

Fiscal Safeguards Policy

Adopted: February 2013

Purpose

This policy describes the policies and procedures of Wilkes Habitat for Humanity (WHFH) in regard to its financial activities.

Policy

It is the policy of Wilkes Habitat for Humanity to follow Generally Accepted Accounting Principles (GAAP) for all financial dealings. The affiliate's accounting policies shall be in accordance with HFHI's *AOM: Financial Policies and Procedures*, and this policy shall remain subordinate to that document.

Board Member & Staff Responsibilities:

1. The Corporation's fiscal year shall be identical to the fiscal year of Habitat for Humanity International.
2. Board members shall keep themselves well-informed of the affiliate's finances. While identified staff members may be responsible for specific tasks, board members are responsible for the overall affiliate financial responsibility, transparency and sustainability.
3. The Board of Directors shall approve a detailed annual budget. The budget approval process shall be as follows:
 - a. Each year, on a schedule determined by the Board of Directors, the executive director shall assemble the affiliate's management team to review the prior fiscal year's budget performance and forecast expenses for the coming year.
 - b. The executive director shall then create a budget proposal to submit to the Board of Directors for review.
 - c. Any revisions to the budget proposal requested by the Board of Directors shall be made by way of a motion that is passed by at least a two-thirds majority of the voting members.
 - d. Final approval of the budget shall be made by way of a motion that is passed by at least a two-thirds majority of the voting members.
4. Budget reports shall be accessible, updated and reviewed on a regular and consistent basis (i.e. during a monthly board meeting).
5. Budget revisions shall be made if major changes of income or expenditure occur during the year that would significantly alter the annual plan. The board of directors shall approve any revision(s) to the budget, with the revision(s) being approved and noted promptly in the board meeting minutes.
6. The Board of Directors shall receive and review financial statements comparing income (revenue/assets) and expenses (liabilities/expenditures) at least quarterly. Any reports with

significant monthly variances should be identified and explained to board of directors. Financial statements shall include:

- a. *Affiliate budget report - A budget provides a forecast of revenues and expenses of how an affiliate might perform financially if certain strategies, events and plans are carried out. Board should review budget to actual and obtain explanations of material variances.*
 - b. *Balance sheet statements - A balance sheet or statement of financial position is a summary of the financial balances of an affiliate. Assets, liabilities and equity are listed as of a specific date. A balance sheet is often described as a "snapshot and single point of time of an affiliate's financial condition".*
 - c. *Income statements - Also referred to as a profit and loss statement (P&L), revenue statement, statement of financial performance, or earnings statement. An affiliate's financial statement indicates how the revenue is transformed into the net income also known as Net Profit or the "bottom line".*
 - d. *Cash flow statements - A cash flow statement will show how changes in income and balance sheet accounts are affecting cash and cash equivalent accounts.*
7. A board-approved independent auditor shall perform an annual audit of financial records.
 8. All bank accounts and authorized signers for these accounts shall be authorized by the affiliate board of directors, and approvals will be noted in the board meeting minutes. Any change of officers (including officer signature changes) will require due diligence of remaining board members. These changes must be made promptly to ensure account security as well as continuity within the affiliate's daily functions.
 9. The Board will review and approve the financial commitment and payment limits (e.g. ability to select vendors, sign large contracts, etc.) granted to employees in order to protect the assets of the affiliate.
 10. A board-approved homeowner delinquency follow-up policy and procedure shall be established and enforced. As part of the delinquency monitoring, the board will receive at least quarterly reports which show the delinquency categories (by aging) and arrearage amounts (by percentage and by dollar value).
 11. The board, as part of the affiliate budget, shall approve fixed asset purchases prior to the actual purchase. Fixed assets are defined as items with a value over \$5000 that last more than a year.
 12. The board shall ensure that the affiliate has secured insurance to adequately protect the affiliate from losses due to theft or dishonesty by staff or board members.
 13. The board shall ensure the affiliate has implemented processes to prevent and detect theft of all Habitat assets (e.g. cash, construction materials, or ReStore inventory). Where theft is suspected, the board shall ensure it is promptly investigated and appropriate policy-based corrective actions are taken (e.g. contract termination, prosecution, insurance claims, etc.). As necessary, the board shall consult with appropriate external parties (e.g. HFHI, legal counsel, or third-party investigators) to obtain support during the investigation process.

14. In addition to this policy, the board shall ensure that the affiliate has adopted and implemented appropriate complementary policies to promote financial safeguarding (e.g. Conflict of Interest, Whistleblower, Record Retention).

Cash Handling / Bank Statements

15. Cash and checks shall be deposited into a financial institution account in less than 5 business days of receipt. If the amount and volume being deposited so dictates, deposits should be completed on a daily basis.
16. Bank statements and, where applicable, credit card expenditures and statements shall be reconciled on a monthly basis.
17. Affiliate shall keep a record of all receipts, disbursements and electronic fund transfers (“EFTs”) and will never rely solely on bank statements for record keeping. Each month, all disbursements and EFTs will be reviewed against supporting documentation to ensure that the amounts authorized and approved are what was released.
18. All checks received shall be restrictively endorsed with a deposit stamp indicating “For deposit only to Wilkes Habitat for Humanity, Acct# XXXXXX” immediately upon receipt.
19. Affiliate shall never issue blank checks or checks made payable to “Cash”, except as needed to obtain change for events. Instead checks will be issued only to appropriate individuals or entities. Signatories must never sign checks without the amount and payee filled in or checks made out to themselves.
20. For all bank checks one authorized affiliate account signer shall be required to sign.
21. Account signers should include appropriate, Board-authorized signatories (e.g. the current Board President at least two other Board members as an authorized signatory).
22. Dual control shall be enforced in all financial matters within affiliate as practical with available staff.
23. Where possible, the person in charge of writing checks, making the deposits or maintaining the affiliate financial records shall not be the same person responsible for reconciling the bank accounts. However, given the size of the affiliate staff, segregation of duties will be handled in that the person writing the checks is not the person making the deposits (in affect, one person serving as accounts payable, the other as accounts receivable). One person shall reconcile the bank accounts while the other will prepare the monthly financial reports.
24. Copies of all checks received shall be attached to the respective deposit ticket and filed with the respective bank statement.
25. Prompt bank reconciliation shall occur each month—usually within five business days of receipt of the bank statement. Where possible, the person who prepares the bank

reconciliation shall not be involved in the receipts and disbursements function or be the person receiving the physical bank statements. Because of the small staff size of the affiliate, oversight will be handled in the following way: the reconciliation should be promptly reviewed and signed by a supervisor and any reconciling items should be tracked until resolution.

Other General Accounting Items

26. User-friendly, commercially available accounting software shall always be utilized in keeping the affiliate's books. Updates to software should be completed on regular basis to be sure up to date accounting procedures are being followed.
27. All unused checks shall be kept in a secure, locked location with only limited access to those checks. Checks shall be pre-numbered and accounted for each month. Checks will never be pre-signed by authorized signatories.
28. For cash that is not likely to be needed for periods longer than six months, the Board of Directors shall consider alternatives such as certificates of deposit or a money market account to generate short-term income.
29. Gifts of securities shall be sold immediately upon receipt, unless restricted by the donor.
30. The use of a petty cash fund shall be discouraged. If a petty cash fund is absolutely necessary, procedures shall be in place to ensure it is disbursed only for proper purposes and to ensure that it is adequately safeguarded. Transactions must be properly recorded and supported by receipts.
31. Homeowner payments shall be encouraged to be received by bank transfer or, if necessary, by check or money order only. No cash payments will be accepted.
32. Original mortgage documents must be kept in a safe place such as a bank safe deposit box or fireproof vault. All legal papers, including but not limited to, all documents related to the homeowner's application and mortgage used in determining the homeowner's needs, ability to repay and willingness to partner, must be stored in a central, secure location accessible only to appropriate Habitat for Humanity representatives.
33. Data regarding all individual donations made to the affiliate shall be provided to specified individuals for acknowledgment (i.e. Thank-You notes) and donor database management.
34. Grants, gifts and bequests shall be properly recorded and monitored and shall be in compliance with the stated terms.
35. Pledges shall be promptly recorded and collection promptly initiated.
36. The construction supervisor and Executive Director shall approve detailed budgets for each construction project. Variance reports should be analyzed.

37. Approval for delivered materials and/or services is required before invoice payment.
38. Asset records should include description, location, identification number, date of acquisition and cost of item and any warranty information.

Contracts

39. Contracts for amounts up to \$5,000 should require the written approval of the Executive Director. A copy of the executed contract should be kept on file at the affiliate administrative office.
40. Contracts in excess of \$5,000 should require the written approval of the treasurer or the Board President. A copy of the executed contract should be kept on file at the affiliate administrative office.

Staff Safeguards

41. An experienced independent payroll service company should handle payroll and withholding tax payments. If that is not economically feasible, a user-friendly, commercially available accounting software program with payroll capabilities shall be used in its stead.
42. Staff and Board member expense reimbursement requests must require supporting documentation. Review and approval of request should be completed by the staff's supervisor (for employees) or a Board member (for Board members and the Executive Director). Only qualified expenses as defined in the affiliate's personnel manual or business expense policy will be reimbursed.
43. If a corporate credit card must be utilized, credit card receipts must be retained and attached to the monthly statements prior to payment by affiliate.
44. Debit cards linked to affiliate accounts are high-risk and shall be prohibited.