



BUILDING PEACE

Accounting Policy Manual (Updated 02/2022)

Building Peace Accounting Policy Manual

Table of Contents

Purpose 2

Policies 2

Accounting Records..... 4

Financial Reporting..... 10

Budgeting 11

Internal Controls 11

Chart of Accounts 12

Background 13

Accounting Department.....13

Purpose

The Building Peace (BP) Accounting Manual establishes financial accounting and reporting standards. The manual is designed for use by the BP accounting department. Accounting is a system that measures the day-to-day business transactions and develops financial reports to tract these activities. This information is provided to the executive team for decisions-making purposes.

BP, as a 501(c)(3) nonprofit organization, is committed to manage all funds in a manner that reflects good financial stewardship. All transactions, reports and financial statements are prepared following Generally Accepted Accounting Practices (GAAP).

The financial statements are used to disclose to the sources of BP's funds and how those resources were used. BP's accounting records are recorded and stored to support the amounts disclosed in the financial statements.

Policies

Filing System

The BP filing system is designed to facilitate the retrieval of important accounting records.

- (1) Grants files include all information pertaining to any grant written to support BP activities.
- (2) Each Grant file may be subdivided into proposal, budget, correspondence, contracts, reports and statistics.
- (3) Budget files include a copy of the current year's budget.
- (4) Case files include all information and data collected plus invoices for work conducted.
- (5) Personnel files include employee resumes, job descriptions, evaluations, medical releases, requests for accommodation, disciplinary and salary actions.

Payables

The review and handling of accounts payables and receivables are the responsibility of the employee designated by the Operations Director. All bills and invoices are reviewed for accuracy by the Operations Director and Program Manager before submission for payment. Timely and accurate payment of all bills should be first and foremost to avoid late charges.

Each invoice for payment must be processed as follows:

- 1) Contractor payments must include the program and project case number in the upper right corner of the invoice.
- 2) All invoices must be initialed by the Operations Director and Program Manager in the upper right corner of the invoice.
- 3) The program name and/or project number must be written in the upper right corner of the invoice.
- 4) The amount of payment will be circled, highlighted or written in the upper right corner of the invoice.
- 5) All payments will be made by check or ACH.
- 6) Each invoice is entered into the accounting software and recorded in the appropriate accounts.
- 7) Checks for payment will be printed and given to the Operations Director for signature.
- 8) An accounts payable report will be printed weekly and provided to the Operations Director.

Receivables

All checks and cash received shall be handled as follows:

- 1) Endorsed with the "For Deposit Only" stamp.
- 2) Checks or cash received in the incoming mail will be entered into the revenue receipt logbook and forwarded immediately to the accounting department along with all remittance documentation.
- 3) The revenue receipt logbook will include the following information: date received, check number (if any), sender's name, amount, check or cash designation, and invoice paid number (if any), or grant program code (if applicable).
- 4) The revenue entry log is sent to the accounting department after the end of each week to verify receipt of these funds sent by mail.

Binding Contracts

All grants and contract documents that bind BP must be signed by the Executive Director or his/her designee. This includes the following:

- 1) Contracts
- 2) Grants
- 3) Leases
- 4) Service agreements

5) Employment contracts

These items should be forwarded to the Executive Director or designee sufficiently in advance of the due date in order for adequate review.

Petty Cash

A maximum of \$100 cash will be kept in a lock box in the Administrative Assistant's office. These funds should only be used at the direction of a Director or Program Manager. It is only to be used for small miscellaneous expenses related to the business of BP. Receipts will be attached to a petty cash voucher with approved signatures. These will be sent to the accounting department for reimbursement to the petty cash fund.

Vehicle Mileage Reimbursement

Vehicle mileage reimbursement will be provided when staff are required to travel outside the city of Lawrence limits for meetings related to the business of BP. Rate of reimbursement will match the current federal mileage rate.

Credit Cards

Company credit cards are limited to the Director positions. Receipts for the use of credit cards should include a completed credit card form and turned in to the Operations Director to be forwarded to BP Accounting Department for payment. Use of personal credit cards must be preauthorized by the Program Manager and Operations Director. The credit card form will include at least the following information: staff name, date, reason for purchase, project code (if any), and staff who approved the purchase.

Professional Fees

At the discretion of the Executive Director, payment of professional fees and dues directly related to the employee's job performance may be authorized. If one professional fee is authorized than that will apply to the entire staff who hold those licenses or certifications. All dues and fees shall be subject to availability of funds.

Accounting Records

General Ledger

The BP Accounting Department maintains the following accounting records:

- 1) General Ledger

- 2) Accounts Payable and Receivables Records
- 3) Cash Receipts Journal
- 4) Cash Disbursements Journal
- 5) General Journal
- 6) Payroll Records
- 7) Property Records.

The accounting records are maintained on a double- entry basis using fund accounting and are used to prepare its annual financial statements, internal reports and other management reports. The accounting records are maintained by an automated system that provides an audit trail for all transactions. The accounting records are kept on an accrual basis of accounting.

BP uses Quickbooks all financial transactions including for the General Ledger, Accounts Payable, Accounts Receivable and Bank Reconciliation purposes.

The General Ledger summarizes and classifies all financial transactions from data accumulated in the subsidiary ledgers. The General Ledger is the final and permanent record of all of BP's financial transactions and the basis for preparation of the financial statements. Subsidiary journals are posted to the general ledger after review and approval by the Director. No direct entries are posted to the General Ledger.

All entries to the General Ledger originate from the cash receipts journal, cash disbursements journal or other subsidiary records. The General Ledger is posted monthly and maintained on a double-entry basis.

The General Ledger accommodates fund accounting as well and other financial requirements in accordance with specific requirements. All entries in the General Ledger are referenced to where they originated.

The General Journal records transactions that are not recorded originally in the cash receipts journal, cash disbursements journal, payroll register or other journal of original entry. Each journal entry is supported and documented. Journal entries or journal vouchers are numbered consecutively and approved by an authorized individual's initials and the date of review.

Each entry to the General Journal is fully described, adequately documented, sequentially numbered and approved by an authorized individual. Journal entries are created by BP Operations Director or an outside CPA Accountant. Items to be posted are prepared/batched by BP staff and reviewed by the Operations Director or outside CPA Accountant, who then releases the batch for posting. Transactions are reviewed at the time of posting as well as periodically to

determine if instances of incorrect posting has occurred. Items identified are brought to the appropriate individual's attention for discussion and resolution. Non-standard journal entries are discussed with the Executive Director prior to entry in the accounting system.

Cash and Checks

The Cash and Check Receipts Logs (RL) verifies the amount of receipts recorded in the General Ledger and deposited in the bank. The log lists the date the cash or check was received, the payee, the check number and the amount. Initial accountability for cash and checks begins with the individual opening the mail or when a cash item is received. This individual's duties include:

- (1) Endorsing check with "For Deposit Only" on the back.
- (2) Recording the receipt in the RL.
- (3) Signing the RL.
- (4) Forward cash/check to the BP accounting office with supporting documentation.

Upon receipt of the RL and documentation, an accountant or designated staff member completes the following steps:

- 1) Verifies the date the check was received, the amount of the check, the payor and that the checks were appropriately endorsed by signing his/her initials to the RL.
- 2) Prepares the bank deposit ticket daily. Copies of the checks and the deposit slip are made and filed along with any supporting documentation.
- 3) Deposit the funds into the bank.

Cash, checks, and money orders are recorded in the Receipts Journal in chronological sequence when received. Bank deposits slips contain sufficient information so that all deposits can be traced to the original source and to the cash receipts journal. Deposit slips are reviewed to monitor the frequency and timeliness of deposits. The receipts journal is reviewed to determine that both the source and purpose of cash receipts are clearly identified. Receipts posted to the Receipts Journal are reviewed and approved by the Director of Operations. BP fiscal records allow an individual to trace the receipt from initial listing to the deposit in the bank account to the General Ledger posting. The duplicate deposit ticket stamped by the bank is attached to the BP deposit slip. The bank-stamped duplicate deposit ticket compares with the RL. All transactions processed through the receipts category are reviewed prior to posting. The effective internal control for receipts ensures that all cash intended for the organization is received, promptly deposited, properly

recorded, reconciled and kept under adequate security.

The Cash Disbursements Journal records disbursements in chronological sequence. All disbursements are pre-numbered checks used in numerical sequence. Each check is supported by appropriate documentation, that is, invoices, contracts, travel reports and payroll records. Each disbursement is approved by authorized individuals before a commitment of resources is made. The receipt of goods and the accuracy of invoices are verified and documented by reviewing vendor, invoice numbers, item descriptions, quantities and amounts. Documents are marked paid or otherwise canceled to avoid duplicate payment. The check number and pay date is noted on the invoice or other supporting documentation. All disbursements are made by pre-numbered checks. The Cash Disbursements Journal is organized to allow for a summary expense category. Disbursements are posted to the General Ledger on a current basis. All checks are signed by individuals authorized by the governing body. All documents relating to a particular disbursement are accumulated and filed for future reference. The Internal Accounting Control for cash disbursements ensures that cash is disbursed only with proper authorization and that all disbursements are properly recorded.

Payroll

Payroll Records accumulate payroll data as required by federal, state and local laws. Documentation is maintained to support individual gross earnings. The following payroll data is included in each employee's payroll file:

- 1) wage and salary authorization;
- 2) federal W-4 withholding information;
- 3) state withholding form;
- 4) authorization for all other payroll deductions; and
- 5) authorization for all wage/salary actions.

BP uses an on-line security protected third party software. BP employees receive their payroll payments via electronic deposit and receive a payroll voucher stub each pay period showing their current and year-to-date payroll information. The pay stub is available on-line using a personal log-in. BP pay periods are on a semi-monthly 24 pay period cycle and "pay day" is on the 15th and 30th of each month.

A Personnel Information Form is completed for all new employee information. A Cessation Form

is completed for terminating employees. A Personnel Action Form is completed for changes in pay and bonuses. All hires as well as new employee salaries are approved by the Executive Director.

Payroll transactions are summarized and posted to the applicable general ledger accounts based on a predetermined account scheme that is reviewed at least annually. Payroll registers are reconciled to the general ledger monthly. Payroll is paid from the BP Operating account which is reconciled to the general ledger monthly by comparing bank withdrawals to payroll reports.

BP follows a merit raise process that reviews the accomplishments of all staff and allocates a portion of the funds available for raises. BP staff receive two written evaluations during their first year of employment and annual written evaluations after their first year. Each employee will have clearly stated and quantifiable (if appropriate) goals.

BP maintains a time-reporting system. Timesheets are approved by a supervisor in a position to verify the number of hours worked by an employee, including overtime and compensatory time earned. Vacation and sick leave records are maintained for each employee. The records identify the amount of vacation and sick leave earned and used and the remaining balances. The total of the remaining balance at the end of a fiscal period supports the amount disclosed in the financial statements.

Hourly and salary employees submit weekly timesheets that are signed by the direct supervisor. Salaried employees who perform work between the 1st and the 15th are paid on the 15th of the month and work performed from the 16th and the last day of the month are paid on the 30th of the month. Hourly employees are paid for their actual hours worked from the 24th of the preceding month through the 8th of the current month on the 15th and for the period from the 9th through the 23rd of the month on the 30th.

Property Records

Property Records account for fixed assets and equipment and include the following information:

- 1) A description of the property, including model and manufacturer's serial number or other identification number;
- 2) Date of acquisition;
- 3) Number of check used to pay for item;
- 4) Cost of the property;
- 5) Useful life;

- 6) Depreciation method;
- 7) Source of funds used to acquire the property;
- 8) Description of how value was assigned if property was donated;
- 9) Location and condition of the property and the date the information was reported;
- 10) Inventory control number/tag; and
- 11) The disposition data, including date and method of disposal and sales price if sold with the method used to determine the current fair value.

BP uses a straight-line depreciation method. The useful lives are from 2 years to 20 years; computers have an estimated useful life of 3 years. All computers, printers and any item with a purchase price of \$1,000 or more are coded as a fixed asset at the time of purchase and assigned a BP asset number and affixed to the item.

Record Retention

Corporate Records

- Corporate Charter, permanently retained
- Certificate of Incorporation, permanently retained
- Minutes of Board of Directors meetings, permanently retained
- Annual Reports, permanently retained

Personnel Records

- Individual Employee Records, permanently retained
- Payroll Book, permanently retained
- Employee Pension Records, permanently retained
- Insurance Records, permanently retained

Accounting Records

- General Journal, permanently retained
- General ledger, permanently retained
- Annual Financial Statements, permanently retained
- Cash/Checks Receipt Log, retained 10 years
- Bank statements and canceled checks, retained 10 years
- Billings for services, retained 5 years
- Employee travel and expense reports, retained 5 years
- Expense bills, retained 5 years
- Petty cash records, retained 5 years
- Monthly Financial Statements, retained 10 years

Fixed Assets

- Land and buildings, permanently retained
- Equipment in use, kept on file until disposed
- Equipment out of service, retained 7 years

Contracts

- Leases, retained 10 years after termination
- Grants, retained 10 years after completion
- Memorandum of Understandings, retained 10 years after completion

Tax Returns

- Federal and documentation, retained permanently
- State and documentation, retained permanently
- Payroll, retained 5 years
- Withholding, retained 7 years

General

- General Correspondence, 5 years
- Case Files, retained permanently

Financial Reporting

Monthly Reporting

BP uses Quickbooks accounting software. The designated staff member or outside Accountant is responsible for completing and distributing to designated staff the following monthly reports:

- 1) General Ledger
- 2) Bank Reconciliation
- 3) Payroll Reconciliation
- 4) Payroll and Benefits
- 5) End of Month Journal Entries
- 6) Other Reports as determined by the Executive Director

End of Year Reporting

BP's corporate year-end is December 31st. The year-end closing process is comparable to the monthly closing process above with a pre-determined year-end closing calendar that includes enhanced cut-off procedures to assure that all significant accounts receivables, accounts payables and accruals are properly recorded and posted to the proper accounting year.

The designated staff member or outside CPA Accountant drafts the formal year-end financial statements in accordance with Local, State and Federal statutes, and performs a detailed review of internal financial records. The draft financial statements and materials, along with any additional

checklists and schedules requested by the auditor, are compiled into a physical year-end financial binder and into electronic folders for use by the auditors during the audit of the financial statements. BP Accounting Manual Budgeting

Budgets

Detailed budgets are prepared annually and reviewed through-out the year based upon information related to funding sources, staffing levels, leases, operating expenses, contracts and sub- contracts. The Directors develop an initial proposed budget with fully documented budget assumptions. This management proposed budget is then presented to the Audit Budget Committee. The Audit Budget Committee reviews the proposed budget and assumptions and develops a final budget recommendation. The Audit Budget Committee budget recommendation is presented to the full Board of Directors for final Board discussion and approval. BP's budget for the upcoming calendar year is presented to the Audit Budget Committee for review and approval by the Board of Directors at the October meeting.

Funding source and grant specific budgets and forecasts are prepared for various funding applications and renewals. These are prepared by the Directors and are reviewed as part of each funding application or renewal submission by the Executive Director.

Timely, reliable and accurate grant reporting is an important priority of BP with the overall responsibility for grant reporting collectively held by the executive management team. This team includes the Executive Director and the Operations Director.. The Board of Directors oversees these efforts through regular updates and inquiries related to grant applications, renewals and reporting compliance at Board of Directors meetings.

Internal Controls

The internal accounting controls used by BP consist of a series of procedures designed to promote and protect sound management practices, both general and financial. Following these internal accounting control procedures will significantly increase the likelihood that:

- 1) financial information is reliable, so that managers and the board can depend on accurate information to make programmatic and other decisions;
- 2) assets and records of the organization are not stolen, misused, or accidentally destroyed;
- 3) the organization's policies are followed; and
- 4) government regulations are met.

Effective Internal Accounting Control includes the following areas and objectives in developing an effective internal accounting control system:

- 1) Cash receipts - To ensure that all cash intended for the organization is received, promptly deposited, properly recorded, reconciled, and kept under adequate security;
- 2) Cash disbursements - To ensure that cash is disbursed only upon proper authorization of management, for valid business purposes, and that all disbursements are properly recorded;
- 3) Petty cash To ensure that petty cash and other working funds are disbursed only for proper purposes, are adequately safeguarded, and properly recorded;
- 4) Payroll - To ensure that payroll disbursements are made only upon proper authorization to bona fide employees, that payroll disbursements are properly recorded and that related legal requirements (such as payroll tax deposits) are complied with;
- 5) Grants, gifts, and bequests - To ensure that all grants, gifts, and bequests are received and properly recorded, and that compliance with the terms of any related restrictions is adequately monitored;
- 6) Fixed assets - To ensure that fixed assets are acquired and disposed of only upon proper authorization, are adequately safeguarded, and properly recorded.

Segregation of duties is central to an effective internal controls system. The BP Accounting Department divides duties between paid staff to reduce the opportunity for error and wrongdoing.

The financial authority of supervisory personnel is defined and evidenced by:

- 1) established policies for processing, recording and reporting financial transactions;
- 2) documentation identifying the authority delegated to supervisory and other personnel to initiate and approve financial transactions; and criteria to be used when modifying or eliminating the above procedures.

Chart of Accounts

The chart of accounts lists the posting accounts in the General Ledger that can be used to accumulate financial information for adequate grant reporting for both internal and external purposes. Posting accounts are the financial accounts that track assets, liabilities, revenue, expenses and equity. The chart of accounts also demonstrates how fund or grant activity and cost center and/or functional activity can be accumulated for the various funding sources, cost centers

and/or functions. The basic structure of the BP chart of accounts consists of three account segments, that is, account, funding source and location. The account segment consists of unique alpha and/or numeric fields that identifies an asset, liability, equity, revenue or expense item. The funding source segment is a unique alpha and/or numeric field that identifies a BP fund.

Background

The mission of Building Peace is to provide mediation and conflict resolution opportunities using restorative practices that strengthen community trust and security, as well as upholding the dignity of all persons.

Accounting Department

The BP Board meets quarterly. Management provides detailed reports to the Board for financial results as well as program results. Management prepares and explains the financial reports for the Board of Directors. Management is required to provide most grantors with detailed financial reports. Management reports to the Board of Directors at each Board meeting. Management provides a summary of the financial status of BP at each Board meeting. BP uses an outside CPA Accountant for some report compilations, taxes, and auditing.

Internal control deficiencies noted by external sources are addressed with the Board of Directors and management. Management meets weekly to discuss the on-going processes at BP. Management takes a strong interest in making sure the internal controls are as strong as possible. The BP Accounting Department consists of the Operations Director, and an administrative assistant and a human resources coordinator. A brief description of the positions follows:

Operations Director

- a. Accountable to Executive Director.
- b. Knowledge of accounting, financial statement preparation, budgeting, grant reporting, fund accounting, auditing procedures, and financial planning.
- c. Supervision of Administrative Assistant or clerical staff.

Administrative Assistant

- a. Accountable to Operations Director
- b. Knowledge of commonly used accounting concepts, software, and procedures within the organization. Relies on experience and judgment to plan and accomplish goals, offer suggestions about resource utilizations and assumptions underlying budget forecasts.