

Early Learning Coalition of Manatee County

***Accounting & Financial
Policies and Procedures Manual***

Effective Date(s) of Policies

The effective date of all accounting policies described in this manual is January 1, 2010. If a policy is added or modified subsequent to this date, the effective date of the new/revised policy will be indicated parenthetically immediately following the policy heading.

The contents of this manual were approved as official policy of the Early Learning Coalition of Manatee County, Inc. by the Board of Directors. All Coalition staff are bound by the policies herein, and any deviation from established policy is prohibited.

GENERAL POLICIES

ORGANIZATIONAL STRUCTURE

The Role of the Board of Directors

The Coalition is governed by its Board of Directors, which is responsible for the oversight of the organization by:

1. Planning for the future
2. Establishing broad policies
3. Identifying and proactively dealing with emerging issues
4. Interpreting the organization's mission to the public
5. Soliciting prospective contributors
6. Hiring the Executive Director
7. Establishing and maintaining programs and systems designed to assure compliance with terms of contracts and grants

The board is responsible for hiring and periodically evaluating the organization's Executive Director, who shall be responsible for the day-to-day oversight and management of the Early Learning Coalition of Manatee County.

Committee Structure

The board of directors shall form committees in order to assist the board in fulfilling its responsibilities. These committees represent vehicles for parceling out the board's work to smaller groups, thereby removing the responsibility for evaluating all of the details of particular issues from the full board's consideration. Standing board-level committees of the Early Learning Coalition consist of the following:

1. Executive/Finance Committee
2. Governance Committee
3. Quality Committee

Specific guidelines regarding the composition and election of the board of directors and committees are described in the organization's by-laws. However, roles of committees with direct responsibilities for the financial affairs of the organization are further described in this manual. These committees shall be referred to in appropriate sections of this manual.

Executive/Finance Committee Responsibilities

The Executive/Finance Committee is responsible for direction and oversight regarding the overall financial management of the Early Learning Coalition of Manatee County. Functions of the Finance Committee include:

1. Review and recommendation of the organization's annual budget (prepared by the staff) for final approval by the full board.
2. Long-term financial planning.
3. Evaluation and approval of facilities decisions (i.e. leasing, purchasing property).
4. Monitoring actual vs. budgeted financial performance.

The review of the organization's financial statements shall not be limited to the Executive/Finance Committee, but shall involve the entire board of directors.

The Executive/Finance Committee is responsible for recommending the hiring of an independent CPA firm and for directly communicating with the CPA firm to fulfill the requirement for an annual audit. The

Executive/Finance Committee shall also review and approve the final audited financial statements, as well as any communications received from the auditor regarding internal controls, illegal acts, or fraud.

ACCOUNTING SERVICES

Officers and employees of the Early Learning Coalition who have financial responsibilities, and the abbreviations of each position used throughout this manual, are as follows:

- Executive Director (ED)
- Director of Finance (DF)
- Treasurer – Board-Level (TR)
- Finance Committee (FC)
- Executive Committee (EC)
- Full Board of Directors (BOD)
- Director of Operations (DO)

The Director of Finance is responsible for:

- General Ledger
- Budget to Actual Reporting
- Accounts Receivable and Billing
- Cash Receipts and Invoicing
- Accounts Payable
- External Reporting of Financial Information
- Cash Disbursement
- Annual Audit
- Bank Reconciliation
- Reconciliation of sub-ledgers

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of the organization, and is supported by subsidiary ledgers that provide details for accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

Chart of Accounts Overview

The chart of accounts is the framework for the general ledger system, and therefore the basis for the Early Learning Coalition’s accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense and gain and loss account.

The Early Learning Coalition’s chart of accounts is comprised of six types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses
6. Gains and Losses

Distribution of Chart of Accounts

All ELCMC employees involved with account coding responsibilities (assignment or review of coding) or budgetary responsibilities will be issued a current chart of accounts. As the chart of accounts is revised, an updated copy of the chart of accounts shall be distributed to these individuals promptly.

Control of Chart of Accounts

The Coalition’s chart of accounts is monitored and controlled by the Director of Finance. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Treasurer, who ensures that the chart of accounts is consistent with the organizational structure of the ELCMC and meets the needs of each division and department.

Account Definitions

General Ledger

Account Range	Category	Definition
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1000 - 1999	Assets	
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Assets are probable future economic benefits obtained or controlled by the organization as a result of past transactions or events. Assets of the ELCMC are classified as current assets, fixed assets, contra-assets, and other assets.

Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.

Fixed assets are tangible assets with a useful life of more than one year that are acquired for use in the operation of the organization and are not held for resale.

Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable

Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property and long-term investments.

2000 – 3999	Liabilities and Net Assets	
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Liabilities are probable future sacrifices of economic benefits arising from present obligations of the organization to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities of the ELCMC are classified as current or long-term.

Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.

Long-Term Liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example would be the non-current portion of a mortgage loan.

Net Assets is the difference between total assets and total liabilities. See the next section for the ELCMC’s policies on classifying net assets.

4000 - 4999	Revenues	
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Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute an organization’s ongoing major or central operations.

Revenues of the ELCMC include contributions received from donors and grants received from government agencies, private foundations and corporations.

5000 - 9999 Expenses

Expenses are outflows or other using up of assets or incurrence's of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute the ELCMC's ongoing major or central operations.

Gains and Losses

Gains are increases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the organization except those that result from revenues or contributions.

Losses are decreases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the organization except those that result from expenses.

Gains or losses occur when the ELCMC sells a fixed asset or writes off as worthless a fixed asset with remaining book value.

Classification of Net Assets

Net assets of the organization shall be classified based upon the existence or absence of donor-imposed restrictions as follows:

1. **Unrestricted Net Assets** - Net assets that are not subject to donor imposed stipulations.
2. **Temporarily Restricted Net Assets** - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of the organization and/or the passage of time.
3. **Permanently Restricted Net Assets** - Net assets subject to donor imposed stipulations that the organization permanently maintain certain contributed assets. Generally, donors of such assets permit the organization to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes.

Net assets accumulated by the ELCMC that are not subject to donor imposed restrictions, but which the board of directors of the organization has earmarked for specific uses, shall be segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

Fiscal Year of Organization

The Early Learning Coalition shall operate on a fiscal year that begins on July 1 and ends on June 30. Any changes to the fiscal year of the organization must be ratified by majority vote of the ELCMC's board of directors.

Journal Entries

All general ledgers entries that do not originate from a subsidiary ledger shall be supported by journal vouchers, which shall include a reasonable explanation of each such entry. Examples of such journal entries include:

1. Recording of noncash transactions
2. Corrections of posting errors
3. Non-recurring accruals of income and expenses

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accretion of discounts on promises to give
4. Accruals of recurring expenses
5. Amortization of deferred revenue

Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, in the form of a journal voucher.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policies

The ELCMC receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements of the organization in the following manner:

1. **Grant income** - Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards)
2. **Conference and seminar revenue** – Deferred as received, reclassified to income at close of the month in which the conference or seminar is held
3. **Contributions** - Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income)

Immaterial categories of revenue may be recorded on the cash basis of accounting (i.e. recorded as revenue when received) as deemed appropriate by the CEO.

CONTRIBUTIONS RECEIVED

Definitions

The following definitions shall apply with respect to the policies described in this section:

Contribution - An unconditional transfer of cash or other assets to the organization, or a settlement or cancellation of the organization's liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Condition - A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promissor a right of return of the assets it has transferred to the organization or releases the promissor from its obligation to transfer its assets.

Restriction - A donor-imposed stipulation that specifies a use for the contributed asset that is more specific than broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in Early Learning Coalition's articles of incorporation and bylaws. Restrictions on the ELCMC's use of an asset may be temporary or permanent.

Nonreciprocal Transfer - A transaction in which an entity incurs a liability or transfers assets to the ELCMC without directly receiving value from the ELCMC in exchange.

Promise to Give - A written or oral agreement to contribute cash or other assets to ELCMC.

Exchange Transaction - A reciprocal transaction in which ELCMC and another entity each receive and sacrifice something of approximately equal value.

Accounting for Contributions

The ELCMC shall recognize contribution income in the period in which the organization receives restricted or unrestricted assets in nonreciprocal transfers, or unconditional promises of future nonreciprocal asset transfers, from donors. Contribution income shall be classified as increases in unrestricted, temporarily restricted, or permanently restricted net assets based on the existence or absence of such restrictions.

Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) of the ELCMC in the period that the ELCMC receives evidence that a promise to support the organization has been made. Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management. Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value. Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to the ELCMC at the time the organization receives a promise from a donor.

When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

When it receives support in the form of volunteer labor, the ELCMC shall record contribution income and assets or expenses if one of the following two criteria is met:

1. The contributed service creates or enhances a nonfinancial asset (such as a building or equipment), or
2. The contributed service possesses all three of the following characteristics:
 - a) It is the type of service that would typically need to be purchased by the ELCMC if it had not been contributed,
 - b) It requires specialized skills (i.e. formal training in a trade or profession), and
 - c) It is provided by an individual possessing those specialized skills.

Examples of contributed services received and recorded as income and expense by the ELCMC may include, contributed services that meet one of the two preceding criteria shall be recorded at the fair market value of the service rendered.

Receipts and Disclosures

The ELCMC and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying Regulations. To comply with those rules, the ELCMC shall adhere to the following guidelines with respect to contributions received by the organization.

For any separate contribution, received ELCMC shall provide a receipt to the donor. The receipt shall be prepared by the ELCMC accounting department. All receipts prepared by ELCMC shall include the following information:

1. The amount of cash received and/or a description (but not an assessment of the value) of any noncash property received,

2. A statement of whether the ELCMC provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received by the organization from the donor, and
3. If any goods or services were provided to the donor by the ELCMC, a description and good faith estimate of the value of those goods or services.

When the ELCMC receives cash in excess of \$250, or noncash property with a value in excess of \$250, as part of a quid pro quo transaction, the organization shall follow additional disclosure procedures. For purposes of this paragraph, a "quid pro quo" transaction is one in which ELCMC receives cash or property in a transaction that is part contribution and part exchange transaction (i.e. the value of the goods or services provided to the donor by ELCMC is less than the value of cash or property provided by the donor). In such instances, ELCMC shall provide to the donor a receipt stating that only the amount contributed in excess of the fair market value of the goods or services provided by the ELCMC may be deducted as a charitable contribution. The receipt shall also include a good-faith estimate of the fair market value of the goods or services provided to the donor by the ELCMC.

BILLING/INVOICING POLICIES

Overview

The following is a list of items billed and/or accrued and received by ELCMC and the frequency with which each is billed:

Annual Billings

1. None

Quarterly Billings

1. None

Monthly Billings

1. Grants and contracts (See separate section on "Policies Associated with Federal Awards" for billing policies associated with federal grant agreements)

Daily ("as needed") Billing

1. None

Accounts Receivable Entry Policies

Posting of grant/contract invoices to the accounts receivable subsidiary ledger shall be performed by individuals independent of the cash receipts function.

Posting of credit memos and other adjustments to grant/contract accounts receivable shall also be performed by an individual independent of the cash receipts function.

Classification of Income and Net Assets

All income received by the ELCMC is classified as "unrestricted", with the exception of the following:

1. Grants and other awards received from government agencies or other grantors, which are classified as temporarily restricted.
2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes.

From time to time, the ELCMC may raise other forms of contribution income, which carry stipulations that the ELCMC utilize the funds for a specific purpose or within a specified time period identified by the donor of the

funds. When this form of contribution income is received, the ELCMC shall classify this income as Temporarily Restricted income.

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), the ELCMC will reclassify the related net assets from "Temporarily Restricted" to "Unrestricted" in its Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

From time to time, the ELCMC's Board of Directors may determine that it is appropriate to set funds aside for specific projects. To the extent these set-asides result from a Board action, rather than a donor-imposed requirement, the resulting set-aside shall be classified as "unrestricted". However, to identify these funds as being set aside for special projects, such set-asides shall be labeled "Board-Designated" funds within the unrestricted net assets of the ELCMC, and shall be reported as a separate component of unrestricted net assets on the ELCMC's financial statements.

CASH RECEIPTS

Overview

Cash (including checks payable to the organization) is the most liquid asset an organization has. Therefore, it is the objective of the ELCMC to establish and follow the strongest possible internal controls in this area.

Processing of Checks and Cash Received in the Mail

For funds that are received directly at the ELCMC cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis.

A deposit slip is prepared from the cash/checks received and compared to the daily receipts listing for discrepancies. Deposits are prepared and taken to the bank by an individual other than the employee who prepared the daily cash receipts listing.

Endorsement of Checks

It is the policy of the ELCMC that all checks received that are payable to the organization shall immediately be restrictively endorsed by the individual who prepares the daily receipts listing. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only
2. Early Learning Coalition of Manatee County, Inc.
3. The bank name
4. The bank account number of the ELCMC

Timeliness of Bank Deposits

It is the policy of Example ELCMC that bank deposits will be made on a daily basis, unless the total amount received for deposit is less than \$500. In no event shall deposits be made less frequently than weekly.

Use of Purchase Orders

A properly completed purchase order shall be required for each purchase decision. In addition, travel advances and expense reimbursements require the preparation of a separate form described elsewhere in this manual. For purchases, less than \$500 verbal approval is accepted prior to purchase upon proper documentation of invoice. A properly completed Purchase Order shall contain the following information, at a minimum:

1. Specifications or statement of services required
2. Vendor name, address, point of contact and phone number

3. Source of funding (if applicable)
4. Special conditions (if applicable)
5. Catalog number, page number, etc. (if applicable)
6. Net price per unit, less discount, if any
7. Total amount of order
8. Electronic authorization
9. Date PO prepared

Authorizations and Purchasing Limits

All completed purchase orders must be approved by the Executive Director. In addition, prior approval from AWI is required for purchases over \$5,000 with ratification from the Executive/Finance Committee. Prior approval from the Executive/Finance Committee is required for all purchases between \$10,000 and \$20,000.

All purchases or contracts greater than or equal to \$20,000 between the ELCMC and outside parties must be reviewed and approved by the Board of Directors.

Purchase decisions in excess of \$5,000 for labor, equipment, supplies or services purchased, leased or contracted for shall be made only after receiving, whenever possible, oral quotations from at least two (2) vendors.

Purchase decisions exceeding \$10,000 for labor, equipment, supplies or services purchased, leased or contracted for shall be made only after receiving whenever possible, written quotations from at least three (3) vendors. Specific selections shall be recommended, to the Executive Director for approval with written quotations attached for review. Recommendations shall be based on consideration of all applicable criteria as described under "Evaluation of Alternative Vendors" below.

All purchase decisions of \$25,000 or more shall be made by obtaining competitive proposals from at least three (3) responsible vendors. Sealed bids shall be utilized when required by a Federal awarding agency.

ACCOUNTS PAYABLE MANAGEMENT

Overview

ELCMC strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

It is the policy of the Coalition that the recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor invoice for the related goods or services. The vendor invoice should be supported by an approved purchase order where necessary, and should be reviewed and approved by the Executive Director prior to being processed for payment. Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized
2. Invoices are processed in a timely manner
3. Vendor credit terms and operating cash are managed for maximum benefits

Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

Accounts payable are processed on a weekly basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

It is the policy of the Coalition that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment.

Accounts Payable Cut-Off

For purposes of the preparation of the Coalition's monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation by the tenth day of the following month shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end. In good faith, the ELCMC accounting department will make every effort to record invoices in the proper month.

Establishment of Control Devices

Control of invoices is established by the Executive Assistant as soon as invoices are received.

Upon receipt of invoices, each invoice is distributed to the Executive Director for approval. Invoices are then delivered to the finance department for check preparation.

Preparation of a Payment

Prior to any account payable being submitted for payment, the following documents will be provided:

1. Vendor invoice (or employee expense report)
2. Packing slip (where appropriate)
3. Receiving report (or other indication of receipt of merchandise and authorization of acceptance)
4. Purchase order
5. Any other supporting documentation deemed appropriate

Processing of Invoices

The following procedures shall be applied to each voucher package by the accounts payable clerk:

1. Check the mathematical accuracy of the vendor invoice.
2. Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, packing slip and receiving report
3. Document the general ledger distribution, using the organization's current chart of accounts
4. Obtain the review and approval of the department director (or their designee) associated with the goods or services purchased

Approvals by department directors indicate their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account codings, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individual.

Payment Discounts

To the extent practical, it is the policy of ELCMC to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

Employee Expense Reports

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form (see further policies under

“Travel and Business Entertainment”). All receipts must be attached, (small receipts copied on 8 ½ X 11 paper in addition to the original sheet) and a brief description of the business purpose of trip or meeting must be noted on the form. Expense reports will be processed for payment in the next vendor payment cycle if received within two business days of the deadline.

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

It is the policy of the Coalition to print vendor checks and expense reimbursement checks on a weekly basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies described in this manual
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors
3. Generally, all vendors shall be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer
6. Checks shall be utilized in numerical order (unused checks are stored in a locked safe in the accounting department)
7. Checks shall never be made payable to “bearer” or “cash”
8. Checks shall never be signed prior to being prepared
9. Upon the preparation of a check, vendor invoices and other supporting documentation shall immediately be canceled in order to prevent subsequent reuse.

Check Signing

Expenditures and Check Preparation:

1. All invoices will be reviewed and approved by the ELCMC Executive Director prior to check issuance.
2. ELCMC Executive Director will issue request for expenditures and payments. Executive Director authority for payment is \$5,000.
3. The ELCMC Executive Director, Chair, Vice-Chair, and Treasurer have signature authority. All checks made payable to the Executive Director shall be signed by one of the board members with signature authority. Checks \$5,000 and under that do not bear the name of the ELCMC Executive Director may be signed by the Executive Director alone. Checks between \$5,000 and \$30,000 are required to have two authorized signatures, of which one signature may be the ELCMC Executive Director. For credit card payments that have expenditures incurred by the Executive Director on the credit card, a signature other than the Executive Directors will be required to sign checks to the credit card company. Checks over \$30,000 are required to have two (2) board member signatures, not including the ELCMC Executive Director.
4. For wire and electronic funds transfers, the above signature policy remains the same with the exception of payments to childcare providers and employees’ payroll, (see #7 and #8 below). Approvals are to be obtained prior to the transfer via any one of three **methods**, e-mail

- (preferred), facsimile, or phone. Approval will be followed with the appropriate original signatures on an ELCMC authorization form. Wire transfers are set up for the ELC M&I Bank account at the Early Learning Coalition. ACH transfers are set up for individual childcare providers and ELCMC staff who have a Direct Deposit Authorization on file with our office.
5. Payments made by electronic transfer through the bank's secure website, after receiving the required signature authority, can be accomplished by dual control only, with the Director of Finance and Executive Director each having one side of the control.
 6. The accounting staff will properly record each disbursement in the accounting system to the relevant general ledger transaction account.
 7. Payments to childcare providers may be made without a second signature approval regardless of the amount. In lieu of second approval, a quarterly report will be provided to the Treasurer or designee showing the list of Providers and payments made that quarter. Dual control for wire and electronic funds transfer will apply.
 8. Payments to employees (bi-weekly payroll) may be made without a second signatory approval regardless of amount. A maintenance report will be reviewed each payroll by the Executive Director or designee. When any changes are made to the Executive Officer's pay, the maintenance report will be reviewed by the Treasurer or designee.

Mailing of Checks

After signature, checks shall be given to the Executive Assistant who then mails checks immediately. Checks shall not be mailed by individuals who authorize expenditures.

Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID". All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by accounting personnel with this authority. A journal entry is made to record the stop payment and any related bank fees.

Record-Keeping Associated with Independent Contractors

ELCMC shall obtain a completed Form W-9 or equivalent substitute documentation from all vendors to whom payments are made. A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year-end. Payments to such vendors shall be accumulated over the course of a calendar year.

POLICIES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Checking Account (operating account)

The primary operating account provides for routine business check disbursements. All deposits are made to this account. Cash transfers are done on an as needed basis to cover disbursements. Excess funds in this account may be transferred into short-term investments or higher interest-bearing cash equivalents.

Bank Reconciliations

Bank account statements are received each month and forwarded unopened to a director level employee or board member who is not involved in the accounting department. This individual shall open the statement and review its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. Unusual or unexplained items shall be investigated.

After this review is complete, the entire bank statement is forwarded to the accounting department, where reconciliation between the bank balance and general ledger balance is prepared by someone who is not an authorized check signer.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed by the Treasurer or other board member, who will review the list of checks written for unusual items on a monthly basis.

Bank reconciliations and copies of resulting journal entries are filed in the current year's accounting files.

Stale Checks

It is the policy of ELCMC to write off checks of \$500 or less that are more than 6 months old that have not cleared the organization's bank. For uncashed checks that are more than 6 months old and that exceed \$500, contact will be made with the payee to resolve the issue.

All stale checks that are written off within the same fiscal year as they were written shall be credited to the same expense or asset account that was debited when the check was written, or the expenditure incurred. For stale checks written off in fiscal years subsequent to the year in which the check was written, if originally disbursed from state or federal funds, the amount shall be remitted to AWI, specifying the amount charged to specific OCAs.

Wire Transfers

The Executive Director and the Director of Finance shall be the only employees authorized to transact wire transfers from ELCMC's bank accounts. To prevent anyone other than Director of Finance and the Executive Director from transacting wire transfers, a system shall be employed that requires the use of pass codes and the calculation of a test-key for each wire transfer. Please refer to the Expenditures and Check Preparation Procedures in the Operations Manual.

PREPAID EXPENSES

Accounting Treatment

It is the policy of the Coalition to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses and to amortize these items over the corresponding time period.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date shall be classified as non-current assets.

Procedures

As part of the account coding process performed during the processing of accounts payable, all incoming vendor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

FIXED ASSET MANAGEMENT

Capitalization Policy

Physical assets acquired with unit costs in excess of \$5,000 are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Contributed Assets

Assets with fair market values in excess of \$5,000 (per unit) that are contributed to the Coalition shall be capitalized as fixed assets on the financial statements.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized fixed assets shall be recorded in a property log. This log shall include the following information with respect to each asset:

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number)
4. Location of asset
5. Depreciation method
6. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Director of Operations.

Receipt of Newly Purchased Equipment and Furniture

At the time of arrival, all newly purchased equipment and furniture shall be “eyeballed” for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor immediately. In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor immediately.

Depreciation and Useful Lives

All capitalized assets are maintained in the special fixed assets account group and are not to be included as an operating expense. Fixed assets are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have 8 full months of depreciation (eight-twelfths of one year) recorded for that year.

The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	-Up to 10 yrs
General office equipment	- 5 yrs
Computer hardware and peripherals	- 3-5 yrs
Computer software	- 2-3 yrs
Leased assets	- life of lease
Leasehold Improvements	- remaining lease term

Repairs of Fixed Assets

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

Dispositions of Fixed Assets

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss if the money received is less than the book value and a gain if the money received is more than the book value.

Write-Offs of Fixed Assets

The Early Learning Coalition follows the Agency for Workforce Innovations (AWI) policy regarding disposal of fixed assets.

ACCRUED LIABILITIES

Identification of Liabilities

The accounting department shall establish a list of commonly incurred expenses that may have to be accrued at the end of the fiscal year. Some of the expenses that shall be accrued by ELCMC at the end of the fiscal year are:

1. Salaries and wages
2. Payroll taxes
3. Rent
4. Interest on notes payable

In addition, ELCMC shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the organization. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

The basic financial statements of the Coalition that are maintained on an organization-wide basis shall include:

1. **Statement of Financial Position** - reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or non-current/long-term
2. **Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the organization, by category of net asset (unrestricted, temporarily restricted and permanently restricted)
3. **Statement of Cash Flows** - reports the cash inflows and outflows of the organization in three categories: operating activities, investing activities, and financing activities

4. **Statement of Functional Expenses** – presents the expenses of the organization in a natural, and objective, format and by function (i.e. which program or supporting service was served)]

Frequency of Preparation

The objective of the ELCMC's accounting department is to prepare accurate financial statements in accordance with generally accepted accounting principles (GAAP) and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

GAAP financial statements are prepared annually as part of the Coalition's independent financial statement audit.

On a monthly basis, a revenue and expense statement and comparison of actual to budget statement are prepared for the Executive/Finance Committee and Board of Directors.

Review and Distribution

All financial statements and supporting schedules shall be reviewed and approved by the Executive Director prior to being issued by the Accounting Department.

After approval a complete set of monthly financial statements, including the supplemental schedules described above shall be distributed to the following individuals:

1. Treasurer and all members of the Finance Committee
2. Executive Director
3. Any other employee with budget-monitoring responsibilities

Financial statements may include an additional supplemental schedule prepared or compiled. The purpose of this schedule is to provide known explanations for material budget variances in accordance with the Coalition's budget monitoring policies described later in this manual (under the "Financial Management Policies" section).

Annual Financial Statements

A formal presentation of the Coalition's annual financial statements shall be provided by the Independent Auditor to the Executive/Finance Committee.

GOVERNMENT RETURNS

Overview

To legitimately conduct business, the Early learning Coalition of Manatee County must be aware of its tax and information return filing obligations and comply with all such requirements of federal, state and local jurisdictions. Filing requirements include, but are not limited to, filing annual information returns with IRS, state charitable solicitation reports and annual reports for corporations.

Filing of Returns

It is the policy of ELCMC to become familiar with the obligations in each jurisdiction and to comply with all known filing requirements. The Director of Finance shall be responsible for identifying all filing requirements and assuring that the Coalition is in compliance with all such requirements.

It is also the policy of the Coalition to file complete and accurate returns with all authorities. ELCMC shall make all efforts to avoid filing misleading, inaccurate or incomplete returns.

Filings made by ELCMC include, but are not limited to, the following returns:

1. Form 990 (when required) - Annual information return of tax-exempt organizations, filed with IRS. Form 990 for ELCMC is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.

Public Access to Information Returns

Under regulations that became effective in 1999, the ELCMC is subject to federal requirements to make the following forms "widely available" to all members of the general public:

1. The three most recent annual information returns (Form 990), [excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A], and
2. The Early Learning Coalition's original application for recognition of its tax-exempt status filed with IRS, and all accompanying schedules and attachments.

Refer to the Coalition's Record Management Policy: Charges for Providing Copies of Coalition Records for Publication.

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of the organization's financial and human resources. A budget is a management commitment of a plan for present and future organizational activities that will ensure survival. It provides an opportunity to examine the composition and viability of the organization's programs and activities simultaneously in light of the available resources.

Preparation and Adoption

It is the policy of ELCMC to prepare an annual budget. To prepare the organization budget, the Executive Director shall gather proposed budget information from all staff with budgetary responsibilities and prepares the first draft of the budget.

After appropriate revisions and a compilation of all department budgets by the Executive Director, a draft of the organization-wide budget is reviewed by the Director of Finance and Director of Operations.

The revised draft is then submitted to the Executive/Finance Committee of the Board of Directors, and finally to the entire Board of Directors for adoption.

It is the policy of ELCMC to adopt a final budget at least 30 days before the beginning of the organization's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the Coalition's accounting Department to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

Monitoring Performance

It is the policy of ELCMC to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

ANNUAL AUDIT

Role of the Independent Auditor

It is the policy of ELCMC to arrange for an annual audit of the organization's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by ELCMC will be required to communicate directly with the organization's Executive/Finance Committee upon the completion of their audit. In addition, members of the Executive/Finance Committee, or any Board Member, are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Executive/Finance Committee by the independent accounting firm for approval.

How Often to Review the Selection of the Auditor

ELCMC shall review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm
2. When a fresh perspective and new ideas are desired
3. Every 3 years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every three years; simply to re-evaluate the selection)

Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by ELCMC in selecting an accounting firm:

1. The firm's reputation in the nonprofit community
2. The depth of the firm's understanding of and experience with not-for-profit organizations and federal reporting requirements under OMB Circular A-133
3. The firm's demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with organization personnel in a professional and congenial manner

The following information shall be included in any Request for Proposal (RFP) to be sent to prospective audit firms:

1. Period of services required
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Organization chart of ELCMC
6. Chart of account information
7. Financial information about the organization
8. Copy of prior year reports (financial statements, management letters, etc.)
9. Identification of need to perform audit in accordance with OMB Circular A-133
10. Due date of proposals
11. Other information considered appropriate

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm member who will serve Example ELCMC
3. Client references

4. Firm's approach to performing an audit
5. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings
6. Expected delivery of reports
7. Cost estimate including estimated number of hours per staff member
8. Rate per hour for each auditor
9. Other information as appropriate

Copies of all proposals shall be forwarded to each member of the Executive/Finance Committee. The Executive/Finance Committee will make the final recommendation to the Board of Directors for approval.

Preparation for the Annual Audit

ELCMC shall be actively involved in planning for and assisting with the organization's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the accounting department shall provide assistance to the independent auditors in the following areas:

Planning - The Director of Finance is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

Involvement - Organization staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the organization's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Organization staff will as much as possible in order to provide requested schedules and documents and to otherwise assist the auditors during any interim audit fieldwork that is performed.

Throughout the audit process, it shall be the policy of ELCMC to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

Concluding the Audit

Upon receipt of a draft of the audited financial statements of ELCMC from its independent auditor, the Director of Finance shall perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of ELCMC
3. Review each footnote for accuracy and completeness

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Director of Finance.

It shall be the responsibility of the Director of Finance and Director of Operations to review and respond in writing to all management letters or other internal control and compliance report findings and recommendations made by the independent auditor.

FUNCTIONAL EXPENSE ALLOCATIONS

Overview

As one of its financial management objectives, ELCMC strives to determine the actual costs of carrying out each of its program service and supporting activities. In this regard, it is the policy of ELCMC to charge

expenses to the appropriate category of program service or supporting activity. Expenses that serve multiple functions or are not readily identifiable with one function shall be allocated between functions whenever possible.

Equipment and Furniture Purchased With Federal Funds

ELCMC may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a Federal agency. In addition to those policies on Asset Management described earlier, equipment and furniture charged to Federal awards will be subject to certain additional policies as described below.

For purposes of Federal award accounting and administration, "equipment" shall include all assets with a unit cost equal to the lesser of \$5,000 or the capitalization threshold utilized by ELCMC, described under Asset Management.

All purchases of "equipment" with federal funds shall be approved in advance in writing by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

1. Any equipment that is owned by the Federal government and given to ELCMC for use in a program shall be marked as such.
2. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.
3. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award, ELCMC shall retain the equipment without any requirement for notifying the federal agency. If the remaining per unit fair market value is \$5,000 or more, ELCMC shall gain a written understanding with the federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the federal agency.
4. The ELCMC Grant Manager shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed by ELCMC.

Standards for Financial Management Systems

In accordance with OMB Circular A-110, it is the policy of ELCMC to maintain a financial management system that provides for the following:

1. Accurate, current and complete disclosure of the financial results of each federally sponsored project or program in accordance with the reporting requirements of Circular A-110 and/or the award.
2. Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
3. Effective control over and accountability for all funds, property and other assets. Example ELCMC shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

4. Comparison of outlays with budget amounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.
5. Procedures to minimize the time elapsing between the transfer of funds to ELCMC from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient.
6. Procedures for determining the reasonableness allow ability and allow ability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
7. Accounting records including cost accounting records that are supported by source documentation.