



# Financial Management Policies & Procedures Toolkit

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GEORGIA STATEWIDE AFTERSCHOOL NETWORK



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NONPROFITS

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## INSTRUCTIONS FOR USE

This toolkit is designed to be customized to meet your specific organization's needs. As you review the content, some sections may not be applicable given the scope of your organization's operations and sources of funds. Feel free to use and modify only the sections that are relevant to your organization's needs. The roles and titles outlined within the sample policies provided here may need to be edited to align with your organization's staffing and roles. Use this document as a starting point and refine it through conversations with your board and staff. This document should not be considered legal advice and the edited version you develop for your organization should be reviewed by an accounting professional and approved by your organization's board of directors, financial management team, and staff.

In addition, please remember to update the heading to include your organization's name and when the edited policies and procedures were approved or amended by your board of directors. When customizing, don't forget to delete "SAMPLE" which can be found before each policy and procedure. Words in [Highlight] will need to be edited based on your organization's needs. Notes, which are in text boxes, should be deleted as well and are included to provide more explanation for potential decision points.

# RESOURCES FOR COMPLYING WITH FEDERAL GRANT REQUIREMENTS

Many nonprofit organizations receive Federal funds for their programs, directly from Federal agencies or through pass-through or subaward arrangements with state and local government agencies or other nonprofits.

The Office of Management and Budget's (OMB) [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) (commonly called "Uniform Guidance") was officially implemented in December 2014. The Uniform Guidance – a "government-wide framework for grants management" – is an authoritative set of rules and requirements for Federal awards.

Many of the **NOTES** in this document reference Uniform Guidance. If your organization receives Federal funding, it is important to be informed on Federal requirements and the potential implications for your organization's policies and procedures.

The following resources are available to help your organization find information from Uniform Guidance and other sources that may inform your organization's policies and procedures:

- [Grants.gov – Overview of Uniform Guidance, including full text and FAQs](#)
- [Grants.gov – Grant Policies](#)
- [Grants.gov – Grant Terminology](#)
- [Grants.gov – Grant Reporting](#)

The United States Chief Financial Officers Council maintains a variety of resources related to Federal funding requirements, including [Grants Training Modules](#) covering the following topics:

- Laws, Regulations, and Guidance
- Financial Assistance Mechanisms
- Uniform Guidance Administration Requirements
- Cost Principles
- Risk Management

*This resource is made possible by funding from the American Rescue Plan and the joint collaboration of the Georgia Department of Education and the Georgia Statewide Afterschool Network. The Georgia Center for Nonprofits provided resource design and content expertise. When this resource is edited for use within your organization, it becomes a unique document, and it is not necessary to retain this statement.*

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# Accounting Procedures

This section covers basic accounting procedures for the organization. The accounting procedures used by the organization shall conform to Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards.

## BASIS OF ACCOUNTING

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**NOTE:** *Your organization will need to decide if you are using cash or accrual basis of accounting. If you receive grants, have employees, and have revenue over \$100,000 accrual is preferred. Cash basis is straight forward, expenses and income are recognized when the cash is received or spent.*

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### SAMPLE Policy:

The organization uses the accrual basis of accounting. The accrual basis is the method of accounting whereby revenue and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred. This method of recording revenue and expenses is without regard to date of receipt or payment of cash.

### SAMPLE Procedures:

- Throughout the fiscal year, expenses are accrued into the month in which they are incurred. The books are closed no later than the [DAY/WEEK] after the close of the month. Invoices received after closing the books will be counted as a current-month expense.
- At the close of the fiscal year, this rule is not enforced. All expenses that should be accrued into the prior fiscal year, are so accrued, in order to ensure that year-end financial statements reflect all expenses incurred during the fiscal year. Year-end books are closed no later than 90 days after the end of the fiscal year.
- Revenue is always recorded in the month in which it was earned, invoiced, or pledged.

## JOURNAL ENTRIES

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**NOTE:** *Journal entries are the record of transactions (debits/credits) that are entered into your account system.*

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### SAMPLE Policy:

The organizations will use [accounting system name] to enter journal entries into the general ledger which enables categorizing and tracking income, expenditures, and depreciation (when applicable). This system will be utilized to produce reports for staff and board. The organization will post journal entries [timeframe- daily, weekly].

### SAMPLE Procedures:

- [Role] is responsible for writing and posting Journal Entries.
- The [Role] will review a report on monthly journal entries for reasonableness.
- After approval the [Role] will approve journal entries for the month so monthly financial reports can be completed.

## BANK RECONCILIATIONS

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**NOTE:** Best practice for internal controls utilize multiple people in bank reconciliation to decrease the opportunity for fraud. If your organization has a small staff, consider involving a board member or external contract accountant/bookkeeper. When possible, someone other than the person posting transactions should reconcile bank accounts. Someone who doesn't reconcile should always review the reports.

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### **SAMPLE Policy:**

All bank statements will be opened and reviewed in a timely manner. Bank reconciliation and approval will occur within 30 days of the close of the month.

### **SAMPLE Procedures:**

- All bank statements and cancelled checks will be opened, reviewed, and initialed by the [Role] upon receipt.
- Once reviewed, bank statements are submitted to the [Role 2] for reconciliation.
- The Executive Director will review and approve reconciliation reports by signing and dating the report in the upper right-hand corner.

## MONTHLY CLOSE

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**NOTE:** The Monthly close outline how your organization will “close its books” for each month. Based on your staffing and capacity, you should set a date by which all transactions will be finalized and the process for finalization.

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### **SAMPLE Policy:**

The financial transactions will be finalized by [the Xth] of the following month. This additional time will be utilized to allow staff time to gather needed documentation.

### **SAMPLE Procedures:**

- Staff will provide [Role] will documentation for expenses and revenue by [the Xth] of the following month.
- [Role] will enter these transactions into the accounting system.
- [Role] will review monthly financial reports to ensure accuracy and timely completion.

## RECORDKEEPING

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**NOTE:** A document retention policy lays out the organization's agreed-upon approach for maintaining documents and records of various kinds in the files of the organization. Because documents vary in their significance to the organization, the document retention policy should identify the period each document type should be retained. For example, it may call out that grant documentation be maintained for four years, that tax records be maintained for seven years, and board meeting minutes be retained permanently.

Note that the Uniform Guidance for Federal Awards requires that financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.

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### SAMPLE Policy:

In an effort to provide oversight and compliance, the organization will follow generally accepted standards for document retention and storage.

### SAMPLE Procedures:

- Financial and tax records will be maintained for seven years.
- Grant documentation will be maintained for four years unless otherwise specified in grant agreement.
- Donor documentation will be maintained indefinitely unless the donor requests otherwise.
- Board meeting minutes will be retained permanently.
- Files will be stored in [location] and maintained by [Role]. The Finance / Human Resource documents are maintained in a separate location on the organization's [cloud/server] that the rest of the organization cannot access.

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## Internal Controls

The organization employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded.

## LINES OF AUTHORITY

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**NOTE:** This policy outlines what level of authority the Board of Directors, Executive Director/CEO, the top financial manager, and other financial staff have. This policy will depend on your organization's structure and may change over time. The Board should approve fiscal policies and review them every 2-3 years. The board should also approve annual budgets and the Executive Director/CEO should have the authority to approve expenses in accordance with then approved budget. Larger organizations may have additional finance staff with specific approval responsibilities.

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### **SAMPLE Policy:**

The Board of Directors and Finance Committee approve annual budgets. The Board is also responsible for approving Fiscal Policies and Procedures. The Executive Director/CEO has operational oversight of income and expenses within the approved budget.

### **SAMPLE Procedures:**

- Expenditures over [10%] variance from approved budget line items will be approved by the Board.
- The Executive Director/CEO has the right to determine pay [within approved salary line item OR based on board approved pay-ranges].
- The board of directors will determine the Executive Director/CEO's salary annually.

## **CONFLICT OF INTEREST**

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**NOTE:** A policy on conflicts of interest should (a) require those with a conflict (or who think they may have a conflict) to disclose the conflict/potential conflict, and (b) prohibit interested Board members from voting on any matter in which there is a conflict.

Keep in mind that the [IRS Form 990](#) asks not only about whether the nonprofit has a written policy on conflicts of interest, but also about the process that the nonprofit uses to manage conflicts, as well as how the nonprofit determines whether Board members have conflicting interests.

Under the [Uniform Guidance for Federal Awards](#), grant recipient organizations are required to address conflicts of interest through written policies. Policies addressing conflicts of interest should cover employees and Board members, and potential conflicts of interest at the entity-wide level.

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### **SAMPLE Policy:**

All employees and members of the Board of Directors are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of an employee or Board member conflict with the interests of the organization. Both the fact and the appearance of a conflict of interest should be avoided.

### **SAMPLE Procedures:**

- Upon or before hire, election, or appointment each employee and Board member must provide a full written disclosure of all direct or indirect financial interests that could potentially result in a conflict of interest. Examples include employer, business, and other nonprofit affiliations, and those of family members or a significant other. This written disclosure will be kept on file and will be updated annually and as needed.
- Employees and Board members must disclose any interests in a proposed transaction or decision that may create a conflict of interest. After disclosure, the employee or Board member will not be permitted to participate in the transaction or decision.
- Should there be any dispute as to whether a conflict of interest exists:
  - o The Executive Director shall determine whether a conflict of interest exists for an employee and shall determine the appropriate response.
  - o The Board of Directors shall determine whether a conflict of interest exists for the Executive Director or a member of the Board and shall determine the appropriate response.



## SEGREGATION OF DUTIES

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**NOTE:** As mentioned above in *Bank Reconciliations*, the best practice is to share duties across multiple people to decrease the opportunity for fraud. Small organizations may have a hard time segregating duties due to limited staff. The general rule is to have multiple involved in each process. You will need to consider your capacity and organizational structure.

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### **SAMPLE Policy:**

The organization's financial duties are distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the organization's assets while also considering efficiency of operations.

### **SAMPLE Procedures:**

- Check /financial disbursement preparation is limited to individuals with no check signing authority.
- Checks or transactions in the excess of [\$X,XXX] require two signatures.
- [Role outside of accounting/finance] will open and log all checks and cash contributions.
- All disbursements require advance approval of by a [Director Level/Department Head/Program Manager] or above.

## PHYSICAL SECURITY

### **SAMPLE Policy:**

The organization maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, real estate, and other valuable property.

### **SAMPLE Procedures:**

- Passwords and accounts to [bank accounts, accounting system, payroll system, and other online systems] a manager are created for [Executive Director/CEO, lead finance staff] and should be updated every [time period].
- Checks and cash will be stored [location].

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# Financial Planning & Reporting

The organization's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards Board (FASB). Under GAAP, revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization are classified as unrestricted and restricted.

## BUDGETING PROCESS

### SAMPLE Policy:

The organization's annual budget is prepared and approved annually for all departments. The budget is prepared by the Executive Director in conjunction with staff and the Board Finance Committee. The budget is to be approved by the Board of Directors prior to the start of each fiscal year. The budget is revised during the year only if approved by the Board of Directors.

### SAMPLE Procedures:

- The Executive Director will work together with the staff to ensure that the annual budget is an accurate reflection of programmatic and infrastructure goals for the coming year.
- The Executive Director will ensure that the budget is developed using the organization's standard revenue recognition (p. X) and cost allocation (p. X) procedures.
- The Executive Director and the Board Treasurer will present a draft budget to the Finance Committee at least [XX] days prior to the end of the fiscal year and at least [XX] days prior to its submission to the full Board of Directors.
- The Finance Committee shall review and approve a recommended fiscal year budget and submit it for approval to the Board of Directors. The budget shall contain revenues and expenses forecasted by month. A chart describing monthly cash flow shall be included.
- The Board of Directors will review and approve the budget at its last meeting prior to the start of the fiscal year.
- The board of directors will determine the Executive Director/CEO's salary annually.

## INTERNAL FINANCIAL REPORTS



**NOTE:** Ideally, financial reports are developed and shared with the Board monthly. Your organization could share reports quarterly but bi-annually is not recommended. If your organization does not have a finance committee, the Treasurer could assist with financial report review.

### SAMPLE Policy:

The organization prepares regular financial reports on a monthly basis. All reports are finalized no later than 30 days after the close of the prior month.

### SAMPLE Procedures:

- The [Lead Finance Role] is responsible for producing the following year-to-date reports within 30 days of the end of each month: Statement of Financial Position, Statement of Activities, Budget v. Actual and updated Cash Flow Projection.
- The Executive Director, [Lead Finance Role] and Board Finance Committee review financial reports each month, and the Finance Committee presents reports to the full Board of Directors on a [monthly/quarterly] basis.
- On a [monthly/quarterly] basis, the Executive Director/CEO prepares a narrative report that summarizes the organization's current financial position and includes explanations for budget variance.

## AUDIT

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**NOTE:** *Not all organizations are required to have an audit in Georgia, but some funders do require an audit regardless of budget size. If you have \$1 million in revenues the organization must be audited by an independent auditor. If your organization has between \$1 million and \$500,000 in revenue, your organization is required to have a CPA review your financial statements annually. The Georgia Secretary of State requires charitable organizations to provide financial statements when registering or renewing registration with the state, and organizations with revenues over \$1 million must submit audited financial statements. More information on registration requirements is available at [Georgia Secretary of State How to Guide: Charities](#).*

*If your organization spent more than \$750,000 in federal funds (even if they were pass through funds from the state or local municipality), the organization must complete a Single Audit According to OMB standards which can be located here [www.whitehouse.gov/omb/office-federal-financial-management/](http://www.whitehouse.gov/omb/office-federal-financial-management/).*

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### SAMPLE Policy:

The organization will follow all applicable regulations and laws regarding audits.

### SAMPLE Procedures:

- The Board of Directors will select an external audit firm and have a selection process every 2-3 years.
- The organization will make Audited Financial Statements available when requested.
- The organization will follow all applicable grant agreements regarding audits.

## TAX COMPLIANCE

### SAMPLE Policy:

The organization will follow IRS guidelines and comply with 990 requirements.

### SAMPLE Procedures:

- The Executive Director/CEO will work with a tax preparer to complete the IRS 990 annually.
- Once prepared, the 990 will be sent to the Board for review and approval. Once approved the tax preparer will submit the 990 on behalf of the organization.
- The 990 will be accessible on the organization's website for public inspection.

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# Revenue & Accounts Receivable

## INVOICE PREPARATION

### SAMPLE Policy:

All grants and projects are invoiced each month to capture all billable time and expenses and ensure a regular healthy cash flow for the organization. All final invoices for the prior month are completed by the [Date] of the following month (ex: June 15th for May).

### SAMPLE Procedures:

- The [Role] gathers relevant expense documentation, prepares all invoices, and submits to the [Role2] for approval by the 10th of each month.
- Following approval, the [Role 2] makes two copies of the invoice. One copy is mailed to the client/customer no later than the 15th of the month and one copy is filed in the client folder.
- As part of the monthly close process, the [Role] reviews an Accounts Receivable Aging report and alerts the Executive Director/CEO of invoices more than 60 days overdue.
- The [Role] determines appropriate collection efforts for long outstanding invoices.

## REVENUE RECOGNITION



**NOTE:** FASB 116 and 117 guide revenue recognition for nonprofit organizations. In 2016, FASB released ASU 2016-14 to clarify financial statements and revenue recognition for nonprofits into two categories (vs. three). Currently revenue should be recognized as “without donor restriction” (unrestricted) and “with donor restriction” (restricted). This policy should include the policy for your organizations uses to make this determination.

### SAMPLE Policy:

All contributions will be recorded in accordance with GAAP, with specific attention to standards FASB 116 and ASU 2016-14. Contributions are recorded as pledged or received in accordance with FASB 116 and must be credited to the appropriate revenue lines as presented in the annual budget and coded as designated in the organization’s Chart of Accounts.

### SAMPLE Procedures:

- The [Role] reviews all revenue in excess of [\$X,XXX] and indicates on the letter or copy of the check how the revenue shall be recognized (as earned/contributed, conditional/unconditional and restricted/unrestricted). If there is a question or uncertainty about how to recognize a particular contribution, the [Role] will ensure that the donor is contacted to clarify the intent of the contribution.
- The [Role2] is responsible for posting revenue to the general ledger in accordance with the determination made by the [Role].

## CASH RECEIPTS

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**NOTE:** This policy covers how your organization manages cash and electronic payments. Ideally, these will include a multi-step process with multiple roles to ensure strong controls to make sure revenue is properly recorded. If your organization is taking payments from participants (afterschool, summer camp) your policies should reflect how that process should work.

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### SAMPLE Policy:

The organization received payments through the mail, cash payments, and ETF. All funds will be recorded and deposited in a timely manner to the accounts of the organization in such banks, trust companies, or other depositories as are authorized by the Board of Directors.

### SAMPLE Procedures:

- The mail is opened by a designated staff person other than finance personnel and is recorded on the Cash Receipt List.
- Cash receipts lists are to be pre-numbered and used in numeric order. [Role] is responsible for verifying that all Cash Receipts Lists are accounted for.
- Credit card donations are put together by [Role] and given to the [Role] to process. Once processed, the [Role2] approves the transaction.
- On-line credit card donations are processed automatically. Reports will be generated [Daily, Weekly, Monthly] and given to the [Role responsible for entering data into financial system]. [Role] will then record the entry into [Accounting/Finance System].

## DEPOSITS

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**NOTE:** This policy covers how your organization manages deposits. Your organization will need to balance operations with risk mitigation and internal controls. In general, it is best to make deposits as quickly as possible to ensure that revenue is processed as quickly as possible.

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### SAMPLE Policy:

Deposits are made [daily, weekly]. Funds will be stored in a locked and secure location while deposits are prepared.

### SAMPLE Procedures:

- Checks and the cash receipt list are given to [Role], which prepare and process the deposit slip and the cash receipt batch for entry into the finance software.
- The deposit is then taken to the bank by [Role]. Deposits are normally made [time period]. Any receipts not deposited are to be kept in a fireproof safe in the [Role]'s office.
- The bank receipt, duplicate deposit slip, and Cash Receipts Lists are to be stapled together and filed with all supporting documentation accompanying the cash receipts (e.g., letters vouchers, memos, payment remittances, etc.,).
- Deposits are coded by the [Role] who reviews the deposit. They are then entered into the finance software program. All documentation is maintained on-site for the current and prior fiscal year. A list of all cash receipts is printed at month-end and reviewed by [Role].

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# Payroll

## **SAMPLE Policy:**

The organization will insure that employees are paid in an accurate and timely manner, consistent with personnel policies, for work performed. Additionally, the organization will ensure that all employment expenses are adequately approved, documented, and recorded in the books.

## **SAMPLE Procedures:**

- Payroll is completed utilizing [outside vendor or roles].
- Payroll is completed [time period].

## **TIME SHEET AND PAYROLL PREPARATION & APPROVAL**

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**NOTE:** Personnel expense, including salaries, wages, and benefits, charged to a federal award are required to be accurate and supported by source documentation, as outlined in [2 CFR 200.302 \(b\)\(3\)](#).

Typical supporting documents include:

- Employee time sheets
- Time certifications
- Detailed general ledger reports
- Payroll distribution reports

Generally, employees who charge their time to multiple funding sources, whether multiple federal awards or a mix of federal and non-federal programs, complete time sheets which include the following information:

- Number of hours worked in each program for each day
- Total number of hours worked during the payroll period
- Employee's signature
- Signature of employee's supervisor

Employees who charge 100% of their time to a specific federal award can choose to fill out a time sheet as described above or complete a time certification.

- Time certifications state an employee worked 100% of their time on one federal award
  - Time certifications are generally required to be completed semi-annually, after the work has been performed, and kept on file
-

**SAMPLE Policy:** All employees, exempt and non-exempt, are required to record time worked, holidays, leave taken for payroll, benefits tracking, and cost allocation purposes. Payroll will be prepared by [Role] and approved by [Role]. Changes to payroll will be made by [Role] and approved by [Role].

**SAMPLE Procedures:**

- Employees complete time sheets and submit them to their supervisors on the due date, based on the schedule produced at the beginning of the year.
- Supervisors review, correct, if necessary, sign and submit timesheets to the [Role] within three (3) working days from the time sheet due date.
- The [Role] is responsible for entering time sheet information into the payroll and accounting systems as needed. All paid time off balances are maintained within the payroll system, based on the information provided on approved timesheets.
- Employees whose time is chargeable to more than one cost budget area are assigned with the budget. Any changes must be indicated on the employee's time sheet for the amount of time spent in each cost area.
- The employee's immediate supervisor must approve overtime pay for Non-Exempt employees. Overtime is defined as hours worked in excess of 40.0 hours in a week (Sunday through Saturday). Overtime is paid at 1 and ½ times the base hourly rate. Overtime is paid after 8 hours in a day.

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# Purchases & Procurement

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**NOTE:** Organizations utilizing federal funds must follow five general procurement standards that cover the purchase of property, supplies and services under Uniform Guidance:

- The organization must maintain written policies and procedures for procurement covering the methods available under these regulations.
- Costs must be reasonable and necessary
- Must provide for full and open competition
- The organization must maintain written standards of conduct covering internal and external conflicts of interest
- The organization must maintain documentation addressing cost and price analysis and vendor selections where applicable based on the method of procurement used.

These standards and the allowable methods of procurement outlined in Uniform Guidance provide a strong foundation for tailoring procurement policy to the needs of your organization. The methods of procurement are:

1. **Microurchases**, where the aggregate dollar amount does not exceed \$3,500 .No competitive quotes are required if management determines that the price is reasonable.
2. **Small purchases** fall below the Simplified Acquisition Threshold (SAT), which is currently \$150,000. Informal purchasing procedures are acceptable, but price or rate quotes must be obtained from an adequate number of sources.
3. **Sealed bids (formal advertising)** is used for purchases over the SAT. This method requires a formal solicitation and a fixed price (lump sum or unit price). Awards must go to the responsible bidder who conformed to all material terms and is the lowest in price.

4. **Competitive proposals (Requests for Proposal or RFPs)** is used for purchases over the SAT when sealed bids aren't appropriate. This method requires formal solicitation and the contract should be awarded to the responsible firm whose proposal is most advantageous to the program, with price being one of various factors.
5. **Noncompetitive proposals:** Also known as sole-source procurement, this method is appropriate only when specific criteria are met: for example, an item is available only from one source, a public emergency does not allow time for a competitive process, or multiple attempts at a competitive process have failed to yield adequate competition.

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**SAMPLE Policy:**

Any expenditure in excess of [\$5,000] for the purchase of a single item should have bids from three (3) suppliers. These bids will be reviewed by [Role] and the bid award must be specifically approved in advance by the Executive Director/CEO.

**SAMPLE Procedures:**

- Purchase orders with supporting documentation must be submitted to the [Role].
- The [Role] will approve expenditures by signing purchase orders and sending documentation to the [Role that processes payments].

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# Expense and Accounts Payable

## INVOICE APPROVAL & PROCESSING

**SAMPLE Policy:**

All invoices must be approved by the manager of the department for which the expense was incurred. Approved invoices will be paid within 30 days of receipt.

**SAMPLE Procedures:**

- Invoices and bills will be opened and reviewed by the [Role] manager. The Executive Director will be notified immediately of any unexpected or unauthorized expenses.
- Invoices are then routed to the appropriate department manager for authorization prior to payment being issued. If the expense is greater than \$300 and was not authorized through the purchase order system, either the Executive Director must also approve the expenditure.
- Copies of all invoices paid will be filed in the finance department. After two years these documents will be archived, and they will not be destroyed.



# CASH DISBURSEMENTS

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**NOTE:** This policy covers the process for making payments. Like accepting funds and authorizing expenditures, it is best to have multiple roles involved in this process from an internal control's perspective.

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## **SAMPLE Policy:**

Only approved payables will be paid. All payments will be made in a timely manner. Records will be maintained to document approval and account for all payments; all paid items will be clearly indicated as having been paid.

## **SAMPLE Procedures:**

- All disbursements of money (checks, drafts, or other orders for payment) issued in the name of the organization will be signed by authorized signers. Authorized signatories will be the Executive Director/Chief Executive Officer, as well as the Board Chair and Treasurer of the Board of Directors. New bank signature cards will be filed with the respective bank(s) immediately upon the election of officers of the Board.
- Checks issued in amounts of \$5,000 [can lower this amount if applicable] or less may be signed by one of the authorized users; checks in an amount over \$5,000 must be signed by two authorized users.
- On a regular basis, the [Role] prints checks for those items entered into accounts payable which are unpaid. The checks are collated with invoices, purchase orders, requests for payment, packing slips, etc. and are given to the [Role 2] along with a copy of the check register and Accounts Payable Invoice Report.
- The [Role 2] reviews the checks and attached documentation for accuracy, appropriateness, and completeness.
- Checks and supporting documentation are given to an authorized signer for review and signature.
- All checks are then returned to the finance staff who sees that they are mailed along with appropriate remittances, if required.
- Check stubs are stapled to the supporting documentation and filed in accounts payable files.

# PETTY CASH

## **SAMPLE Policy:**

The Project Coordinator and the Office Manager will each keep a petty cash box not to exceed \$100. Petty cash will be used primarily to purchase office supplies, snacks, delivery tips etc. Petty cash will be kept in a lockbox that is locked in a cabinet. Keys to the cash box and cabinet should be kept on the custodian's person.

## **SAMPLE Procedures:**

- The petty cash custodians will be given \$100 to be kept in a lock box locked in their desk.
- When cash is used a record must be entered in the individual's petty cash spreadsheet. Receipts for all purchases are kept in the lock box.
- When cash is low the custodian will submit a check request form signed by their supervisor with a printout of the tracking spreadsheet and all receipts attached.
- A check will be cut in the amount to bring petty cash back to \$100. It is the custodian's responsibility to cash the check and keep track of funds in the box.

## EMPLOYEE EXPENSE REIMBURSEMENTS

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**NOTE:** This section should include your policies around employee reimbursement. Be as clear as possible. Utilizing IRS guidelines for travel is a common practice but be sure that you have included those costs in your budgets and grants/contracts if applicable. (Example if your grant request includes mileage reimbursement at the state rate this policy should indicate you are reimbursing at the state rate vs. federal rate).

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### SAMPLE Policy:

The organization will ensure that all business expenses incurred by and/or reimbursed to employees are appropriate in nature, properly approved, and adequately documented.

### SAMPLE Procedures:

- The organization will maintain an accountable plan, requiring original documentation/substantiation for all disbursements over \$5. If a receipt is missing, then a missing receipt form must be filled out and signed by the staff's immediate supervisor.
- Application for business expense reimbursement must be made within 30 days from the date the expense is incurred.
- All employee expense reimbursement requests will be made on an "Employee Expense Request" form and will be approved by the employee's immediate supervisor and the Executive Director/CEO or [Lead finance staff]. The Chief Operating Officer will review expenses incurred by the Chief Executive Officer on a monthly basis. Certain expenses may be paid through the use of the corporate credit card. Such expenses will be approved in advance, will be authorized by [Lead finance staff] and are subject to the same policies as expenses paid through employee reimbursement. Trips must be pre-approved by the employee's immediate supervisor.

## TRAVEL EXPENSES

### SAMPLE Policy:

The organization recognizes that staff will travel on behalf of the organization. These trips must be pre-approved by the employee's immediate supervisor. employees are appropriate in nature, properly approved, and adequately documented.

### SAMPLE Procedures:

- The organization business mileage will be reimbursed at the amount approved on the budget. Employees will be notified of mileage rate changes as they are approved.
- Consistent with IRS regulations, the organization will not reimburse for travel between an employee's home and the office. The organization will reimburse travel from the office to other locations for business.
- Parking fees will be reimbursed in full with provision of receipt. Where parking meters are in use, reimbursement is not to exceed prevailing rates for the specific geographic location. Employee documentation of date, location, time, and amount spent is adequate for reimbursement purposes.
- Meals will be reimbursed only under the following conditions:
  - o The employee is actively conducting business during the meal
  - o The employee has experienced an approved overnight stay
- Original receipts must be provided for all expenditures over \$5. Documentation must also indicate:
  - o Location
  - o Date

- o Amount
- o Purpose of meeting/expenditure
- o Persons in party
- Reimbursement for overnight accommodations will be made if the employee is conducting business far enough from their primary office to reasonably prohibit return before the end of the day. All overnight accommodation expenses require advance approval of immediate supervisor. Supplemental room charges for in-room movies, beverage service, personal long distance telephone calls, and meals in excess of limits are considered to be personal expenses and will not be reimbursed.
- Rental Cars may be utilized if it is determined that it the cost of such rental would be less than mileage reimbursement.
- Staff may receive an advance for anticipated expenses if approved by the Executive Director/CEO. Documentation for substantiation of expenses incurred against the advanced amount will remain consistent with these policies. Reconciliation of the advanced amounts must occur within 14 days of the event for which the moneys were advanced, with reimbursement of unexpended funds returned simultaneously.
- Purchases of materials and/or supplies will not be reimbursed through staff expense accounts. All material acquisitions should be processed in a manner consistent with the Purchasing guidelines.

## CREDIT CARDS

### SAMPLE Policy:

The organization has a credit card that will be utilized as needed. Primary financial transactions should be made through the accounts payable process rather than using the credit card.

### SAMPLE Procedures:

- The following staff are authorized users on [Name of credit card] with a limit of [\$X,XXX]:
  - o Executive Director/CEO
  - o [Role]
- Authorized users and accounts will be approved by the board. Authorized users will have their own card in their name.
- All credit card receipts must include a check request with the appropriate coding for department and account and then be approved in the same manner as other accounts payable invoices. All receipts must be attached to the credit card statement.
- All credit card statements will be paid on a timely basis so that finance charges are not incurred.

## EXPENSE ALLOCATIONS



**NOTE:** Direct expenses are generally allocated to the function or program easily. Indirect or shared expenses can be more challenging to allocate. There are several methods. The simplest allocation method is based on head count or the percentage of FTEs each program/function occupies. If your organization chooses another method, you will need to update the policies and procedure with that method.

### **SAMPLE Policy:**

The organization will allocate direct expenses to each program/function. Indirect/administrative/shared expenses will be based on head count across programs/functions. The [lead finance role] will develop and maintain the cost allocation system.

### **SAMPLE Procedures:**

- The allocation of functional expenses is initially started by allocating the staff time to each department/program and applying their salary according to this allocation. The department payroll expenses then determine the percentage to be allocated for the shared and indirect costs of the organization.
- All shared / indirect costs are recorded to a specific department during the month. At the end of the month, the [finance role] reviews all of the shared and indirect costs to be allocated and then allocates these expenses to the departments/programs.
- The allocation method and breakout by department (based on the salary expenses) is to be approved by the Board with the Budget.

## **ACCOUNTS PAYABLE**

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**NOTE:** Direct expenses are generally allocated to the function or program easily. Indirect or shared expenses can be more challenging to allocate. There are several methods. The simplest allocation method is based on head count or the percentage of FTEs each program/function occupies. If your organization chooses another method, you will need to update the policies and procedure with that method.

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### **SAMPLE Policy:**

The organization is committed to process discipline, transparency, and timeliness in management of accounts payable to support good stewardship of the organization's resources and good relationships with vendors and suppliers.

### **SAMPLE Procedures:**

- Original invoices are required to issue payment.
- Invoices are reviewed for accuracy.
- Duplicate copies of invoices are clearly marked and destroyed to avoid duplicate payment.
- The Accounts Payable records are periodically reconciled to open purchase authorizations and commitments.
- Adequate records are maintained for unmatched purchase orders, receiving documents and unpaid vendors invoices.
- Monthly statements from vendors are reconciled to open invoices.
- A Scheduled Payment List is used to authorize automatic or recurring payments to vendors.
- All partial deliveries are followed-up on.
- Returned purchases are controlled to ensure that the refund or credit will be received.
- Past due balances are reviewed and followed up on.

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# Cash Flow Management

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**NOTE:** *Managing the flow of funds through an organization effectively is critical to maintain good stewardship of the organization's financial resources and ensure the organization has the cash on hand to meet its operating needs. This policy outlines guidance for billings, collections, and payments to support efficient use of the organization's working capital.*

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## **SAMPLE Policy:**

The purpose of the Cash Flow Management policy is to maintain good stewardship of the organization's resources. The primary objectives of the policy are to utilize the organization's working capital effectively and ensure collection of monies owed the organization.

## **BILLINGS AND COLLECTIONS**

### **SAMPLE Procedures:**

- Contracts or agreements which govern the sale of goods or services by the organization to another party shall include a payment schedule, provide notice of late charges for delinquency, and whenever possible, provide for the receipt of payment in advance
- Billings will be prepared and sent promptly after the goods or services have been rendered. To ensure that funds are received promptly, these billings shall clearly indicate the requirement for timely payment
- Charges for late payments in the form of interest, penalties, and administrative costs shall be levied on delinquent receivables to administrative costs incurred in collecting delinquent debts
- Collection systems shall include procedures, which provide for prompt and continuing action to collect outstanding receivables, with particular attention to delinquent receivables
- The aggregate total of uncollected receivables shall be kept to the minimum amount possible
- Deposit processing shall be completed promptly and include a separation of the flow of collections from flow of related documents (separation of duties)

## **PAYMENTS**

### **SAMPLE Procedures:**

- Only approved invoices will be paid. All payments will be made in a timely manner. Records will be maintained to document approval and account for all payments
- Payments will not be made before receiving the related goods or services, except as specifically required by law or agreement
- Cash advances for grants, procurement, or authorized employee entitlements shall be closely monitored, shall not be in excess of that required for immediate disbursement needs, and shall be promptly withdrawn or refunded when excessive

## CASH MANAGEMENT PROCESS IMPROVEMENT

### SAMPLE Policy:

The organization is committed to continuous improvement of its processes for managing cash and will pursue opportunities to:

- Improve billing, collection, and deposit services
- Reduce or eliminate delinquent debts owed the organization
- Streamline and better control disbursement systems and activities
- Maximize the use of electronic funds transfers in preference to paper checks

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# Asset Management

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**NOTE:** This policy outlines how you will manage your assets, including cash, investments, and capital equipment. Your organization should ensure funds are kept at financial institutions that are FDIC insured and have a quality credit rating. Some organizations restrict their investments away from specific industries – alcohol, gun manufactures, tobacco- if this is the case for your organization you should include this in your policy

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## CASH AND INVESTMENTS

### SAMPLE Policy:

The purpose of the Investment Policy is to establish and to document a set of prudent procedures that are consistent with the organization’s strategic objectives, and which support appropriate management of the organization’s investment assets. The organization’s primary objectives of the Investment Policy are as follows

- Ensure adequate liquidity to meet debt and programmatic requirements.
- Management will seek to obtain returns that are consistent with the preservation of investment principal.

### SAMPLE Procedures:

- It will be the responsibility of the Executive Director/CEO and the Treasurer of the Board to monitor and to report management’s compliance with the Investment Policy.
- Cash deposits are to be maintained in financial institutions which have a minimum investment rating of a single A by either Standard & Poor’s or Moody’s Investors Service.
- The organization will have accounts that are eligible for FDIC insurance (maintain a balance below \$250,000 per financial institution).
- Investments will be further restricted by any specific criteria that is established within the agreement reached with any organization from which the organization has received a grant.
- The organization will apply Generally Accepted Accounting Principles in accounting for its investment activity.
- Summary performance statistics and a policy compliance analysis shall be provided to the Board of Directors on an annual basis. It shall be the responsibility of the Executive Director/CEO to report to the Board of Directors any exceptions to this policy.

## CAPITAL EQUIPMENT

### SAMPLE Policy:

The organization is committed to documenting the authorization and purchase of equipment and capital assets and to ensure that such assets are appropriately reported in the books and records of the Organization. Acquisitions of equipment will be included in the budget, either capital or operating, to the extent possible.

### SAMPLE Procedures:

- Expenditures for land, building and equipment are recorded at cost. Donated assets and capitalized donated leases are recorded at their estimated fair market values at the date of donation. Depreciation expenses are calculated using the straight line method and the following estimated useful lives:
  - o Buildings and improvements 10 35 years
  - o Furniture and equipment 3 10 years
  - o Vehicles 3 5 years
- Budgeted equipment acquisitions with a cost under \$5,000 may be purchased at the direction of the Executive Director/CEO. For budgeted acquisitions with a cost of \$5,000 or more, bids will be obtained from at least three vendors.
- Non-budgeted acquisitions of equipment and capital assets must be reviewed by the Treasurer if over \$5,000 and presented to the Board in the form of a budget augmentation request.
- Services (installation, training, etc.) included in the initial acquisition price of capital assets are to be capitalized. Services incurred after the asset has been placed in service for ongoing maintenance, repair, and support of capital assets are to be included in the operating budget and expensed as incurred.
- The staff person requesting the purchase of the equipment will complete a requisition form. This form will be submitted to the Executive Director/CEO for approval and signature.
- For non-budgeted items over \$5,000, the Executive Director/CEO will contact vendors according to the Acquisition Policy. The [Role] will be given this information and make a final decision regarding purchase.
- If the item purchased is a replacement of an existing asset, the Director of Finance will be responsible for attempting to identify the old asset on the depreciation schedule and remove it from the books.
- The [Lead finance staff] will review the depreciation schedule on at least an annual basis and identify assets no longer in existence or obsolete and/or unused and will present a listing of such assets to the Executive Director/CEO for approval to remove them from the books.
- Maintenance and repairs, which materially add to the value of the property or appreciably prolong its life, are recorded as an increase to the appropriate asset account. The organization capitalizes all fixed assets with a cost greater than or equal to \$1,000 and a useful life of at least three years, unless otherwise stipulated by a grant. When an asset is purchased through a grant, the grant's capitalization rules apply.

## EQUIPMENT INVENTORY POLICY



**NOTE:** This policy focuses on maintaining appropriate controls and records for equipment inventory. The sample policy elements reflect the requirements to be followed by organizations that have used Federal funds to purchase equipment in whole or in part but are appropriate for any organization to maintain effective stewardship of its equipment.

**SAMPLE Policy:**

The organization will maintain inventory records, control systems, and maintenance procedures for its equipment. For purposes of this policy, equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost of \$1,000 or more. In addition to this definition of equipment, the organization will maintain inventory records of items considered to be pilferable items regardless of cost. Pilferable items are defined as items that are easily lost or stolen. Pilferable items included, but are not limited to cell phones, iPads, tablets, iPods, graphing calculators, software, projectors, cameras, camcorders, DVD players, audio speakers, computer equipment, and televisions.

**SAMPLE Procedures:**

- The organization will maintain equipment inventory records with the following information:
  - o Description of the item
  - o Serial number or other identification number
  - o Source of funding (including the FAIN)
  - o Who holds the title to the property
  - o The acquisition date
  - o Cost of the property
  - o Percentage of Federal participation in funding the purchase (if applicable)
  - o Location of property
  - o Use of property
  - o Condition of property
  - o Ultimate disposition data (if applicable)
- The organization will conduct a physical inventory of its equipment at least once every two years and reconcile the results with the equipment inventory records.
- The organization will maintain appropriate physical and procedural controls (storage, sign-out, return, etc.) to prevent loss, damage, or theft of equipment. Any loss, damage, or theft will be investigated.
- The organization will follow appropriate maintenance procedures to keep its equipment in good condition.

## OPERATING RESERVE

**SAMPLE Policy:**

The target minimum operating reserve fund for the organization is three (3) months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services.

**SAMPLE Procedures:**

- The amount of the operating reserve will be calculated each year after approval of the annual budget, reported to the Finance Committee and Board of Directors, and included in regular financial reports.
- The operating reserve will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for operating reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.
- To use the operating reserves, the Executive Director will submit a request to the Finance Committee of the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within twelve (12) months to restore the operating reserve fund to the target minimum amount.



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# Subrecipient and Contractor Relationships

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**NOTE:** Many nonprofit organizations receive Federal funds for their programs, directly from Federal agencies or through pass-through or subaward arrangements with state and local government agencies or other nonprofits. Nonprofits may also disburse such funds to other organizations to carry out program activities, and these arrangements must be appropriately classified, documented, and managed.

Nonprofits must make a judgment as to whether each agreement it makes for the disbursement of Federal program funds casts the entity receiving the funds in the role of a subrecipient or a contractor. Based on that determination, the nonprofit must follow the appropriate regulations for subrecipient arrangements or contracts. This policy outlines key elements of making that determination.

Roles in implementing the policy should be revised to reflect the appropriate roles in your organization.

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## **SAMPLE Policy:**

When developing agreements involving the organization's disbursement of Federal funds, the organization's [program officer], [contract manager], and [finance lead] will determine if the purpose and arrangement of the agreement constitutes a subaward (subrecipient relationship) or a procurement contract (contractor relationship).

Key elements for review in making that determination reflect guidance from The Office of Management and Budget's (OMB) [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) and include:

- Decision Making Authority – If the recipient will determine who is eligible to participate in the federal program or will have the ability to make decisions about how services will be delivered to participants, these are indicators of a subrecipient relationship.
- Nature of Award – If the recipient has scope of work and performance measures aligned with the organization and the overall goals of the grant, these are indicators of a subrecipient relationship.
- Award Risk – If the recipient assumes financial risk if they fail to deliver the goods or services agreed upon, this is an indicator of a contractor relationship.
- Criteria for Selection – If the organization applied procurement practices to select the recipient, if the recipient's proposed price was a factor in selection, or if the recipient will derive profit from the agreement, these are indicators of a contractor relationship.

The organization's [program officer], [contract manager], and [finance lead] may consult with the entity providing the Federal funds regarding potential subrecipient or contractor arrangements and may use references and tools to help make the determination, such as the [Subrecipient vs. Contractor Checklist](#) published by [AGA](#).



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