



LUTHERAN SOCIAL SERVICES

OF NEVADA

**Lutheran Social Services of Nevada
Financial Policy Manual**

December 15, 2011

Approved by the Board of Directors

A handwritten signature in blue ink, which appears to read "David Knowlton". The signature is written in a cursive style and is positioned above a horizontal line.

David Knowlton, President

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Introduction

These policies are intended to give direction to the board of directors and staff of Lutheran Social Services of Nevada (LSSN) regarding financial matters. The intent of these policies is to provide a framework of accountability for audit purposes and assist the Board of Directors in understanding operations in order to provide sufficient revenue.

These policies also direct the staff to follow procedures to meet non-profit accounting practice standards. Appropriate financial policies provide for separation of duties and checks and balances so that no single person maintains control over all aspects of the finances. The policies also ensure that several people are aware of how their responsibilities relate to other components of the financial picture. The financial policies try to reflect options that meet the intent of transparency and accountability.

It should be noted that the Board of Director bears responsibility for the financial wellbeing of the agency. The Board of Directors of LSSN appoints a Finance Committee who works under the Board Treasurer to ensure the appropriate preparation of an annual budget, appropriate handling and distribution of funds, and the appropriate preparation and presentation of regular financial statements. The Finance Committee selects and communicates with the audit company, presents the annual audit report and management letter comments (if any) to the Board of Directors.

The Finance Committee works with the Executive Director and the Finance Manager to set the annual budget, based on LSSN's fiscal year (July through June) to direct how funds are spent. Board approval is necessary in order to spend funds or make financial commitments to projects that have not already been incorporated into the approved budget.

Staff members perform routine duties and prepare reports but are accountable to the treasurer and the board of directors for the daily financial transactions. The Finance Committee reviews financial statements, including a balance sheet, a comparison of actual financial activity to the approved budget, and projected cash flow. LSSN's staff maintains a calendar of report deadlines and advises the Board of Directors to ensure that all financial reports and information returns have been filed as required. All personnel with a role in the management of LSSN's fiscal operations are expected to uphold the policies in this manual. It is the intention that this accounting manual serve as our commitment to proper, accurate financial management and reporting.

Financial Management System

The purpose of the Financial Management System is to ensure there is a system/process in place to accurately and efficiently account for the financial transactions (revenues, expenditures, assets, liabilities, equity) for Lutheran Social Services of Nevada. LSSN uses the following key items for the financial management system:

Accrual Method

The Accrual Method of Accounting is one of the two most common accounting methods, wherein income is reported in the tax year earned, whether or not received, and deductions are claimed in the tax year incurred, whether or not paid.

Chart of Accounts

A Chart of Accounts is a listing of LSSN service and program accounts and their corresponding numbers.

General Ledger

A General Ledger lists LSSN service and program financial accounts, including debits, credits and balances and is used for financial statement preparation and for tax filing.

Accounts Receivable

Accounts Receivable refers to the amount of money owed to LSSN for services delivered to its clients.

Accounts Receivable Ledger

An Accounts Receivable Ledger is a detailed listing of customer accounts showing how much each account owes. Each transaction that generated a receivable is listed under that customer's account and a balance by account is determined.

Accounts Payable

Accounts Payable refers to the amount of money owed to vendors for goods/services delivered and purchased on credit.

Accounts Payable Ledger

An Accounts Payable Ledger is a listing of detailed vendor accounts showing how much is owed to each account. Each transaction that generated a payable is listed under that account and a balance by account is determined.

Cash Disbursements

A payment of money or simply a payment. Usually, the writing of a check to pay for an item previously obligated to be paid, such as accounts payable payment, loan payment, etc.

Check Request

A check request form is filled out for all checks. Requests are to be paid against actual bills or invoices, which are considered supporting documentation.

Funds Receipt Processes

The Board of Directors reviews the location of funds and authorizes the opening and closing of bank accounts, as needed. Additionally, the Board of Directors reviews the appropriate signatures required for bank accounts and authorizes additions or deletions of authorized signers with the bank, as needed.

The Board of Directors may authorize the establishment of Certificates of Deposit or investments in accordance with financial policies for LSSN. The Board of Directors will also authorize any credit/debit cards held in the name of LSSN, their authorized signers and purchase limits.

Cash Receipts Cycle

Most monetary donations are received through the mail. Under normal circumstances, mail is to be opened by the Executive Director's designees. All received mail is to be opened by two appointed staff members for review and processing. One of the two staff members records checks/cash in a Daily Receipt of Funds log. At the end of the month, this Daily Receipt of Funds log is given to the Executive Director for comparison purposes against the bank statement deposits.

All checks/cash are recorded in a Daily Receipt of Funds log. The Finance Manager then makes two copies of the checks. The deposit is prepared with one copy. It is also used to archive to the network server with a copy of the deposit spreadsheet. The deposit spreadsheet shows the description of how the check/cash is to be used and for G/L (General Ledger) coding. The second copy is forwarded to the Development Director for donation entries and donor acknowledgment.

All deposit copies are filed according to month received. The checks are placed in the file cabinet (to remain locked at all times) until a deposit is made. At no time will checks or money be left in open and unsecured areas. A deposit not forwarded to the bank is to be locked in the Finance Manager's office. No deposit should be left un-deposited, in excess of \$500.00, over the weekend. We currently are completing deposits at Bank of Nevada via their e-Deposits. This is an electronic process of placing each check in a "scanner." It is recorded at our operating account and funds are automatically credited to our account. This e-Deposits does not include actual cash transactions. These must be done as a separate deposit and taken to the bank.

In the event that the Finance Manager is not available to process the deposit in a timely manner, the Executive Director's designee photocopies the checks and includes a copy of the deposit ticket. The Finance Manager will then record the deposit in the accounting software at a later date.

The actual bank deposit is then made by the Executive Director's designee or upon the Finance Manager's return.

Donations which are credit card transactions are processed by the Development & Marketing Director at LSSN's web site. The Finance Manager is responsible for entering of credit card transactions to the accounting software after receiving an email notification of the same.

Accounts Payable Cycle

A check request form is filled out for all checks, which is to be signed by the Department Manager and then the Finance Manager. Requests are to be paid against actual bills or invoices, which are considered supporting documentation. Checks are printed by the Finance Manager. They are to be supported by invoices and other backup documentation. Monthly vendor statements are not supporting documentation and cannot be used in lieu of invoices.

Check requests outside of operational expenses or clients services are to be requested by the staff member responsible for ordering the product or service. This staff member must check the validity of the invoice against proposals/bids, etc. and work accomplished/delivered.

After inputting all the check requests, the Finance Manager prepares a master list of all checks to be paid for approval by the Executive Director. If there are any questions or concerns about the amounts, the Finance Manager provides necessary information prior to running any disbursements. If there are any items removed from the batch, the totals on the payment summary form should be corrected, initialed and dated by the Executive Director.

The Finance Manager is to submit the check request to the Executive Director for review and approval. All disbursements for expenses and liabilities of LSSN are to be prepared for the Executive Director's review, approval and signature.

The Finance Manager then photocopies the checks, attaches the invoices, other supporting documentation and mails to the appropriate address. The check is photocopied before disbursement to provide an additional proof of payment. A check register is run and filed together with the disbursement transmittal form. The Finance Manager then files the photocopied check and supporting documentation in appropriate vendor files.

The Finance Manager is to utilize the paid invoice files to respond to any discrepancies which arise with vendors or other payees. The Finance Manager is to void any outstanding checks in excess of 6 months. Additionally, a check will be voided when it has been found that it was issued in error (e.g., wrong amount or wrong vendor). Voided checks will be marked "VOID" in large letters. All voided checks will be placed in a file named "Void."

Authorized signers for LSSN checking accounts are the Executive Director (\$5,000 and under), the Board President and the Board Treasurer (all amounts). Any check for an amount over \$5,000 must carry Board President's and/or Treasurer's signatures unless otherwise specifically authorized in advance by the Board of Directors (such as payroll, insurance, office, equipment lease costs and similar expenses) or if the check represents a grant/contract allowable cost and/or purchase.

LSSN does not maintain petty cash on the premises with the exception of specific fundraising events that require a change drawer. Specific guidelines for the establishment and use of the change drawer are as follows:

- The Department Manager submits the request.
- The Executive Director approves the withdrawal of funds.
- The funds are to be in custody of the Department Manager or his/her designee for the duration of the fundraising/special event.
- Upon completion of the event, the change drawer funds are to be submitted to the Finance Manager and re-deposited back into the bank account.

LSSN will always seek to maximize value and cost-effectiveness in all procurement and purchasing. LSSN will attempt to receive a minimum of 3 written competitive bids for certain purchases or contracts exceeding \$5,000.

Journal Entries

The basic concept behind a **journal entry** is that every transaction involves a change in at least two places in the accounting records, so the journal entry must generate at least two equal and offsetting entries. The basic structural rules of a journal entry are that there must be a minimum of two line items in the journal entry, and that the total amount you enter in the debit column equals the total amount that you enter in the credit column.

There are a couple of procedures to follow when entering journal entries, which are:

- Provide an explanation as to why the journal entry was created and backup documentation for it. Otherwise, someone reviewing the books at a later date will have no idea why the entry was made and/or you may not remember why it was done.
- Using a journal entry template for recurring transactions (i.e., for prepaid insurance) so that the risk of creating an incorrect entry is reduced or eliminated.

Grant Processes

All grants are properly received and reported. Compliance with terms of any related restrictions will be monitored by staff and reported to the Finance Committee. Pledges are recorded at the time they are made. Information pertaining to contributions, gifts, donations and pledges are submitted to the Development and Marketing Director who prepares donation acknowledgement letters.

LSSN complies with all government regulations pertaining to grants and contracts. When new funds are awarded from a public entity via a contracting organization, the Executive Director and Finance Manager review the documentation to ensure that LSSN is in compliance with all regulations of the contracting organization as well.

All grants greater than 25,000 and other recurring sources of public funds shall be summarized in a report for review by the Finance Committee and for possible presentation to the Board of Directors. Information to be summarized shall include, but is not limited to, name of source, beginning and ending dates of grant or source, scheduling of projected dates of receipt of funding, purpose and/or restrictions of funds, etc.

In-Kind Contribution Processes

Donated goods and services, which are recorded and maintained by the Development and Marketing Department, are summarized and submitted to the Finance Department to include in the footnotes to the financial statements.

For noncash/in-kind charitable contributions in excess of \$5,000 IRS form 8283 Noncash Part IV Donor Acknowledgment is completed by the Development Director with Finance Manager's guidance. The document is then filed with IRS and a copy is provided to donor.

The Finance Committee shall report in-kind contributions in excess of \$5,000 to the Board. In-kind donations are factored into LSSN's annual budget and audit. Also significant donations of property shall be referred to the Finance Committee.

Bank Reconciliations

The Executive Director is to receive the bank statements in the original, unopened envelope for opening and review. The Executive Director may request, from Finance Manager and Finance Manager shall provide appropriate support for requested information. Bank statements are to be downloaded from the Bank of Nevada's website by the Finance Manager. The Finance Manager reconciles each account promptly upon the receipt of the bank statements. All accounts are to be reconciled no later than 7 days after receipt of the monthly bank statements. Both the Executive Director and the Finance Manager review the contents for inconsistent check numbers, signatures, cash balances and payees and endorsements at a minimum.

The Board Treasurer dates and initials the bottom right corner of first page of each statement on a monthly basis, when requested to do so.

Fixed Asset Management

Expenditures for land, building and equipment are recorded at cost. Donated assets and capitalized donated leases are recorded at their estimated fair market value at the date of donation. Depreciation expenses are calculated using the straight-line method and the following estimated useful lives:

Buildings & improvements	10 – 35 years
Furniture & equipment	3 – 10 years
Vehicles	3 – 5 years

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expenses as incurred. LSSN capitalizes all fixed assets with a cost greater than or equal to \$1,000 and a useful life greater than one year. The Finance Manager will conduct an annual inventory of fixed assets and maintain a central list. Based on the annual inventory, results will be reconciled to the general ledger balances, and appropriate adjustment for dispositions should be made.

Fixed assets may be disposed of only upon proper authorization by the Executive Director.

When an asset is purchased through a grant, the grant's capitalization rules apply unless otherwise stipulated by a grant.

Payroll

LSSN engages the services of a payroll company. Payroll is processed bi-weekly. All employees are to fill out time sheets, except the Executive Director who would do so if her time were to be charged to a grant. All employees submit their timesheets to their supervisors for review and approval. The supervisors then submit the timesheets to the Finance Manager. The Finance Manager reviews the time sheets for accuracy. The Finance Manager then submits all timesheets to the Executive for approval and signature. The Finance Manager then transmits the signed, approved hours to the payroll company on Tuesday morning (bi-weekly). Payroll is automatically deposited in each employee's individual bank account on Friday (bi-weekly). Then the Payroll Company transmits back the completed payroll via e-mail to the Executive Director, the Treasurer and the Finance Manager.

The Finance Manager takes the payroll reports and inputs that same information into an excel spreadsheet for grant allocation percentages. The grant allocation spreadsheet is used to create a payroll general Journal entry, which is entered into the accounting software. This completes the payroll process.

The payroll subsidiary ledger binder, which has reports for all payroll information is available in the Finance Department for the review by the Executive Director and Treasurer at any time.

Financial Reporting and Audit

The Finance Manager should prepare a set of monthly financial reports for distribution to the Executive Director, Treasurer and Finance Committee.

The reports should include: a balance sheet and a statement of income and expenses for each department (operating, project); a consolidated balance sheet and consolidated income and

expense report which show all departments combined; a budget-to-actual report for all accounts included in the annual operating budget; a list of deferred and receivable funds, and a cash flow projection. In addition, the monthly reports for the quarterly periods (December, March, June, and September) will be submitted to the full board for their review and acceptance at the following board meeting.

The monthly statements should be approved by the Treasurer. After the Treasurer's approval, the statements will be forwarded to the Finance Committee every month and to the full board as stated above. The monthly statements will be finalized by the conclusion of the month following the statement period.

A fiscal year-end Audit report should be prepared annually by an independent, outside CPA or a CPA firm. LSSN will try to maximize its effectiveness and accept competitive bids for the audit. An engagement letter will be signed with an auditor or audit firm.

In the event that Lutheran Social Services expends \$500,000 or more of Federal awards in a year, the annual audit will be conducted in accordance with the Single Audit Act Amendments of 1996, as amended, Office of Management and Budget (OMB) Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations," the OMB Circular A-133 Compliance supplement and Government Auditing Standards.

Service Fees/Rates

The purpose of this policy is to outline Lutheran Social Services of Nevada's fees/rates for different services. LSSN has a defined schedule of fees/rates for the various types of services it delivers.

The service fees are based on:

- the type of service delivered;
- 12 hour days or nights; and/or,
- live-in or live-out arrangements.

The service/program managers prepare annual service fee schedules and submit for to the Executive Director's review and final approval. The rates of service are outlined in the Annual Implementation Plans of specific programs and services.