

Sunrise Project

ACCOUNTING POLICIES AND PROCEDURES

**March 26, 2018
Revised August, 2020**

Table of Contents

I. Introduction.....	3
Board of Directors.....	4
Executive Director/Chief Executive Officer	4
Bookkeeper.....	5
VI. Cash Disbursements & Expense Allocations.....	8
VII. Debit Card Policy and Charges.....	10
VIII. Accruals	11
IX. Bank Account Reconciliations.....	12
X. Petty Cash Fund	13
XI. Property and Equipment	14
XII. Personnel Records	15
XIII. Payroll Processing	16
XIV. End of Month and Fiscal Year-End Close.....	17
XV. Financial Reports	18
XVI. Fiscal Policy Statements	19
XVII. Conflict of Interest Policy	20
Article II - Definitions	20
2. Financial Interest.....	20
Article III - Procedures	20
3. Procedures for Addressing the Conflict of Interest.....	21
4. Violations of the Conflicts of Interest Policy	21
Article IV - Records of Proceedings.....	21
Article V - Compensation.....	22
Article VI - Annual Statements.....	22
Article VII - Periodic Reviews	22
Article VIII - Use of Outside Experts.....	23
XVIII. Federal Grant Application and Proposal Procedure	24

I. Introduction

The purpose of this manual is to describe all accounting policies and procedures currently in use at Sunrise Project and to ensure that the financial statements conform to generally accepted accounting principles; specify roles and duties of personnel that have fiscal responsibility; assets are safeguarded; guidelines of grantors and donors are complied with; and finances are managed with accuracy, efficiency, and transparency.

All Sunrise Project's staff with a role in the management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

These policies will be reviewed annually and revised as needed by the staff and approved by the Executive Director and Finance Committee of the Board of Directors.

II. Division of Responsibilities

Duties of personnel who have fiscal and accounting responsibilities:

Board of Directors

1. Reviews and approves the annual budget
2. Reviews annual and periodic financial statements and information
3. Reviews Executive Director's performance annually and establishes the salary
4. Two members of the board will be appointed by the board to be authorized signers on the bank accounts
5. Reviews and approves all contracts outside of normal business or when required by contract.
6. Reviews and approves all non-budgeted expenditures over (\$1,000)
7. Reviews and advises staff on internal controls and accounting policies and procedures
8. Determines whether the organization should have an audit and, if so, chooses and contracts with the auditor

Executive Director/Chief Executive Officer

1. Reviews and approves all financial reports including cash flow projections
2. Sees that an appropriate budget is developed annually
3. Reviews and issues payments
4. Reviews and approves all contracts within normal business
5. Reviews and approves all grant submissions
6. Approves inter-account bank transfers
7. Is on-site signatory for all bank accounts
8. Opens all bank statements, reviews for any irregularities, and reviews completed monthly bank reconciliations
9. Oversees the adherence to all internal control
1. Approves all program expenditures
2. Monitors program budgets
3. Reviews all payrolls and is responsible for all personnel files
4. Reviews and manages cash flow
5. Reviews and approves all reimbursements and fund requests
6. Processes all inter-account bank transfers
7. Assists Executive Director with the development of annual and program budgets
8. Reviews all incoming and outgoing invoices
9. Manages the petty cash fund
10. Receives and opens all incoming accounting department mail except bank statements
11. Monitors and manages all expenses to ensure most effective use of assets
12. Monitors grant reporting and appropriate release of temporarily restricted funds
13. Oversees expense allocations

14. Monitors and makes recommendations for asset retirement and replacement
15. Reviews, revises, and maintains internal accounting controls and procedures
16. Initiates donor thank you letter acknowledgements
17. Reviews all financial reports

Bookkeeper

1. Overall responsibility for data entry into accounting system and integrity of accounting system data
2. Processes payroll
3. Maintains general ledger
4. Prepares monthly and year-end financial reports
5. Reconciles all bank accounts
6. Manages Accounts Receivable

III. Chart of Accounts and General Ledger

Sunrise Project has designated a Chart of Accounts specific to its operational needs and the needs of its financial statements.

FUNCTION: The Chart of Accounts is attached to this manual as an addendum. It is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification (program vs. fundraising vs. administration). The general ledger is automated and maintained using Quickbooks software.

ROLES AND DUTIES:

- ❖ The Operations Manager is responsible for maintaining the Chart of Accounts and revising, as necessary.
- ❖ The Executive Director is responsible for all inputs and balancing.
- ❖ The Treasurer is responsible for auditing the general ledger on a periodic basis (at least once every quarter) for any unusual transactions.

IV. Cash Receipts

Cash receipts generally arise from:

1. Contracts and Grants
2. Direct donor contributions
3. Fundraising activities

Cash receipts workflow:

1. The *Program Manager* opens, date stamps, distributes the mail, and enters all checks into a log, stamps all checks “for deposit only,” and makes a copy of each check. The checks are kept in a locked cabinet until deposited.
2. Weekly, the *Executive Director* processes the deposit and takes it to the bank for deposit. A copy of the deposit slip is attached to the check copies and put in a file.
3. All cash received will be counted, verified, and signed off by the *Executive Director* and another available staff member. The cash will immediately be posted using the appropriate allocation. A receipt will be given to the paying party and a copy kept for internal purposes. The cash will be kept in a locked, secure location and deposited within 4 business days.

VI. Cash Disbursements & Expense Allocations

Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Taxes/license fees
3. Staff training and development
4. Memberships and subscriptions
5. Meeting expenses
6. Employee reimbursements
7. Marketing/promotional materials

Checks are prepared manually, as needed by the Executive Director.

Requests for cash disbursements are submitted to Accounting in three ways:

1. Original invoice
2. Purchase request (submitted on approved form)
3. Employee expense with original receipts
(Employee mileages is tracked on a mileage report)

All invoices must have the account code written on them and approved by the Program Manager prior to being submitted to accounting.

Every employee reimbursement or purchase request must be documented on the approved form with travel authorization, receipts, nature of business, program allocation, and funding source (if applicable) before approving for reimbursement as follows:

Lodging - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose.

Meals and Entertainment - a receipt must be provided showing the cost of food, beverage, and gratuities, including the names of every person for whom food or beverage was provided, and the specific business purpose.

Other Expenditures - a receipt from the vendor detailing all goods or services purchased (including the class of service for transportation) and the specific business purpose.

Expenditure workflow

The Operations Manager duties:

1. Reviews all requests for payment
2. Verifies expenditure and amount
3. Approves for payment if in accordance with budget
4. Provides or verifies appropriate allocation information
5. Provides date of payment
6. Submits to the Bookkeeper for processing

The Bookkeeper duties:

1. Processes all payments

2. Immediately enters them into the Accounts Payable module
3. Prints checks according to allocation and payment date provided by the Operations Manager
4. Submits checks, with attached backup documentation, to Executive Director for approval and signature.
5. Stamps invoice "paid"
6. Mails checks and appropriate backup documentation --- Program Manager
7. Files all backup documentation in the appropriate file
8. Runs an accounts payable aging at the middle and end of each month and submits to the Operations Manager to assure timely payment of all invoices

Expense Allocations

Most non-salary expenses that benefit more than one cost center (administration, fundraising, and program) are spread across centers using a shared cost method. Under this method, the number of full-time equivalents (FTEs) within a department are divided by the total number of FTEs at the organization to determine the percentage of shared costs they should bear. This is done on a monthly basis by the Operations Manager. Occupancy expenses may be split between departments based on the percentage of square footage that is used by each department.

VII. Debit Card Policy and Charges

Disclosure: All staff members who are authorized to carry an organization bank card will be held personally responsible in the event that any charge is deemed personal or unauthorized.

Unauthorized use of the debit card includes: personal expenditures of any kind; expenditures which have not been properly authorized; meals, entertainment, gifts, or other expenditures which are prohibited by budgets, laws, and regulations, and the entities from which Sunrise Project receives funds.

Debit card purchases should only be pre-approved purchases such as program supplies specific to the organizations needs or included in the guidelines of a specific grant.

The receipts for all debit card charges will be given to the Executive Director within two (2) weeks of the purchase along with proper documentation. The Executive Director will verify all credit card charges with the monthly statements. The Executive Director will reconcile all receipts to the bank each month.

The Executive Director's debit card usage will be reviewed by Board Treasurer on a monthly basis.

VIII. Accruals

To ensure a timely close of the General Ledger, Sunrise Project may book accrual entries. Some accruals will be made as recurring entries.

Accruals to consider:

1. Monthly interest earned on money market accounts, certificates of deposits, etc.
2. Recurring expenses, including employee vacation accrual, prepaid corporate insurance, depreciation, etc.

IX. Bank Account Reconciliations

1. All bank statements are downloaded and given unopened to the Executive Director. The Executive Director reviews the statements for unusual balances and/or transactions.
2. The Executive Director gives the statements to the Bookkeeper for timely reconciliation as follows:
 - a. A comparison of dates and amounts of deposits as shown in the accounting system and on the statement
 - b. A comparison of inter-account transfers
 - c. An investigation of any rejected items
 - d. A comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.
3. The Executive Director will verify that voided checks, if returned, are appropriately defaced and filed.
4. The Bookkeeper will investigate any checks that are outstanding over six months.
5. The Bookkeeper will attach the completed bank reconciliation to the applicable bank statement, along with all documentation.
6. The reconciliation report will be reviewed, approved, dated, and initialed by the Executive Director.

X. Petty Cash Fund

No petty cash is kept. There is no petty cash fund.

XI. Property and Equipment

Property and equipment include items such as:

1. Office furniture and equipment
2. Computer hardware
3. Computer software
4. Leasehold improvements

It is the organization's policy to capitalize all items which have a unit cost greater than one thousand dollars. Items purchased with a value or cost less than one thousand dollars (\$1,000) will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

Computer Hardware	36 months
Office Equipment	60 months
Office Furniture	60 months
Computer Software	36 months
Leasehold improvements	Length of lease

1. A Fixed Asset Log is maintained by the Bookkeeper including date of purchase, asset description, purchase/donation information, cost/fair market value, donor/funding source, identification number, life of asset.
2. The Log will be reviewed by the Operations Manager.
3. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
4. The Operations Manager shall be informed in writing of any change in status or condition of any property or equipment.
5. Depreciation is recorded at least annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

XII. Personnel Records

1. All personnel files contain the following documents:
 - a. An application and/or resume
 - b. Date of employment
 - c. Position and pay rate
 - d. Authorization of payroll deductions
 - e. W-4 withholding authorization
 - f. Termination data where applicable
 - g. A signed acknowledgement of receipt of Employee Handbook
 - h. An emergency contact form, and other forms as deemed appropriate by the Executive Director.
2. All employees will fill out an I-9 form and submit the allowable forms of identification to the Operations Manager.
3. The completed I-9 forms will be kept in a secure location separate from the personnel files.
4. All personnel files are to be kept in a secure, locked file cabinet and accessed only by authorized personnel.

XIII. Payroll Processing

1. Timesheets are to be prepared by all staff on the approved form and submitted within two days of the 15th of the month and within 2 days of the last day of the month. Exceptions to the submittal date may occur and will be communicated accordingly.
2. Timesheets are to be kept on a daily basis and completed in ink – unless prepared electronically.
3. Any corrections to timesheets are to be made by making a single line through the error and writing in the correction. Correction fluid and/or tape are not allowable.
4. Timesheets are to be signed and dated by the employee and the employee's supervisor for submission to the Operations Manager.
5. Any changes to the standing information of the payroll register from the prior period including addition of new employees, deletion of employees, or changes in base pay rate must be accompanied by an Employment Information Form and signed by the Executive Director before the change can be made.
6. The Bookkeeper will process payroll in a timely manner and record vacation time, holiday hours, sick time, and any other information deemed necessary to properly reflect time worked.
7. If the employee requests that his/her check be turned over to a third party, the request must be made in writing prior to distribution.
8. Employees may choose direct deposit to a designated bank account. Their paycheck is deposited directly into the designated account on the payroll date. The employee will receive a verification stub.
9. The Operations Manager will review payroll expenditures and allocations monthly.
10. All quarterly federal and state payroll reports will be prepared and filed appropriately.
11. All W-2 statements are issued to employees prior to January 31st of the following year for the prior calendar year.

XIV. End of Month and Fiscal Year-End Close

1. The Treasurer will review and sign off on all month- and year-end journal entries. They will be printed and filed for audit trail purposes.
2. At the end of each month and fiscal year end, the Executive Director will review all balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations, fixed assets accounts reflect all purchases, write-downs and retirements, accounts receivable and payable accounts match outstanding amounts due and owed.
3. The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match the payroll reports including federal and state payroll tax filings.
4. Once the final monthly and fiscal year-end financial statements are run, reviewed, and approved by the Operations Manager and Executive Director, no more entries or adjustments will be made into that month or year's ledgers. - when books are closed, they are closed.
5. At the end of the fiscal year, the Executive Director will hire a CPA to prepare the annual Return for Organization Exempt from Income Tax (IRS Form 990). The return will be presented to the CEO, the Board Finance Committee, and the Board Chair for their review and approval. The Operations Manager will then file the return with the Internal Revenue Service by the annual deadline (approved by the Internal Committee).
6. All other appropriate government filings including those required by the state tax board and attorney general's office will be completed and filed with the appropriate agency.

XV. Financial Reports

The Bookkeeper will prepare the monthly and annual financial reports for distribution to the Operations Manager.

The reports will include

1. Balance sheet
2. Statement of income and expenses
3. Budget versus actual report for each program which has an established budget
4. A budget versus actual report for the organization
5. Accounts receivable aging
6. Accounts payable register and aging
7. Cash flow projection, and any other requested reports.

Annual financial reports will be submitted to the Board of Directors for review at scheduled Board Meetings.

XVI. Fiscal Policy Statements

1. All cash accounts (except petty cash) owned by (Organization) will be held in financial institutions which are insured by the FDIC. No bank account will carry a balance over the FDIC insured amount.
2. All capital expenditures which exceed one thousand dollars (\$2,500) will be capitalized.
3. Employee or public personal checks will not be cashed through the petty cash fund.
4. No salary advances will be made under any circumstances.
5. No travel cash advances will be made except under special conditions and pre-approved by the Executive Director.
6. Reimbursements will be paid upon complete expense reporting and approval using the official (Organization) form.
7. Any donated item with a value exceeding (\$50) will be recorded and a letter acknowledging the donation will be sent to the donor within two weeks of the receipt of the donation.
8. The Executive Director and one designated Board and staff member are the signatories on (Organization's) bank accounts. Checks over \$1,000 not previously approved in budget require approval from the Board of Directors.
9. Bank statements will be reconciled monthly. All bank statements will be emailed as PDF's to the Treasurer.
10. Correction fluid and/or tape will never be used in preparing timesheets or any accounting documents.
11. Accounting and personnel records will be kept in locked file cabinets in the finance office and only parties with financial and/or HR responsibility will have access to the keys.

XVII. Conflict of Interest Policy

Lawrence Community Food Alliance (Sunrise Project) ***Conflict of Interest Policy***

Article I - Purpose

The purpose of the conflict of interest policy is to protect this tax-exempt organization's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II - Definitions

1. Interested Person

Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article III - Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all

material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2. Determining if a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

- a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

- a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV - Records of Proceedings

The minutes of the governing board and all committees with board delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.

b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Article V - Compensation

a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI - Annual Statements

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

a. Has received a copy of the conflicts of interest policy,

b. Has read and understands the policy,

c. Has agreed to comply with the policy, and

d. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII - Periodic Reviews

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.

b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII - Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

As a director, principal officer or member of a committee of the Lawrence Community Food Alliance (Sunrise Project) with governing board delegated powers I, _____ affirm that I:

- a.** Have received a copy of the conflicts of interest policy,
- b.** Have read and understands the policy,
- c.** Have agreed to comply with the policy, and
- d.** Understand the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Signature: _____ Date: _____/_____/_____

XVIII. Federal Grant Application and Proposal Procedure

Function: A federal grant is an award of financial assistance from a federal agency to a recipient to carry out a public purpose of support or stimulation authorized by a law of the United States. A grant award's purpose is impact rather than money, the real point of a grant proposal is to rally the necessary resources to help the nonprofit fulfill its purpose.

Please use the USDA Fiscal Questionnaire as a reference.

Grant application procedure:

1. Fill in the organization's name in appropriate box: Sunrise Project
2. Fill in the DUNS number for Sunrise Project in appropriate box: DUNS number can be obtained from the Treasurer.
3. Complete questionnaire:

Financial Stability and Quality of Management Systems:

- a. Has your organization received a federal grant within the last three years?
- b. Does your organization utilize accounting software to manage financial records?
- c. Does your accounting system identify the receipt and expenditure of program funds separately for each grant?
- d. Does your organization have a dedicated individual responsible for monitoring organizational funds, such as an accountant or a finance manager?
- e. Does your organization separate the duties for staff handling the approval of transactions and the recording and payment of funds? Does your organization have the ability to specifically identify and allocate employee effort to an applicable program?
- f. Does your organization have a property /inventory management system in place to track location and value of equipment purchased under the award?

Audit Reports and Findings

- a. Has your organization been audited within the last 5 fiscal years? (If the answer is "Yes" and this report was issued under the Single Audit Act please note this in the box below marked "Additional Information" and if not issued under the "Single Audit Act", please attach a copy or provide a link to the audit report in the Hyperlink space below).

- b. If your organization has been audited within the last 5 fiscal years, was there a “Qualified Opinion” or an “Adverse Opinion”?
 - c. If your organization has been audited within the last 5 fiscal years, was there a “Material Weakness” disclosed?
 - d. If your organization has been audited within the last 5 fiscal years, was there a “Significant Deficiency” disclosed?
 - e. Provide Hyperlink to any audit findings (if available):
 - f. Additional information including expanding on responses in previous sections
4. Each grant will require specific information, evidence and research that will be required. Grants also have specific guidelines an organization must follow and certain approved program supplies. The following questions are generally useful in writing a grant proposal. Use descriptive language and as few words as possible:
- a. What need does your organization or program address?
 - b. How do you approach the need?
 - c. Why is *your* way the best way to address the need?
 - d. How will you measure and report your outcomes?
 - e. How much money do you need from the funder, and what will you do with it?
 - f. Why do you support the population you serve?
 - g. Why do you use your designated approach with this population?
 - h. What research exists to validate your approach?
 - i. Is the problem your organization focuses on growing/changing?
 - j. If you were not solving this problem, what would happen?
5. After revision of research and evidence required for the grant, make sure to write the proposal in the funder’s preferred format.