



**GROWING TREES MAKES GREAT NEIGHBORHOODS**

## **CALIFORNIA URBAN FOREST COUNCIL**

### **Financial Policies and Procedure Manual**

Edited 2017

Governing financial policies at CaUFC, are several levels of oversight management by the Executive Director and administrative assistant that ensure accuracy in cost and revenue allocations, computations, grant award reporting, budget management, and financial compilation and reporting.

Through consistent implementation of a system of integrated controls, all CaUFC funds and assets are safeguarded. QuickBooks helps to record and store financial data and maintain control management. Regularly maintained accounting records state the entirety of the receipt of funds and allocation of disbursements for agency operations and grant management. Particular to grants, specific control is maintained to ensure accuracy and consistency for all grant receipts, allocation of costs, and invoicing of relevant granting agencies.

### **GENERAL POLICIES**

1. The Board of Directors formulates financial policies, delegates administration of the financial policies to the Executive Director, and reviews operations and activities.
2. The Executive Director has management responsibility, including financial management.
3. Current job descriptions will be maintained for all employees, indicating any financial duties and responsibilities.
4. Professional financial service providers shall be engaged, including banking, accountant, and insurance services.



5. The administrative assistant, or designee, in coordination with the Executive Director, will maintain a current and accurate log of the chart of accounts, job accounts, and accounting designations.
6. These policies and procedures will be reviewed periodically by the California Urban Forests Council Executive Committee.
7. California Urban Forests Council's fiscal year is from January 1 to December 31.

### **BANK ACCOUNTS**

1. The Board must approve establishment and closing of all bank accounts and the purchase or sale of all investments.
2. All funds must be maintained in federally insured (FDIC) accounts.
3. All funds shall be maintained in interest-bearing accounts, when possible.
4. Authorized signers on California Urban Forests Council's accounts include the Executive Director, President, and Treasurer of the Board.

### **CASH RECEIPTS & CHECKS**

1. Checks are forwarded to the administrative assistant, who will record their receipt in QuickBooks. The administrative assistant will endorse all checks with the following: Account #, FOR DEPOSIT ONLY, California Urban Forests Council.
2. Copies are made of the deposit slip and all checks included in the deposit prior to taking it to the bank. The deposit receipt is attached to the copy and placed in a "Deposit" file.
3. Checks received from governmental agencies that do not require a gift acknowledgement are deposited within 36 hours.
4. A written acknowledgment for other donations received is generated within five working days.



## CASH DISBURSEMENTS

### A. CHECK AUTHORIZATION

1. All invoices will be immediately forwarded to the administrative assistant who will review invoices for mathematical accuracy, validity, and conformity to the budget.
2. Bills are received through the mail and electronically, via email, and are paid twice monthly, on or around the 1<sup>st</sup> and 15<sup>th</sup> of each month. The Executive Director reviews and approves all bills and expenses, including, but not limited to, monthly statements from the organization's credit card, telephone bills, payroll taxes, consulting fees, and staff expenses.
3. Credit card statements are reconciled by the administrative assistant.
4. Once approved the bills are entered into QuickBooks by the administrative assistant, who also generates the checks, which are in turn signed by the Executive Director. If the Executive Director is unavailable for an extended period of time, a board officer will sign the checks.

### B. CHECKS

1. The Executive Director will be responsible for all blank checks.
2. All checks will be signed by the Executive Director or designated members of the Board of Directors.
3. Voided checks will have "VOID" written boldly in ink on the face and have the signature portion of the check torn out. Voided checks will be kept on file.
4. In the event that it is necessary to issue a duplicate check, a stop payment will be ordered at the bank of the original check.
5. In no event will:
  - a. invoices be paid unless approved by an authorized signer;
  - b. blank checks (checks without a date or payee designated) be signed in advance;
  - c. checks be made out to "cash" or "bearer", etc.;
  - d. checks be prepared on verbal authorization, unless approved by the Executive Director;



- e. deposits be split between bank accounts;
- f. deposits be made "less cash."

#### C. BANK RECONCILIATIONS

1. Bank statements will be received and opened by the Executive Director.
2. The administrative assistant will reconcile the bank statement(s) monthly.
3. The Executive Director shall review the reconciliation of the bank accounts monthly.
4. The Treasurer of the Board will receive reconciliation reports for all bank accounts upon request.
5. On all checks outstanding over 90 days, the administrative assistant, in coordination with Executive Director, will contact the payee to follow-up. Depending on the response from the payee, the check will accordingly be cancelled and reissued, cancelled out-right, or deposited by the payee.

#### **PURCHASING**

1. All unbudgeted purchases over \$5000 must be approved in advance by the Executive Committee.
2. The Executive Director is responsible to know if the item ordered is within the budget and addresses the following:

**Factors affecting allowability of costs:** To be allowable under an award, costs must meet the following general criteria:

- a. Be reasonable for the performance of the award and be allocable thereto under these principles.
- b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.



- c. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization.
- d. Be accorded consistent treatment.
- e. Be determined in accordance with generally accepted accounting principles (GAAP).
- f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- g. Be adequately documented.

**Factors affecting reasonable costs:** A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions thereof which receive the preponderance of their support from awards made by Federal agencies. In determining the reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
- b. The restraints or requirements imposed by such factors as generally accepted sound business practices, arm's length bargaining, Federal and State laws and regulations, and terms and conditions of the award.
- c. Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government.
- d. Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.



### **Factors affecting allocable costs:**

- a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
  - (1) Is incurred specifically for the award.
  - (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or
  - (3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.
- b. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

### **PAYROLL**

#### **A. TIMESHEETS**

1. All employees are responsible for completing a timesheet by the 15<sup>th</sup> and the last working day of the month.
2. Completed timesheets will be submitted to the administrative assistant at the end of the last working day of each pay period.
3. The administrative assistant will verify the accuracy of the timesheets and incomplete timesheets will be returned to the employee for correction.

#### **B. PAYROLL**



1. The administrative assistant, or designee, will enter payroll, make direct deposit transfers, print payroll reports, and send reports to the Executive Director for verification.
2. For all employees, the standard pay period is twice monthly (on the 15th and last working day of the month). When a payday falls on a weekend or holiday, every attempt will be made to have the paychecks distributed on the last working day prior to the weekend or holiday. Pay days are the 5<sup>th</sup> and 20<sup>th</sup> of each month.
3. Voluntary terminations will be paid on the regular pay date. Involuntary terminations will be paid on day of separation.

#### C. PAYROLL TAXES

1. The administrative assistant will work with QuickBooks Payroll to prepare and pay the payroll taxes, and transmit the federal and state tax forms, all under the supervision of the Executive Director.

#### **TRAVEL & EXPENSES**

1. Employees will be reimbursed for travel and other related organizational expenses. The Executive Director must approve employee travel prior to the occurrence. The organization will reimburse no more than the standard mileage rate for the business use of a personal car as established by the IRS.
2. Each employee will complete an expense report if any traveling is done. The report will be submitted within 30 days for payment and must be signed by the employee and authorized for payment by the Executive Director.
3. Reimbursement will be based upon current travel policies. Receipts must be attached to the expense report for lodging, transportation, meals, and other related expenses. Incomplete expense reports will be returned.



## **CONSULTANTS, CONTRACTORS & SUBRECIPIENTS**

1. Consideration will be made of internal capabilities to accomplish services before contracting for them. When a contract is to be issued, proof of liability insurance will be requested of the contractor, along with CaUFC being named as “additional Insured” on their policy.
2. Consultant will submit a Scope of Work for approval before starting work and CaUFC will issue a contract or a Memorandum of Understanding.
3. Consultants, contractors and subrecipients are required to follow the same policies and procedures as CaUFC required by grantors and funders. CaUFC will instruct and monitor consultants of these requirements.
4. The Board of Directors will approve audit and other significant contracts.
5. The administrative assistant, or designee, will prepare 1099 returns for consultants at year-end.

## **EQUIPMENT**

1. Equipment shall be defined as all items (purchased or donated) with a unit cost of \$3,000 or more and with a useful life of more than one year.
2. All equipment will be entered into the accounting system.
3. The administrative assistant will maintain an inventory log of equipment, which shall list a description of the item, date of purchase or acquisition, price or fair market value of the item, and its location.

## **LEASES**

### **A. REAL ESTATE**

1. The Executive Director will review leases prior to submission to the Board of Directors for approval.





2. All leases, clearly delineating terms and conditions will be approved by the Board of Directors and signed by the Executive Director or the Board President.
3. The Executive Director will keep a copy of each lease on file.

### **INSURANCE**

1. Reasonable, adequate coverage will be maintained to safeguard the assets of the corporation. Such coverage will include Property and Liability, Worker's Compensation, Directors & Officers, and other insurance deemed necessary.
2. The Executive Director will carefully review insurance policies before renewal.
3. The Executive Director will maintain insurance policies in designated insurance files.

### **TELEPHONE & ELECTRONIC MAIL**

1. Except in cases of emergency, employees will keep personal phone calls, email and internet use to a minimum.
2. California Urban Forests Council business calls from phones outside the office should be billed to the organization on an employee's expense report.

### **BOOKS OF ORIGINAL ENTRY**

1. California Urban Forests Council will utilize a double entry system for accounting for all funds.
2. Adequate documentation will be maintained to support all general entries.
3. At the end of each quarter, the administrative assistant will prepare a Balance Sheet, a Profit & Loss Report, and a Budget versus Actual Report that will be reviewed by the Executive Director, the Executive Committee, and the full Board.
4. California Urban Forests Council will maintain its accounting records on the accrual basis in a manner that facilitates the preparation of reviewed financial statements conforming to generally accepted accounting principles.



## **GRANTS AND CONTRACTS**

1. The Executive Director will carefully review each award and contract to ensure compliance with all financial and programmatic provisions and that costs are reasonable, allocable and in accordance with the OMB Circular. The administrative assistant will maintain originals of all grants and contracts in a file. The Executive Director will prepare initial entries as appropriate to record each award.
2. The administrative assistant, or designee, working with the appropriate program staff, will prepare financial reports to funding sources, as required.
3. The Executive Director will review and approve all reports to funding sources.
4. It will be the responsibility of the administrative assistant to ensure that all financial reports are submitted on a timely basis.

## **BUDGETS**

1. The Executive Director and the Administrative Assistant will prepare the annual budget.
2. The Executive Director may allocate funds between budget line items providing such adjustments do not affect the overall revenue and expenses contained within the adopted budget. The Board of Directors will be briefed as to any and all such changes at regular meetings.
3. The Executive Director may expend a maximum of \$5000.00 for unbudgeted items without prior approval of the Executive Committee.
4. The Executive Director will insure that budgets are kept in designated files.

## **LOANS**

1. In the case of a short-term cash flow issue, the Executive Director must consult with and receive guidance from the Board President or Treasurer on appropriate solutions for



maintaining solvency. If absolutely necessary, short-term personal loans from Board members or staff may be considered.

2. The Executive Director must receive approval from the Board President or Treasurer before opening or accepting new commercial liquid accounts (loans, lines of credit, credit cards, etc).

### **MINUTES OF MEETINGS**

1. The Secretary of the Board, or appointed designee, will prepare accurate minutes of all meetings of the Board of Directors and committees.
2. The Executive Director will note all items captured in the minutes relating to finance and take appropriate action.

### **ACCOUNTS RECEIVABLE**

1. Appropriate documentation will be maintained for accounts receivable.
2. Accounts receivable will be recorded in the books and collected on a timely basis.

### **IRS FORM 990**

1. The Board of Directors will authorize preparation of Form 990. Form 990 will be signed by the Board Treasurer or Treasurer's Designee.
2. Copies of the annual Form 990 and 1023 will be filed in California Urban Forests Council's corporate handbook, available for public inspection and/or copying.

### **FINANCIAL STATEMENTS**

1. The Board of Directors shall evaluate annually the necessity to contract with an independent accounting firm to review the organization's financial statements and produce an Annual Report.



## **PERSONNEL FILES**

1. A personnel file shall be maintained on each employee which shall include, as appropriate: employee's application or resume, references, letter of employment, job description, verification of employment, I-9, W-4, authorization for deductions, court orders, applications for all pertinent benefit programs, copies of personnel action, copies of all licenses, certificates of insurance, and all personnel correspondence.

## **FISCAL SPONSORSHIPS/PASS-THROUGH GRANTS**

1. All fiscal sponsorship arrangements will begin with a written agreement, stating the terms of the relationship and the purpose for the use of funds.
2. Fiscal sponsorships will be limited to projects for which the Executive Director and Board determines that the project is charitable and consistent with the organization's mission and that no real or perceived conflicts of interest exist with Board members.
3. Any changes in the purpose for which grant funds are spent must be approved in writing by California Urban Forests Council before implementation. California Urban Forests Council retains the right, if sponsored project's breaches the fiscal sponsorship agreement, or if a sponsored project jeopardizes the organization's legal or tax status, to withhold, withdraw, or demand immediate return of grant funds.

## **MAIL**

1. The mail is checked at least three times a week, and often daily.
2. The Executive Director opens any mail addressed to California Urban Forests Council or without specific addressee.
3. Financially-sensitive mail is opened with two staff members present, when possible.



## WHISTLEBLOWER

1. California Urban Forests Council requires directors 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 California Urban Forests Council, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.
2. It is the responsibility of all directors and employees to report ethics violations or suspected violations in accordance with this Whistleblower Policy.
3. No director or employee who in good faith reports an ethics violation 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 California Urban Forests Council prior to seeking resolution outside of the organization.
4. California Urban Forests Council has an 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 an employee is not comfortable speaking with their supervisor or they are not satisfied with the supervisor's response, they are encouraged to speak with the President of the organization's Board of Directors. Supervisors are



required to report suspected ethics violations to the Board President. For suspected fraud, or when an employee is not satisfied or uncomfortable with following California Urban Forests Council's open-door policy, individuals should contact the Board President directly.

5. The Executive Committee of the Board of Directors shall address all reported concerns or complaints regarding accounting practices or internal controls. The Board President shall immediately notify the Executive Committee of any such complaint, and work with the committee until the matter is resolved.
6. Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. 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
7. 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.
8. The Board President 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.



## DOCUMENT DESTRUCTION AND RETENTION

1. In accordance with the Sarbanes-Oxley Act, which makes it a crime to alter, cover up, falsify, or destroy any document with the intent of impeding or obstructing any official proceeding, this policy provides for the systematic review, retention and destruction of documents received or created by California Urban Forests Council in connection with the transaction of organization business. This policy covers all records and documents, regardless of physical form, contains guidelines for how long certain documents should be kept and how records should be destroyed. The policy is designed to ensure compliance with federal and state laws and regulations, to eliminate accidental or innocent destruction of records, and to facilitate California Urban Forests Council's operations by promoting efficiency.
2. Documents that are not listed but are substantially similar to those listed in the schedule will be retained for the appropriate length of time.

### Corporate Records

|   |           |
|---|-----------|
| Annual Reports to Secretary of State/Attorney General | Permanent |
| Articles of Incorporation                             | Permanent |
| Board Meeting and Board Committee Minutes             | Permanent |
| Board Policies/Resolutions                            | Permanent |
| By-laws   | Permanent |
| Construction Documents                                | Permanent |
| Fixed Asset Records                                   | Permanent |
| IRS Application for Tax-Exempt Status (Form 1023)     | Permanent |
| IRS Determination Letter                              | Permanent |



|   |           |
|---|-----------|
| State Sales Tax Exemption Letter          | Permanent |
| Contracts (after expiration)              | 7 years   |
| Correspondence (general)                  | 3 years   |
| Donor Records and Acknowledgement Letters | 7 years   |

#### Accounting and Corporate Tax Records

|  |           |
|--|-----------|
| Annual Audits/Reviews and Financial Statements | Permanent |
| Depreciation Schedules                         | Permanent |
| General Ledgers                                | Permanent |
| IRS 990 Tax Returns                            | Permanent |
| Business Expense Records                       | 7 years   |
| IRS 1099s                                      | 7 years   |
| Journal Entries                                | 7 years   |
| Invoices                                       | 7 years   |
| Petty Cash Receipts                            | 3 years   |
| Cash Receipts                                  | 3 years   |
| Credit Card Receipts                           | 3 years   |

#### Bank Records

|                                    |           |
|------------------------------------|-----------|
| Check Registers                    | Permanent |
| Bank Deposit Slips                 | 7 years   |
| Bank Statements and Reconciliation | 7 years   |





|  |                           |
|--|---------------------------|
| Electronic Fund Transfer Documents                   | 7 years                   |
| <u>Payroll and Employment Tax Records</u>            |                           |
| Payroll Registers                                    | Permanent                 |
| State Unemployment Tax Records                       | Permanent                 |
| Earnings Records                                     | 7 years                   |
| Garnishment Records                                  | 7 years                   |
| Payroll Tax returns                                  | 7 years                   |
| W-2 Statements                                       | 7 years                   |
| <u>Employee Records</u>                              |                           |
| Employment and Termination Agreements                | Permanent                 |
| Retirement and Pension Plan Documents                | Permanent                 |
| Records Relating to Promotion, Demotion or Discharge | 7 years after termination |
| Accident Reports and Worker's Compensation Records   | 5 years                   |
| Salary Schedules                                     | 5 years                   |
| Employment Applications                              | 3 years                   |
| I-9 Forms  | 3 years after termination |
| Time Cards   | 2 years                   |
| <u>Legal, Insurance and Safety Records</u>           |                           |
| Appraisals   | Permanent                 |
| Environmental Studies                                | Permanent                 |



|                                  |                           |
|----------------------------------|---------------------------|
| Insurance Policies               | Permanent                 |
| Real Estate Documents            | Permanent                 |
| Stock and Bond Records           | Permanent                 |
| Trademark Registrations          | Permanent                 |
| Leases                           | 6 years after expiration  |
| General Contracts                | 3 years after termination |
| Grant Applications and Contracts | 5 years after completion  |

3. Electronic documents will be retained as if they were paper documents. Therefore, any electronic files, including records of donations or payments made online, that fall into one of the document types on the above schedule will be maintained for the appropriate amount of time. If a user has sufficient reason to keep an email message, the message should be printed in hard copy and kept in the appropriate file or moved to an “archive” computer file folder. Backup and recovery methods will be tested on a regular basis.
4. At the end of each week, a backup copy of the computerized financial activities shall be prepared and kept for retention on Server. No persons shall have access to the accounting records except by authorization of the Executive Director or the Board of Directors.
5. California Urban Forests Council’s records will be stored in a safe, secure and accessible manner. Documents and financial files that are essential to keeping California Urban Forests Council operating in an emergency will be maintained in locking file cabinets.
6. The destruction of California Urban Forests Council’s financial and personnel-related documents will be accomplished by shredding. Document destruction will be suspended immediately, upon any indication of an official investigation or when a lawsuit is filed or appears imminent. Destruction will be reinstated upon conclusion of the investigation.



7. Failure on the part of employees to follow this policy can result in possible civil and criminal sanctions against California Urban Forests Council and its employees and possible disciplinary action against responsible individuals. The Executive Director and the Executive Committee Chair will review these procedures annually with the organization's certified public accountant to ensure that they are in compliance with new or revised regulations.

### **GIFT ACCEPTANCE**

1. The following guidelines govern California Urban Forests Council's fundraising activities and ensure the effective solicitation and receipt of gifts. These policies are intended to cover restricted and unrestricted gifts, whether received for current programs or special projects, facilities, or endowment. This policy also covers the receipt on non-standard gifts.
2. A non-standard contribution includes the contribution of an item that is not reasonably expected to be used to satisfy or further the organization's exempt purpose (aside from the need of such organization for income or funds) and for which (i) there is no ready market to which the organization may go to liquidate the contribution and convert it to cash and (ii) the value of the item is highly speculative or difficult to ascertain.
3. A guiding principle in soliciting and accepting gifts is that the donor is to be treated fairly and with respect. In all matters involving a donor or prospective donor, the interest of the donor shall come before that of California Urban Forests Council.
4. California Urban Forests Council shall accept only such gifts which are legal and consistent with public policy of the State of California and the United States of America. Everything possible will be done to assist donors in complying with the intents and purposes of the Internal Revenue Service in allowing charitable tax benefits. Furthermore, gifts will be accepted only if they do not interfere with California Urban Forests Council's mission and administrative procedures. Gift acceptance should never restrict or deter the administration of programs and services.



5. Items of personal property which can be used in the fulfillment of California Urban Forests Council's mission will be accepted, subject to individual review by the Executive Director or an officer of the Board. A complete transfer of ownership must occur before California Urban Forests Council can receive and recognize any gift of real or personal property. All property gifts received by California Urban Forests Council and disposed of within two years from the date of receipt will be duly reported to the IRS, when required.
6. No individual employed by the California Urban Forests Council shall place a value on a gift received, other than cash and publicly traded securities, for income tax purposes. Federal regulations stipulate that gift valuation is the responsibility of the donor. Costs associated with obtaining a qualified appraisal will be borne by the donor.
7. Non-cash gifts shall be valued as follows:
  - Gifts of securities will be valued at the average market value on the date the full interest in the transferred property is received.
  - Gifts of closely held corporate stock will be valued based on a qualified independent appraisal at the time of transfer.
  - Gifts of real property will be valued based on its appraisal as determined by a qualified independent appraiser.
  - Gifts of life insurance will be valued, for recognition purposes, based on the cash surrender value as of the date of the transfer.
  - In-kind gifts accompanied by an appraisal shall be valued accordingly. Gifts-in-kind of an undetermined value will be recorded at one dollar (\$1.00) and acknowledged as received with no value stated. In-kind volunteer hours shall be valued by the rate set by the Independent Sector.
8. All donors should seek their own legal and tax counsel regarding the particulars of any gift. The responsibility regarding evaluations, tax deductibility, and/or similar legal compliance issues rests with the donor and such counsel as the donor may wish to secure. A letter of



understanding from a donor may be required along with proof of outside advice being rendered before such a gift will be accepted.

9. California Urban Forests Council shall hold all information obtained from or about donors in the strictest confidence. Neither the name of a donor, the amount nor conditions of any gift shall be published without tacit approval of the donor/donor's designee.