity Database
Mid Cap Equities	Standard & Poor 400	Mid Cap Equities
Small Cap Equities	Russell 2000	Small Cap Equity
International Equity	MSCI EAFE	International Equity

If appropriate, the Finance Committee may use other recognized Equity Indices that may more closely parallel the style of the equity manager.

### b) Short-Term

The assets should be managed in such a fashion so as not to exceed any loss of the Equity Index that is being used as a benchmark. Further, the assets should be managed so as not to have two consecutive quarterly losses.

## 2. Fixed Income Objectives

### a) Long Term

The Center seeks a total return (income and growth) over a market cycle, or at a minimum of three years, a compounded return that should equal or surpass selected fixed income index benchmarks as follows:

Asset Category	Index	Peer Group Universe
Domestic Fixed Income <ul style="list-style-type: none"><li>• Defensive Fixed</li><li>• Active Duration</li><li>• Core Bond</li></ul>	Lehman 1-3 year Government Lehman Aggregate Lehman Aggregate	Defensive F/I Style Active Duration Core Bond Style
Global Fixed Income	Salomon Government World	Global Fixed Income

If appropriate, the Finance Committee may use other recognized fixed income indices that may more closely parallel the style of the fixed income manager.

b) Short Term

The Assets should be managed in such a fashion so as not to exceed any loss of the Fixed Income Index that is being used as a benchmark. Further, the assets should be managed so as not to have two consecutive quarterly losses.

3. Cash and Equivalent Objectives

There are not specific benchmark returns for cash. Cash Equivalent should equal or surpass the 3-Month T-Bill rate.

C. Securities Guidelines

The Finance Committee will make the overall allocation of equities, fixed income and cash investments as they deem appropriate.

The investment managers will have discretion, within the guidelines and prohibitions below to make individual security and industry decisions within their own discipline. The prudent man rule will apply to both individual securities and industry/sector weightings.

The following securities and transactions are not authorized unless receiving prior Board approval:

- ✓ Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions.
- ✓ Investment in speculative growth or hedge mutual funds.
- ✓ Investments in equity securities of any company with a record of less than three years continuous operation, including the operation of any predecessor.
- ✓ Investments in international fund emerging markets

1. Equity Securities

- Equity holdings in any one company should not exceed more than 10% of the market value of the Fund's equity portfolio.

- Allocation to any one economic sector should not be excessive and should be consistent relative to the broad equity market and to managers following similar style disciplines.
- The manager shall emphasize quality in security selection and shall avoid risk of large loss through diversification.

## 2. Domestic Fixed Income

- All fixed-income securities held in the portfolio should have a Moody's, Standard & Poor's and/or Fitch's credit quality rating of no less than "BBB". U.S. Treasury and U.S. government agencies, which are unrated securities, are qualified for inclusion in the portfolio.
- No more than 20% of the market value of the fixed income portfolio shall be rated less than single "A" quality.
- The exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, shall not exceed 10% of the market value of the fixed income portfolio.
- The maturities and duration are left to the discretion of the manager in accordance with the objectives in Section III.

## 3. International Equities:

- Equity holdings in any one company shall not exceed more than 10% of the International Equity portfolio.
- Allocation to any one economic sector should not be excessive and should be consistent relative to a broadly diversified international equity market and to managers following similar style disciplines.
- Allocations to any specific country shall not be excessive relative to a broadly diversified international equity manager peer group. It is expected that the non-U.S. equity portfolio will have no more than 40% in any one country.
- The manager may enter into foreign exchange contracts on currency provided that use of such contracts is limited to hedging currency exposure existing within the manager's portfolio. There shall be no direct foreign currency speculation or any related investment activity.

## 4. Global Fixed Income

- All investments shall be investment grade and readily marketable.
- The manager may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility rather than lever portfolio risk exposure.

#### 5. Cash/Cash Equivalents

- Cash and Cash Equivalents may be invested directly in cash instruments having a quality rating of A-1 by Standard & Poor's or P-1 by Moody's Investment Services. Eurodollar Certificates of Deposits, time deposits, and repurchase agreements are also acceptable investment vehicles. Maturities may not exceed 90 days.

### **IV. Monitoring of Money Managers/Mutual Funds**

Meetings between the Center and the investment manager will be held annually to review the investment profile and asset allocation mix.

The performance of investments will be evaluated quarterly by the Finance Committee to test progress toward the attainment of performance targets discussed in Section III.

Major organizational changes warrant immediate review of the mutual fund/manager and/or the investment advisor/consultant, including:

- ✓ Change in professionals
- ✓ Significant account losses
- ✓ Significant growth of new business
- ✓ Change in ownership

### **V. Amendments**

Amendments to this policy statement are allowed as needed, with the advice and upon the recommendation of the Finance Committee, by a majority vote of the Board of Directors, and any such amendment will be forwarded in writing to the investment advisor/consultant.

### **Special Thanks to the Delaplaine Visual Arts Education Center for their Permission to share their Investment Policy in this Standards for Excellence Educational Resource Package.**

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## Attachment C

### Sample Joint Venture Policy



#### ABC NONPROFIT Joint Venture Policy

In compliance with Internal Revenue Service guidelines for approval and management of any joint venture entered into by ABC Nonprofit, Inc. ("ABC"), the Board of Directors adopts the following guidelines.

##### Activities Subject to this Policy

For the purposes of this policy, the term "Joint Venture" is defined as any arrangement, including contractual or more formal arrangements undertaken through a limited liability company, partnership, or other entity, through which ABC and another entity jointly undertake any activity or business venture, or otherwise agree to joint ownership of any asset. A Joint Venture may include both taxable and tax-exempt activities.

##### Approval and Management of Joint Activities

Before making any decision to participate in a Joint Venture, ABC will ensure that the Joint Venture furthers ABC's exempt purposes and will negotiate at arm's length contractual and other terms of participation that safeguard ABC's exemption from federal income tax. Such terms shall be in writing in the operating agreement of the Joint Venture and shall include the following minimum requirements:

- With respect to any whole joint venture (that is, a joint venture in which ABC contributes substantially *all* of its assets to the enterprise), ABC's control over the Joint Venture through fifty-one percent (51%) or more of the voting rights and/or veto power;
- With respect to any ancillary joint venture (that is, a joint venture to which a portion of ABC's resources are contributed), ABC would, at a minimum, maintain sole control over the tax-exempt aspects of the Joint Venture and would have voting and ownership interests in the Joint Venture that are consistent with ABC's capital contributions;
- A requirement that any subsequent contract with ABC's partner in the Joint Venture be negotiated at arm's length and for fair market value;
- A requirement that the Joint Venture give priority to ABC's tax-exempt purposes over maximization of profit for the participants of the Joint Venture; and
- A prohibition on activities that would jeopardize ABC's tax-exempt status.

Where there is any question as to whether a particular Joint Venture may pose a risk to ABC's tax-exempt status, a decision to enter into such Joint Venture will be made only in consultation with legal and/or tax counsel.

##### Disclaimer

This model policy, form or agreement is published by the law firm of Venable LLP, 575 7th Street, N.W., Washington, D.C. 20004. It is a sample only, is not specific to the facts of any organization, and therefore should not be used or relied upon without the advice of retained legal counsel. This policy is not intended to provide legal advice or opinion; such advice may only be given when related to specific fact situations that Venable has accepted an engagement as counsel to address.

For more information, please visit [www.venable.com/nonprofits](http://www.venable.com/nonprofits) or contact us at 202.344.4000.

Special thanks to Venable LLP for providing permission to share this policy as part of this Standards for Excellence educational resource packet.

**Attachment D**  
**Sample Policies on Unrestricted Net Assets**  
**(c) 2000–2015 Standards for Excellence Institute<sup>5</sup>**

**Sample Policy on Unrestricted Current Net Assets:**

Working capital unrestricted current net assets for a least a (60-day OR 120-day OR 180-day) period will be maintained at all times to keep the nonprofit operating in case of unforeseen expenses or drop in income.

**Sample Policy on Unrestricted Current Net Assets**

ABC Nonprofit will maintain a minimum of 30 days of working capital unrestricted current net assets in reserve at all times and will strive to maintain a 120-day working capital unrestricted current net assets.

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<sup>5</sup> Permission granted for use by members of the Standards for Excellence Institute.

**Attachment E**  
**Model Purchasing Policy**  
**(c) 1998–2015 Standards for Excellence Institute<sup>6</sup>**

It shall be the policy of the Model Agency to maximize available resources that include funds, personnel, and time when making purchasing decisions.

1. Purchases of goods and services are made only after review, documentation, and approval. *This should be a part of every purchasing policy.*
2. Competitive means such as requests for bids are used wherever they can be effective. *It is common practice to require that purchases above a specified dollar limit be put to bid.*
3. Negotiation is used wherever it can be effective. *This should be a part of every purchasing policy.*
4. Technical assistance is sought from disinterested experts whenever it can be effective. *It may be advantageous to hire a consultant when purchasing or contracting for items like employee benefits, computer systems or telephone systems. Most property acquisitions and construction projects will require a consultant. Use of paid experts should be subject to the same process as any other purchase decision. This is an area to be especially aware of the potential for conflict of interest.*
5. Staff responsible for purchasing process has a level of training and experience appropriate to the type and amount of the purchase and the level of negotiating required. *Use staff wisely and efficiently. Not every purchasing decision needs to be made by the Executive Director. Conversely, don't expect wise purchases to be made by staff who have no experience in determining equipment needs.*
6. When making purchase decisions, the use of funds and personnel time is appropriate to the total amount of the purchase. *Use staff wisely and efficiently (it bears repeating). Going to superstore to save a few cents on cleaning supplies is not cost effective if you count the time away from the office to make the purchase.*
7. The organization recognizes community considerations in its purchasing activities. *A nonprofit organization is an economic player in its community. It may include community considerations in its purchasing policy, if it is in furtherance of the mission of the organization. These considerations may include seeking out vendors among businesses controlled by minorities or women or organizations employing people with disabilities.*

**PURCHASING RESPONSIBILITY**

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<sup>6</sup> Permission granted for use by members of the Standards for Excellence Institute.

Staff establishes and monitors purchasing procedures to implement these policies.

## **REPORTING**

The Staff is responsible for reporting the overall expenditures to the board of directors and the Executive Committee at regularly scheduled meetings. The board of directors, the Executive Committee, or the Finance and Administration Committee may request documentation on any purchase at any time. *Larger organizations may have intermediate reporting requirements. This statement should reflect the governance structure of your organization.*

## **MODIFICATION OF THE POLICY**

This policy may be modified at any time and should be reviewed on a three-year basis. Policies should be stated with enough generality that there should be no need for frequent review; however, all policies should be reviewed periodically to keep pace with changes in the organization and changes in nonprofit practices.

## **CURRENT PRACTICE OR PROCEDURES**

*When submitting these policies to the appropriate board committee or the board as a whole for approval, there should be a copy of the current procedure attached. If the procedure has not been documented in writing, then attach a statement of current practices.*

### **CURRENT PRACTICE (THIS SHOULD ONLY BE CONSIDERED AN EXAMPLE, PRACTICES SHOULD REFLECT ACTUAL OPERATION IN YOUR ORGANIZATION)**

Purchases of goods and services fall into several categories. The contracting of consultants may or may not be done with a bid process depending on the uniqueness of the service they deliver. Because of the lack of in-house expertise, we have contracted to have our printing bid and managed by an outside consultant knowledgeable in the field.

### **CURRENT PURCHASING PROCEDURE (THIS SHOULD ONLY BE CONSIDERED AN EXAMPLE, PROCEDURES NEED TO BE TAILORED TO YOUR ORGANIZATION)**

*The purchasing process should include the following six components: specification, investigation, evaluation, negotiation, approval, and documentation.*

**Routine purchase of supplies and small equipment:**

- All requests for office supplies and cleaning supplies are forwarded to the Office Manager.
- The Office Manager determines if there are remaining budgeted funds available for the purchase.
- If there are no remaining funds, the Executive Director approves the purchase.
- The Office Manager places orders twice monthly.
- The Office Manager makes the decision as to which vendors to use. A periodic review of catalogs and websites will be made to determine which vendor has the lowest overall prices.
- The Office Manager verifies delivery by checking merchandise received against the packing slip.
- The Office Manager approves the invoice by initialing and dating it.

**Replacement office equipment and furniture (Under \$3,000)**

- All requests for replacement office equipment and furniture are forwarded to the Office Manager.
- The Office Manager determines if there are remaining budgeted funds available for the purchase.
- If there are no remaining funds, the Executive Director approves the purchase.
- The Office Manager makes the decision as to which vendor to use. In most cases, replacements will be ordered from the original vendor.
- The Office Manager places the order.
- The Office Manager verifies delivery by checking merchandise received against the packing slip.
- The Office Manager approves the invoice by initialing and dating it.

**Program supplies (food for programs, craft supplies, emergency food pantry supplies)**

- All requests for program supplies are forwarded to the Program Manager.
- The Program Manager determines if there are remaining budgeted funds available for the purchase.
- If there are no remaining funds, the Executive Director approves the purchase.
- The Program Manager makes the decision as to which vendor to use.
- The Program Manager places the order.
- The Program Manager verifies delivery by checking merchandise received against the packing slip.
- The Program Manager approves the invoice by initialing and dating it.

**Major equipment and furniture (Over \$3,000)**

- All requests for new equipment and furniture are forwarded to the Executive Director.
- The Executive Director determines if there are remaining budgeted funds available for the purchase.

- If there are no remaining funds, the Finance Committee approves the purchase.
- The Executive Director prepares a Request for Bid.
- The Executive Director issues the Request for Bid to a minimum of three vendors including all minority business enterprises and women-owned business enterprises that are registered with the State as selling these products.
- The Executive Director reviews the bids taking into account price, reputation, and availability and determines the vendor to use.
- The Office Manager places the order.
- The Office Manager verifies delivery by checking merchandise received against the packing slip.
- The Office Manager verifies the invoice by checking it against the bid documents.
- If the invoice matches bid, the Office Manager approves the invoice by initialing and dating it.
- If the invoice does not match the bid, the Executive Director resolves any discrepancies between bid and invoice. The Executive Director approves with adjustments the invoice by initialing and dating it.
- If paid for with the organization's unrestricted funds, the Request for Bid and the responses are filed by the Office Manager and retained for one year.
- If paid for with restricted funds such as grant or government, the Request for Bid and the responses are filed by the Office Manager and retained for the period required by the funder. In no case should this be less than one year.

**NOTE THAT THIS IS ONLY A PARTIAL PROCEDURE. THERE SHOULD BE ADDITIONAL COMPONENTS FOR SERVICE CONTRACTS, OCCUPANCY, MAJOR SYSTEMS LIKE COMPUTER NETWORKS, INTANGIBLES LIKE INSURANCE, COMMUNICATIONS (PRINTING, DESIGN, PUBLIC RELATIONS), CONSULTING, TRAVEL, AND CONFERENCES.**

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**Attachment F**  
**Sample Internal Controls Policy**  
**(c) 2000–2015 Standards for Excellence Institute<sup>7</sup>**

Adopted by the board of the organization on [date].

**SCOPE OF THIS POLICY**

This statement reflects the general policy relating to internal controls for the organization.

**DELEGATION OF AUTHORITY**

The board delegates the authority for developing internal control procedures to the staff of the organization.

The board retains the authority to engage an auditing firm to perform an annual financial audit of the organizations and produce audited financial statements.

The board retains the authority to authorize other audits to review activities not included within the scope of a financial audit.

**GENERAL GOALS OF THE INTERNAL CONTROL SYSTEM**

GENERAL PRINCIPLES  
RECORD KEEPING  
FUND RAISING  
CASH DISBURSEMENTS  
PERSONNEL  
INTERNAL AND EXTERNAL REPORTING  
ACCOUNTING INFORMATION SYSTEMS

**GENERAL PRINCIPLES**

- All financial activity advances the purpose of the organization, either for program activity, general and administrative support, or fund raising.
- Staff members responsible for tasks relating to financial transactions have a level of training and experience that enable them to exercise the level of skill and judgment required by the most critical aspects of the task.
- No person makes commitments for the organization beyond their level of authority.

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<sup>7</sup> Permission granted for use by members of the Standards for Excellence Institute.

- More than one person is involved in the completion of every financial transaction.
- Every common financial transaction is performed by someone other than the person usually responsible for two consecutive weeks in every year.
- An assessment is made of additional separation of duties and rotation of responsibilities.
- Care is taken to ensure that closely related individuals are not in a position of reviewing or authorizing each other's transactions.
- There is no significant period of time in which tasks relating to financial transactions are not performed.
- An assessment is made of the risks involved in all financial transactions and in maintaining the financial and physical property of the organization. Procedures are established to reduce the risks that are identified. Procedures balance the risk of loss with the cost of controls.

#### **RECORD KEEPING**

- Transactions are recorded in the accounting system of the organization as close as possible to the time when they occur.
- Transactions are classified and recorded accurately based on objective criteria and consistent treatment of similar transactions.
- Documentation of accounting transactions is clear and legible.
- The media on which documentation is recorded remains readable until the time when the record is destroyed.
- Special care is taken to identify and to record accurately non-cash financial transactions, whether they result in income, expense, assets, or liabilities.
- Activities are not recorded on a net basis. When an activity includes transactions that increase and decrease a financial account, the increase and decrease transactions are recorded separately.

#### **FUND RAISING**

- The board is informed in advance of the purposes for which outside funding is solicited.
- Care is taken to ensure that money received for specific purposes is used for those purposes and that reporting is provided as required by the provider.

## **CASH DISBURSEMENTS**

- The purpose of each expense transaction is documented at the time of the transaction. The extent of documentation is based on the transaction's size, frequency of similar transactions, and reporting requirements of contracts or restricted grants. Documentation with each transaction provides adequate explanation for an independent reviewer unfamiliar with the details of the transaction.
- Special care is taken with cash transactions to ensure frequent reconciliation of accounts with the financial institutions that hold the accounts.
- All cash disbursements including payments under an executed real estate lease or rental agreement are initiated by a person other than the person who prepares the check.
- Care is taken to prevent duplicate payment for the same goods or services.
- Settlement of any claims against the organization are reviewed and approved before payment.

## **PERSONNEL**

- Payment for employee compensation or benefits is made only on behalf of bona fide employees for services performed as authorized and documented in employee time and attendance records.
- Personnel additions, employment contracts, separations, wage rates, salaries, deductions, and severance payments are authorized and documented in the accounting records.
- There are written personnel policies and procedures made available and applied equitably to all employees that provide for consistency in recruitment, compensation, discipline, separation, and termination of employees.
- Employees are hired, compensated, and separated in compliance with applicable federal and state laws, as well as contracts and restricted grants.
- Employee leave balances are tracked and regularly verified.

## **INTERNAL AND EXTERNAL REPORTING**

- As much as possible, internal financial reporting is on a basis consistent with external financial reporting, except that interim financial reporting may be on a cash basis rather than an accrual basis.

- Financial statements present adequate information to serve as the basis for informed review.
- All requirements are met for federal and state registration and all taxes are paid.

## **ACCOUNTING INFORMATION SYSTEMS**

- Accounting records are organized to facilitate retrieval of documents when needed.
- Accounting records are retained until the time designated for destruction and they are destroyed when that time arrives.
- Legal documents (such as executed contracts) and personnel records are kept separate from accounting records.
- Other systems that provide information to the accounting system are identified.
- Special care is taken to ensure reconciliation of balances and continuity of an audit trail between the accounting system and other systems and to ensure that the records in the other system are retained as appropriate for accounting records.
- Special care is taken to ensure the integrity of computerized accounting records.
- Care is taken to ensure that technical support is available for accounting systems and other systems that provide information to the accounting system.
- Internal control policies are maintained during transitions in computerized accounting systems and other systems that provide information to the accounting system.

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**Attachment G**  
**Practical and Almost Painless Approaches to Improving Internal Controls**  
**(c) 1999–2015 Standards for Excellence Institute**

Mail Handling

Use a bank lock box, it may cost less than you think. It should be used for all deposits and should be reconciled on a timely basis.

Make mail opening a group activity with two or more people involved and have the mail opened in a public place like the reception area, library or employee lounge. Get people involved in new members, increased contributions, and special event ticket sales. The more people that are involved improve the chances that mistakes will be detected and corrected.

Unless they do it everyday, the Executive Director or Finance Director should periodically open a day's mail. Make this a random event. If the Executive Director does it everyday, s/he should probably delegate this task.

Check Signing and Check Processing

Be realistic. If you require two signatures on checks, have trouble getting signatures, and sometimes have blank checks signed; have the board change the policy to one signatory. There is increased risk when you have signed blank checks. Have your independent auditor make the suggestion of only one signature to the board of directors.

Use a payroll service and encourage all employees to have direct deposit. This way you don't have to chase down that second signature nor are you as the Executive Director signing your own check. Many banks have free checking accounts for people who have their paycheck direct deposited.

Check signing is not the only way to get the treasurer or other board member involved. Have the bank statements and cancelled checks sent directly to the treasurer. The treasurer can review the checks and the endorsements.

Use two separate bank accounts, a main account into which funds are deposited and a subsidiary account that all checks are written against. The subsidiary account only has a balance large enough to cover checks that are written. Checks are written and a transfer is made from the main account to the subsidiary. The board member can transfer or authorize the transfer by phone. A problem creates an overdrawn situation which the bank will notify you of immediately. Problems are easier to solve a few days after they occur rather than weeks or months later.

Use a separate bank account for payroll transferring in only enough funds to cover the current paychecks. Fraud or errors on the part of the bank or payroll service will show up sooner.

Never write a check out to Cash for any reason. It just looks bad.

Petty cash checks should be made out to a person using either Mary Smith, Agent for ABC Nonprofit Organization or John Jones, Cashier of the Petty Cash Fund.

The signer(s) need to double check that the vendor name and address on the invoice matches the vendor name and address on the check. In this age of computerization, a common error is getting the wrong payee due to the “autofill” function.

With current technology, anyone can create a professional looking invoice. Avoid paying dummy invoices by requiring a signature and the purpose for the expense on the invoice of the staff person who received the goods or services. The signature should be on the document and not scribbled on a Post-it note. Post-its can be easily moved.

Limit advances to staff for program supplies. Set up accounts with stores used most often and limit purchasing to where there are accounts. This is not only a good financial control, but also usually results in reduced spending and program staff spending less time “shopping.”

### Cash Receipts

If you have a finance department of one person, train program staff to make deposits or go to the bank. There is generally someone on staff that is restless and doesn't mind leaving the office for a few minutes.

Don't hold a check because you don't know what it is for. Go ahead and deposit it. You can always code it later.

Use duplicate deposit tickets. You can order them from the bank for only a few dollars. The franked (embossed by the bank) copy should have a listing of the checks in the deposit.

Periodically reconcile your financial records with the development records and/or membership records.

Number special event tickets and reconcile with cash and checks received.

Encourage grantors and contractors to direct deposit payments into your bank account.

## Bank Reconciliations

Do bank reconciliations within 10 days of receipt. Once again, problems are easier to fix the sooner you become aware of them. The staffs of banks do make mistakes as well as your own staff.

Reconcile to the General Ledger not just the amount in the checkbook.

The Executive Director should review the reconciliation and the bank statement periodically.

## Accounts Receivable

Review the receivables monthly. Send out second/third notices. An easy way to do this is to maintain a manual file with a copy of each invoice sent. Monthly sort out the ones paid. Add a "Second Request" notation on the remaining ones and re-send.

All staff and board members should be involved in collecting outstanding receivables. Prepare a list and distribute at staff or board meetings. If people have a contact, have them call to collect the money.

## Miscellaneous

A financial report should be prepared that compares actual performance against an approved budget. Variances should be explained. Sometimes the variance is caused by an accounting error that should be corrected before the report is distributed.

Distribute financial reports and fundraising reports to all staff members. A fresh set of eyes may pick up an error or a potential problem.

Periodically, someone other than the Finance Director should look at the reports generated from the financial system.

Reconcile your physical inventory of furniture and fixtures to your accounting records. This can be done as part of your annual office clean up day.

Do the same reconciliation with software licenses. Also, remove from your accounting property list obsolete and no longer used software. And dispose of old software and programs.

Periodically test the back up system for your accounting data to make sure it is working properly. Unfortunately you often don't find out there is a problem until the day you need the back up.

Go through the Standards for Excellence accreditation process.

**This list is not intended to substitute for board approved internal control procedures or a financial and accounting procedures manual. This is a list of possible procedures that your organization can adopt to improve existing internal controls.**