

# Introduction

The purpose of this manual is to set policies & procedures that are consistent with the mission of the Nonprofit Organization. Also, the purpose of this manual is to set sound financial guidelines that promote prudent fiscal management; and to abide by Generally Accepted Accounting Principles (GAAP) and the legal requirement governing Nonprofit Organization.

## Manual Protocol

- 1) Nonprofit Organization management will review the financial practices annually. Any recommended revisions will be presented to the Finance Committee of the Board of Directors.
- 2) The Finance Committee will review and recommend financial policies and procedures changes to the Board of Directors which will review and approve all changes to financial policies and procedures.

## Accounting Guidelines and Internal Controls

To ensure that record keeping is in accordance with Generally Accepted Accounting Principles (GAAP) and appropriate internal controls are maintained. The following procedures need to be followed:

- 1) Standard accounting procedures, in accordance with GAAP, will be utilized for all financial functions.
- 2) Accounting will be done on the accrual basis.
- 3) The Chart of Accounts will be utilized, reviewed annually and updated as required.
- 4) Periodic, unannounced, internal audits will be performed by the Executive Director or the Finance Committee of the Board to ensure that the stated operating guidelines have been followed.
- 5) To ensure optimal internal controls, Nonprofit Organization will separate functional responsibilities as recommended by GAAP, to the extent possible based on staffing resources.
- 6) The administrative assistant will maintain financial records in accordance with the record retention policy or as determined by Federal, State or local law.

- 7) All Accounts Payable records will be stored by fiscal year and alphabetized by vendor.
- 8) All Accounts Receivable and Payroll records will be stored by fiscal year.

## Annual Audit

It is the policy of Nonprofit Organization 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 Nonprofit Organization will be required to communicate directly with the Organization's Finance Committee upon the completion of their audit. In addition, members of the Finance Committee 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 Board of Directors by the independent accounting firm at the Organization's Annual Meeting, after the financial statements have been reviewed and approved by the Audit Committee.

Annual audits should be done annually to ensure the accuracy in accounting functions and to facilitate positive audit results.

- 1) The designee appointed by the Executive Director or the Finance Committee would conduct the internal audits of accounts receivable, payroll, and accounts payables semi-annually.
- 2) The designee conducting the audit will prepare an audit report and submit the report to the Executive Director and/or the Finance Committee for review.
- 3) The Executive Director will retain the records regarding the results of all internal audits and report inconsistencies or problems to Finance Committee as appropriate.

**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 Nonprofit Organization to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

## Annual Budget

The annual budget process requires planning and preparation of management and staff. A budget should be designed and prepared to direct the most efficient and prudent use of the organization's financial and human resources. Guidelines need to be in place so that the budgeting process runs smoothly. The following guidelines represent basic budgeting steps:

- 1) The Administrative Assistant, with the support of the Executive Director, will present an annual budget to the Finance Committee one month before the end of the current fiscal year. Once approved by the Finance Committee and Executive Committee, the budget will be presented to Board of Directors for review and approval. The Budget must be presented to the Board of Directors during its July meeting.
- 2) The budget will be developed based on historical as well as projected costs for each program. Everyone will provide input into the budget development.
- 3) In the event that Nonprofit Organization desires to add or expand programs, a budget amendment may be proposed. The Finance Committee will recommend to the Board of Directors which must approve all additional programs or program expansions.
- 4) The purpose of adopting a final budget at the beginning of the Organization's year is to allow time for the accounting department to input the budget into the accounting system and establish appropriate accounting and reporting procedures.

## Financial Statements

### Standard Financial Statements

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 Nonprofit Organization shall include:

1. **Statement of Financial Position (Balance Sheet)** - 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 (Income Statement)** - 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 (Development Sheet)** - reports the cash inflows and outflows of the organization in three categories: operating activities, investing activities, and financing activities
4. **Statement of Functional Expenses (Summarized by Program Totals)** – presents the expenses of the organization in both a natural, or objective, format and by function (i.e. which program or supporting service was served)

### **Frequency of Preparation**

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

A standard set of financial statements described in the preceding section shall be produced on monthly basis, by the 10<sup>th</sup> of each month. The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received by the 10<sup>th</sup> of the month. All financial statements and supporting schedules shall be review and approved by the Executive Director.

After approval by the Executive Director, a complete set of financial statements bi-monthly shall be prepared and distributed as follows:

1. Treasurer and Finance Committee Members
2. Executive Director
3. Board of Directors

## **Insurance Coverage**

Annually insurance coverages need to be reviewed to ensure that Nonprofit Organization maintains adequate property, liability and employee insurance.

- 1) The Executive Director and the insurance broker shall review the insurance policy limits on property and contents based on current value and new capital purchases upon policy renewal.
- 2) The Executive Director will report to the insurance broker any purchase of equipment or property which could surpass the limits of current insurance coverage.
- 3) The Executive Director will meet with the insurance broker to discuss Director and Officer insurance and general liability insurance coverage a minimum of one time per year.
- 4) The Executive Director will prepare a status report on all insurance coverage levels and premium expenses a minimum of one time per year. This information will be presented to the Finance Committee of the Board of Directors.

- 5) Employee insurance coverages need to be reviewed annually. The Executive Director will work with the insurance broker to identify various insurance options to present to the Finance Committee.
- 6) The Executive Director will work insurance claims agent on Workmen's Comp claim rates and classification of employees.

## Security

### **Accounting Department**

A lock will be maintained on the door leading into the Administrative Assistant's Office. This door shall be closed and locked in the evenings. The key/combination to this lock will be provided to all employees. Nonprofit Organization's blank check stock shall be stored in a fireproof file cabinet of the Administrative Assistant's Office. This cabinet will be locked with a key that is kept in the Administrative Assistant's Office. Access to this file cabinet shall be by keys in the possession of the Administrative Assistant and Executive Director.

### **Access to Electronically Stored Accounting Data**

It is the policy of Nonprofit Organization to utilize passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis, no less frequently than quarterly. Administration of passwords shall be performed by a responsible individual independent of programming functions.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties.

## Record Retention

It is the policy of Nonprofit Organization to retain records as required by law and to destroy them when appropriate. The destruction of records must be approved by the Executive Director, and logged into the Organization's Destroyed Records Log. The formal records retention policy of Example NPO is as follows:

Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Audit reports	Permanently
Bank reconciliations	2 Years
Bank Statements	3 Years
Chart of Accounts	Permanently
Cancelled Checks	7 Years

Contracts, mortgages, notes, and leases (expired)	7 Years
Correspondence:	
General (Customers, Vendors, etc.)	2 Years
Legal and important matters only	Permanently
Deeds, mortgages, and bills of sale	Permanently
Determination letter for income tax exemption	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	2 Years
Employment applications	3 Years
Expense analyses/expense distribution schedule	7 Years
Financial statements:	
Year end	Permanently
Other	Optional
General ledgers/year end trial balance	Permanently
Insurance policies (expired)	3 Years
Insurance records (policies, claims, etc.)	Permanently
Internal audit reports	3 Years
Internal reports	3 Years
Invoices (to customers, from vendors)	7 Years
Minute books of directors, bylaws and charters	Permanently
Notes receivable ledgers and schedules	7 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Property records (incl. depreciation schedules)	Permanently
Purchase orders:	
Purchasing department copy	7 Years
Other copies	1 Year
Retirement and pension records	Permanently
Tax returns and worksheets, examination reports and other documents relating to IRS determination	Permanently
Time sheets/cards	7 Years
Trademark registrations and copyrights	Permanently
Training manuals	Permanently
Withholding tax statements	7 Years

## Cash Receipts and Revenue Processing

### **Processing of Checks and Cash Received in the Mail**

For funds that are received directly, cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis. Mail is opened and a listing of cash/checks received shall be prepared by the development director for all contributions. The development director will enter this information into the fundraising software. A deposit slip is prepared by the administrative assistant from the cash/checks

received. Deposits are prepared and taken to the bank by the administrative assistant. Administrative assistant enters the cash receipts into accounting system.

### **Endorsement of Checks**

It is the policy of Nonprofit Organization that all checks received that are payable to the Organization shall immediately be restrictively endorsed. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only
2. Nonprofit Organization
3. The bank name
4. The bank account number of Nonprofit Organization

### **Timeliness of Bank Deposits**

It is the policy of Nonprofit Organization that bank deposits will be made twice per week, unless the total amount received for deposit is more than \$5,000. In no event shall deposits be made less frequently than weekly.

### **Bank Reconciliation**

The Executive Director looks at the bank statements and reconciliation statement each month after it's prepared by the administrative assistant.

### **Credit Card Processing**

Nonprofit Organization accepts MasterCard and Visa and credit cards for payment, all of which are authorized through the participating credit card company. This is done by following the credit card authorization instructions from the participating credit card company.

For all credit card payments, Nonprofit Organization will document the following information:

1. Customer/Organization name, address and phone number
2. Name of credit cardholder
3. Address of cardholder
4. Credit card number
5. Expiration date

All credit card processing shall be performed by the administrative assistant.

# Cash Disbursements and Accounts Payable

Nonprofit Organization processes the following three types of disbursements:

- 1) Repetitive (e.g. utilities)
- 2) Purchase orders
- 3) Check requests

## **Use of Purchase Orders**

It is the policy of Youth to utilize a purchase order system. A properly completed purchase order shall be required for each purchase decision (i.e. total amount of goods and services purchased, not unit cost), with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual. 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. Delivery or performance schedules
5. Delivery, packing and transportation requirements
6. Special conditions (if applicable)
7. Catalog number, page number, etc. (if applicable)
8. Net price per unit, less discount, if any
9. Total amount of order
10. Authorized signature
11. Date PO prepared

Purchase orders shall be pre-numbered, kept in a secure area in the accounting department, and issued upon request from an authorized purchaser. All purchase orders shall be recorded in a purchase order log.

## **Use of Check Requests**

All checks require an actual signature of the Chairman of the Board.

The policy and procedures for processing invoices and accounts payables is as follows:

- 1) When the Administrative Secretary opens the mail, the invoices are placed in the accounting inbox.
- 2) The Administrative assistant enters invoices and matches with associated purchase orders into the accounting system.



- 3) Whenever possible, Nonprofit Organization will pay invoices within the specified deadlines required to take advantage of payment discounts.
- 4) The Administrative Assistant will prepare payments weekly or as needed. At no time will checks be drawn to “cash” or “bearer.”
- 5) Payments will not be made unless proper documentation is secured (i.e., invoices, receipts and purchase orders.)
- 6) The Administrative Assistant merges and staples the checks, copy of checks and invoice detail together
- 7) The Administrative Assistant forwards the assembled accounts payable checks on to the Executive Director for signatures.
- 8) Checks are signed and the Administrative Assistant breaks down the stapled check packs and mails the checks. The copy of the check and invoice detail is then filed away in the administrative office.

## Travel Expense Reimbursement

These items listed below set forth the acceptable expenditure guidelines as well as reimbursement procedures for business travel and travel related expenses:

- 1) A travel voucher form must be used to document all travel and travel related expenses. Such expenses may include, but are not limited, to the following mileage, parking, tolls and meals. The form will also serve as a request for reimbursement.
- 2) Receipts must be attached to the voucher. The must approve any voucher submitted without receipts.
- 3) The travel voucher must contain the following information: date, location visited, mileage, purpose of the travel and the cost of any other travel related expenses.
- 4) The program benefiting from the travel must be indicated. If the costs pertain to more than one program, the total for each program must be indicated.
- 5) When attending conferences requiring overnight travel, the per diem meals allowance. Any voucher containing meal expenses greater than this must be signed by the Executive Director.
- 6) Vouchers must be submitted to the Administrative Assistant by the fifth working day after travel has occurred.
- 7) Generally, mileage to and from the work site will NOT be reimbursed.

- 8) Trips to work in excess of five round trips per week are reimbursed if the travel is due to a specific emergency call and the employee is not compensated for on-call service. Staff will be reimbursed for mileage due to working additional shifts that are caused from staff shortages.
- 9) Mileage in excess of normal commuting miles due to employer-directed conferences or special meetings may be submitted may be submitted for reimbursement.
- 10) Questions about unusual or unique travel should be directed to the immediate supervisor
- 11) The rate of mileage reimbursement will be at standard IRS reimbursement rate per mile. The Administrative Assistant will verify the rate. Rate changes shall be established by the Governance Committee.
- 12) Travel checks will not be written for amounts less than \$5.00. Vouchers will held until the reimbursement due is \$5.00 or greater. This rule will not apply to terminated employees.

## Payroll and Human Resources

### **Classification of Workers as Independent Contractors or Employees**

It is the policy of Nonprofit Organization to consider all relevant facts and circumstances regarding the relationship between Nonprofit Organization and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between Nonprofit Organization and the individual. Other considerations would include ability to provide insurance coverage's for liability reasons. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral control
2. Financial control
3. The type of relationship of the parties

Facts associated with each of these categories that will be considered Nonprofit Organization in making employee/contractor determinations shall include:

1. Behavioral control:
  - a. Instructions given by Nonprofit Organization to the worker that indicate control over the worker (suggesting an employee relationship), such as:
    - (1) When and where to work
    - (2) What tools or equipment to use
    - (3) What workers to hire or to assist with the work

- (4) Where to purchase supplies and services
    - (5) What work must be performed by a specified individual
    - (6) What order or sequence to follow
  - b. Training provided by Nonprofit Organization to the worker (i.e. employees typically are trained by their employer, whereas contractors typically provide their own training)
2. Financial control:
- a. The extent to which the worker has unreimbursed business expenses (i.e. employees are more likely to be fully reimbursed for their expenses than is a contractor)
  - b. The extent of the worker's investment in the facilities/assets used in performing services for Nonprofit Organization (greater investment associated with contractors)
  - c. The extent to which the worker makes services available to the relevant market
  - d. How Nonprofit Organization pays the worker (i.e. guaranteed regular wage for employees vs. flat fee paid to some contractors)
  - e. The extent to which the worker can realize a profit or loss.
3. Type of Relationship:
- a. Written contracts describing the relationship that Nonprofit Organization and the individual intend to create
  - b. Whether Nonprofit Organization provides the worker with employee-type benefits, such as insurance, paid leave, etc.
  - c. The permanency of the relationship
  - d. The extent to which services performed by the worker are a key aspect of the regular business of Nonprofit Organization

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is \$600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from “compensation” are

reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

If an individual qualifies as an employee, a personnel file will be created for that individual and all documentation required by the Youth personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

### **Payroll Administration**

Nonprofit Organization operates on a biweekly payroll. A personnel file is established and maintained with current documentation, as described throughout this section and more fully described in Nonprofit Organization's Personnel Manual.

The following forms, documents and information shall be obtained and included in the personnel files of all new employees:

1. Employment Application (and resume, if applicable)
2. Applicant references (work & personal)
3. Interview questions and notes
4. Form W-4 Employee Federal Withholding Certificate
5. State Withholding Certificate
6. Form I-9 Employment Eligibility Verification
7. Copy of driver's license
8. Copy of Social Security card issued by the Social Security Administration
9. Starting date and scheduled hours
10. Job title and starting salary
11. Authorization for direct deposit of paycheck, with a voided check or deposit slip

For employees without a current, valid driver's license, acceptable alternative documents shall include:

1. U.S. Passport
2. Certificate of U.S. Citizenship (INS Form N-560 or N-561)
3. Voter's registration card
4. U.S. Military card
5. ID card issued by a federal, state or local government, provided it contains a photo
6. School record or report card (for persons under age 18 only)

For employees without a Social Security card, acceptable alternative documents shall include:

1. U.S. Passport
2. Certificate of U.S. Citizenship (INS Form N-560 or N-561)

3. Original or certified copy of a birth certificate issued by a state, county or municipal authority
4. Certificate of Birth Abroad issued by the Department of State (Form FS-545 or Form DS-1350)
5. U.S. Citizen ID Card (INS Form I-197)
6. Native American tribal document
7. ID Card for use of Resident Citizen in the United States (INS Form I-179)

Each employee payroll file shall also indicate whether the employee is exempt or non-exempt from the provisions of the Fair Labor Standards Act. New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the executive director. The executive director payroll changes are determined by the board of directors. Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee. Documentation of all changes in payroll data shall be maintained in each employee's personnel file.

### **Payroll Taxes**

The Administrative Assistant is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Accounting Department may utilize the services of an outside payroll service center for the processing of payroll, as determined by the administrative assistant.

It is the policy of Nonprofit Organization to obtain an updated Form W-4 from each employee in January of each year. Withholding of federal income taxes shall be based on the most current Form W-4 prepared by each employee.

### **Preparation of Timesheets**

Each Nonprofit Organization employee must submit to the Administrative Assistant a signed and approved timesheet no later than Friday by 12:00 noon for the check processing to occur the following Wednesday following the close of each pay period. Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not
2. Timesheets shall be prepared in ink
3. Errors shall be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change (i.e. employees shall not use "white out" or correction tape)
4. Employees shall identify and record hours worked based on the nature of the work performed;

5. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such;
6. Timesheets shall be signed by the employee prior to submission.

After preparation, timesheets shall be approved by Executive Directors or their designees, prior to submission to the administrative assistant. Corrections identified by an employee's supervisor (Department Director) shall be authorized by the employee by placing the employee's initials next to the change.

An Organization employee who is on leave, on travel, or is ill on the day that timesheets are due may telephone or e-mail timesheet information to his or her supervisor (or designated alternate). Time so submitted must reflect the actual time worked and the appropriate classifications. The employee must initial a timesheet submitted in this manner immediately upon his/her return to the office. Timesheets submitted in this manner shall bear the notation, "Time reported by telephone or e-mail by (employee) to (supervisor or designated alternate)." The timesheet shall be signed by the supervisor or the designated alternate.

Upon return of all payroll reports and checks, the Executive Director reviews payroll upon return from payroll company.

## Net Asset Classifications

All income received by Nonprofit Organization 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, Nonprofit Organization may raise other forms of contribution income which carry stipulations that Nonprofit Organization 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, Nonprofit Organization 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 Temporarily Restricted net assets keep track of the grant or contribution balance and are reduced to zero as assets are released from restriction.

## Notes Payable

It is the policy of Nonprofit Organization to maintain a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral, if any
6. Interest rate
7. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position. Demand notes and any other notes without established repayment dates shall always be classified as current liabilities. Unpaid interest expense shall be accrued as a liability at the end of each accounting period.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

## Board Conflict of Interest Policy

### Objective

Effective non-profit governance depends on deliberate, thoughtful, and fair decision making by Board members. The ability to make good decisions is sometimes affected by other interests - personal or professional - of individual Board and committee members. One cannot eliminate conflicts of interest - they are a regular part of organizational and personal life. The objective of this policy is to permit Nonprofit Organization to *manage* potential conflicts of interest successfully, when they do occur, in regards to Board and committee

members.

### **Definition**

A conflict of interest arises when a person able to influence a decision, whether by official vote or moral and/or intellectual persuasion, is liable to gain:

- Some personal advantage from the outcome of the decision in which they are involved, and/or some advantage for an organization with which the individual is directly involved.
- A conflict of interest also arises when as individual Board or committee members outside duties, interests or obligations may or do differ fundamentally from his/her obligations as a member of the Board, a committee or working group of Nonprofit Organization.

### **Assumptions**

1. No Board or committee member shall use his or her position, or the knowledge gained there from, in such a manner that a conflict between the interest of Nonprofit Organization or any of its affiliates and his or her interests arises, but is not disclosed.
2. When functioning as a Nonprofit Organization Board or committee member, each person has a duty to place the interest of Nonprofit Organization foremost in any dealings with Nonprofit Organization and has a continuing responsibility to comply with the requirements of this policy.
3. Board and committee members are not eligible for employment or service contracts with Nonprofit Organization or its affiliates during their tenure. If a Board or committee member wishes to apply for a permanent position at Nonprofit Organization, he/she must immediately withdraw from active participation on the Board or committee. If the Board or committee member is the successful candidate, he/she must resign from the Board or committee upon accepting the position.
4. Any Board or committee member who becomes aware of a potential conflict of interest with respect to any matter coming before the Board, committee, or working group shall make this potential conflict known immediately in any discussion relating to the matter.
5. Decisions taken by the Board, committees or working groups, regarding the management of a conflict of interest, must not only be fair, they must be seen to be fair.

### **Procedure**

When an actual, perceived, or potential conflict is identified by any person, the following action must be taken:

1. The Board or committee member identifies the actual, perceived or potential conflict;
2. The Board or committee member must fully disclose the conflict to the Chairperson and, where appropriate, to all Board or committee members;
3. The Chairperson shall develop an appropriate response, including where necessary, disqualification from voting and discussion and any necessary remedial action. For example, if a vote may have been affected by a previously undeclared conflict of interest, it may be necessary to hold that vote again.
4. Where a potential conflict of interest is identified, the following options may be



considered and combined as appropriate:

- The Board or committee member with the conflict should not be involved in any aspect of the decision making process.
- He or she may be present and/or participate in discussions but refrain from voting.
- He or she will absent him or herself from any discussions in connection with the matter in question.
- He or she may participate in initial discussions and then be asked to leave for further discussions before the vote.
- He or she may vote or be present for the vote, but the vote will be done by confidential ballot
- He or she may participate fully.

The Board, committee or working group must agree in majority on the option or combination of options to be taken in any given conflict of interest situation.

5. Any Board or committee member may ask for a decision to be taken by secret ballot when dealing with a matter where there is a conflict of interest.
6. The official minutes of the meeting must record the potential conflict of interest and how it was avoided and/or dealt with.
7. When there is a failure to agree on whether a conflict of interest exists and/or how it is to be managed, the Chairperson (or if the potential conflict of interest involves him or her, the vice-chairperson) may seek legal counsel.

### **Common Sense Provision**

The application of any part of this policy shall rely heavily on the common sense of the group as a whole. Conflict of interest circumstances vary and the judgment and flexibility of the Board, committee, or working group must be preserved.

### **Examples**

Some examples of situations which may indicate a conflict of interest are:

- Where a Board or committee member is in a position to influence the creation of employment or a service contract and then becomes a candidate for such a position or contract.
- Where a member of the Board or committee influences the selection of a supplier of goods and/or services and the member has an ownership interest in that supplier.
- Where a Board or committee member uses Nonprofit Organization' name and resources for personal benefit.
- Where a Board or committee member could influence the giving of a grant, funds or project approval which would benefit themselves or an organization they are associated with as staff or volunteers.

## **Whistleblower Policy**

### **General**

Code of Ethics and Conduct (“Code”) requires directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the Organization, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

### **Reporting Responsibility**

It is the responsibility of all directors, officers and employees to comply with the Code and to report violations or suspected violations in accordance with this Whistleblower Policy.

### **No Retaliation**

No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the Organization prior to seeking resolution outside the Organization.

### **Reporting Violations**

The Code addresses the Organization’s open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee’s supervisor is in the best position to address an area of concern. However, if you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor’s response, you are encouraged to speak with someone in the Human Resources Department or anyone in management whom you are comfortable in approaching. Supervisors and managers are required to report suspected violations of the Code of Conduct to the Organization’s Compliance Officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when you are not satisfied or uncomfortable with following the Organization’s open door policy, individuals should contact the Organization’s Compliance Officer directly.

### **Compliance Officer**

The Organization’s Compliance Officer is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Code and, at his discretion, shall advise the Executive Director and/or the audit committee. The Compliance Officer has direct access to the audit committee of the board of directors and is required to report to the audit committee at least annually on compliance activity. The Organization’s Compliance Officer is the chair of the audit committee.

### **Accounting and Auditing Matters**

The audit committee of the board of directors shall address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. The Compliance Officer shall immediately notify the audit committee of any such complaint and work with the committee until the matter is resolved.

### **Acting in Good Faith**

Anyone filing a complaint concerning a violation or suspected violation of the Code must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

### **Confidentiality**

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

### **Handling of Reported Violations**

The Compliance Officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

## **Code of Conduct**

The recent state of business scandals has focused attention on the importance of well developed and communicated code of conduct in promoting a culture of honesty and ethical behavior and deterring unethical business activity. To be effective, a code of conduct must be well communicated to, and understood by, those expected to adhere to it. The code of conduct should be presented to Agency personnel and conduct periodic training sessions to ensure that they remain aware of the code and understand its implications for their behavior.

Our Organization is committed to the highest possible ethical standards and we encourage everyone associated with our Organization to commit to acting in the best interest of the organization and its mission.

Our mission demands that we, Board and Committee Members, staff and volunteers, as stewards of our mission, uphold the public trust and act in an ethical manner in all that we do in the name of our Organization. These ethical values include integrity, openness, honesty, accountability, fairness, respect and responsibility. These values are the basis of our Code of Conduct and commitment to act in a manner befitting the Organization and mission.

As a public charity, we rely on the public for funding and volunteer support, which is critical to the success of our mission? The public trusts us to carry out our stated mission and to act in the best interest of the Organization. If we abuse the public trust, our ability to fulfill our mission is severely weakened. Therefore, it is critical that we operate in a manner that is above reproach in all aspects, including governance, fundraising, mission operations, legal matters and human resources.

As a public charity we are committed to:

- Acting responsibly and with integrity;
- Following not just the letter of the law, but the spirit of the law as well;
- Promoting financial accountability, transparency, and best governance practices;
- Respecting the wide variety of people who support our mission through donations of their time, talent and money;
- Being responsible stewards of our Organization, its mission, reputation and resources;
- Being open and honest in all of our dealings with both internal and external audiences.

This Code of Conduct applies to all staff members, the Board of Directors and Committee Members, and volunteers.

### **Accountability and Responsibility**

All staff, Board and Committee members, and volunteers will:

- Be open and honest with colleagues, stakeholders, volunteers, donors, and all others involved in the Organization;
- Abide by the by-laws and policies of the Organization;
- Take responsibility for their actions, and care in their dealings as representatives of our Organization;
- Exercise best governance and accounting practices and procedures;
- Use the resources of the Organization in a responsible and wise manner;
- Promote financial transparency while working to fulfill the mission of the Organization.

All who serve in a position of authority over the Organization will:

- Place the Organization above other interests, financial or otherwise;
- Act in the best interest of the Organization;
- Disclose any actual or perceived conflict of interest.

### **Professional Excellence**

All members of our staff, Board, Committees and all volunteers will:

- Act in a responsible, ethical manner that promotes openness, fairness and integrity;
- Treat people with dignity and respect;
- Work together to achieve our mission to the best of our ability.

Our Organization is an equal opportunity employer and does not discriminate on the basis of race, color, religion, gender, or national origin. We value the diversity of all people.

**Note:** This sample financial policies and procedures manual is created from various organizations within the nonprofit community. It is intended as a guide for nonprofits in developing their own policy, and should be modified as needed to meet specific policies and guidelines for your organization. This is not legal advice. If legal advice or other expert assistance is required, you should seek the assistance of a competent professional.