



**BLIGHT AUTHORITY OF MEMPHIS**  
FINANCIAL ACCOUNTING  
*POLICIES & PROCEDURES*

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## **BACKGROUND INFORMATION**

### **TAX STATUS**

The following manual is a description of the accounting system and responsibilities for the accountant of Blight Authority of Memphis (BAM). BAM is a not-for-profit organization incorporated as a 501(c)(3) organization. BAM is registered with the Secretary of State in Tennessee with a calendar year end. BAM is also registered with the Tennessee Department of Finance and Administration to raise funds from the general public.

In accordance with IRS Code section 501(c)(3) the BAM is organized and operates exclusively for the exempt purpose as described in Form 1023, the application for exemption. In compliance with the restrictions on organizations qualifying under the 501(c)3 code, no part of the net earnings of the organization may inure to the benefit of any private shareholder or individual. No substantial part of the activities of the organization may consist of the carrying on of propaganda or of attempting to influence legislation (lobbying). The organization may not participate in, or intervene in, any political campaign on behalf of any candidate for public office.

BAM is organized as a public charity under Section 509(a)(2) of the Internal Revenue Code as an organization that normally receives no more than 1/3 of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975, and more than 1/3 of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc. functions.

### **EXEMPT PURPOSE**

Per the organization's IRS Form 1023 application for tax exemption, the exempt purpose of BAM is as follows:

# ACCOUNTING PRINCIPLES & PROCEDURES

## POLICIES

The accounting principles of BAM will be consistent with all applicable laws and regulations, and in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

Certain GAAP concepts and principles are discussed below.

## PROCEDURES

### Revenue Recognition

#### *Cash receipts*

Cash such as operating revenue or charitable contributions will be recorded as revenue in the period received unless it has already been recognized as revenue in a prior period.

#### *Pledges*

Donor pledges to contribute cash or other assets in the future must be accompanied by a well-documented agreement that itemizes the amount to be paid and any conditions that must be fulfilled prior to payment. Pledges are treated as follows:

Unconditional pledge. When a donor commits to a pledge without reservation, the pledge is recorded as revenue and an account receivable in the period in which a pledge agreement is secured.

Conditional pledge. When a donor commits to a pledge, but only when a condition is met, nothing is recorded until the condition is fulfilled. A contribution is considered conditional if both of the following are present:

1. The donor retains a right of return to the resources provided or a right of release of the donor from its obligation to transfer resources.
2. A measurable barrier must be overcome to receive the donation.

At that time the pledge is recorded as revenue and an account receivable. If the probability that a condition will not be fulfilled is remote, the pledge can be treated as an unconditional pledge.

If a pledge commitment is unconditional and its documentation is legally enforceable, the pledge is recognized at the present value of the entire series of payments as specified in non-profit GAAP.

If the funds are to be received within one year, it is permissible to recognize the entire amount of the pledge, rather than just its present value.

Any pledges receivable will be closely reviewed each month to determine whether the amount is still collectible and whether the balance of the pledges receivable is adequately reserved with the allowance for doubtful pledges.

### *Conditional Grants*

Government grants will generally be accounted for as donor-restricted conditional contributions rather than exchange transactions. The “simultaneous release” option will be utilized allowing grants received and used within the same period to be reported in net assets without donor restrictions. Each restricted grant will be set up as a separate cost center to allow for accurate and consistent recording of the expenses of each grant.

### **Matching of Revenues and Expenses**

In order to present accurate and consistent financial statements, the revenues and expenses attributable to each period will be reflected in that period to the degree possible. The section on month and year end procedures review this in greater detail. Generally, all entries required to accurately reflect the revenues and expenses of each period will be made in that period.

The organization records transactions on the accrual basis of accounting.

### **Fixed Assets and Depreciation**

The general capitalization policy is that all equipment and other fixed assets costing in excess of \$5,000 will be recorded as an asset.

All capital assets will be depreciated over their estimated useful lives. The straight-line basis will be used, with depreciation charged beginning in the month that the asset is placed in service. Choice of depreciation period will follow IRS depreciation guidelines or management’s best estimate.

All capital assets purchased with grant or other restricted funds will be cataloged.

See below for property and equipment inventory and management.

### **Donated Materials and Services**

Generally, donated materials, assets and services will not be recorded in the accounting records.

In order to comply with GAAP, certain services would be recorded as revenues and expenses. Such services would be those professional services which we would

otherwise have paid for which were provided by a person whose work would normally include providing those services.

Any donated assets which would meet the definition to be capitalized will be recorded as revenue and as a fixed asset.

### **Data Cutoff**

In order to meet the deadlines for producing reports discussed below, the gathering of information to use in making the month end entries must be cutoff by a certain date.

The monthly financial statements are due to be available for Board review by three weeks after the month ends. For these reports a cutoff of two weeks will be used. Any payables or other information not available by two weeks after a month end will be classified in the next period. The Accountant may need to use estimates if final information is not available on a significant additional transaction.

The year-end financial statements are due to the Board eight weeks after year end. For these reports a cutoff of four weeks will be used. Since the year end is the most important period cutoff, the general ledger will continue to be held open for additional material transactions through the conclusion of the financial audit fieldwork.



## **GRANTS AND CONTRACTS—INCOMING**

### **POLICIES**

Grant and contract billings will be prepared and filed timely. Adequate documentation will be maintained to support all billings and requests for disbursement. Complete grant and contract files will be maintained in physical form and in appropriate electronic databases.

### **PROCEDURES**

Grant and contract billings will be prepared monthly or as needed. Billing will be done according to funding source requirements based on reimbursements of expenses, units of service or equal installment as required.

Documentation of billings will be prepared and maintained. For billings based on a reimbursement of expenses, a copy of the program expenses from the software and any reconciliation to the billing will be maintained. For billings based on units of service, a copy of the detailed units of service will be maintained.

The Accountant and the Executive Director will each approve billing prior to issuance. Billings will be recorded as accounts receivable in the appropriate accounting period.

Grant and contract files will contain at least the following documents: signed copy of contract, application and budget, correspondence, periodic billings and the documentation supporting the billings.

## **GRANTS AND CONTRACTS—OUTGOING**

### **POLICIES**

Grant and contract payments will be prepared and administered expeditiously. Adequate documentation will be maintained to support all payments and disbursements. Complete grant and contract files will be maintained in physical form and in appropriate electronic databases.

### **PROCEDURES**

Grant and contract payments will be prepared as needed. Payment of contracts will be done according to contract specifications.

Documentation of payments will be prepared before payment and maintained according to the BAM document retention policy. Payments of outgoing grants must at minimum be supported by:

- Reliable documentation that the grantee or contract holder will expend the disbursement for the approved use
- Reliable documentation that the expenditure will be made in the near term, typically within 45 days of distribution from BAM

Except as specified for grants made from State or Federal funds, the Accountant, Compliance Officer, and Executive Director will each approve payment prior to issuance.

Grant and contract files will contain at least the following documents: signed copy of contract, application and budget, correspondence, periodic transactions, and the documentation supporting the grant or contract.

## **CASH DISBURSEMENT**

### **POLICIES**

The Executive Director, Chairman or Treasurer are authorized to sign checks drawn on the operating account as outlined herein. The President may sign checks under \$20,000. Over \$20,001.00, the signatures of the President and Chairman or Treasurer are required.

Anyone signing a check must review and initial the supporting invoice or other documentation. Individuals may not be the sole signatory on a check payable to themselves.

The following general internal controls should be used for fund disbursement by wire transfer:

The initiation and processing of wire transfers should not be executed solely by automated systems and procedures. There should be human involvement in the process, whereby two or more high-level officers (Chairman, President, or Treasurer) review and approve the transaction.

The Accountant will maintain the accounts payable system. Prior to payment, the Accountant will code each invoice, prepare the checks and organize the documentation.

The Accountant will determine payroll amounts based on authorized rates. The Payroll Consultant or Accountant will prepare the payroll checks.

The Accountant will issue expense reimbursements upon receipt of expense reimbursement requests. Each expense shall be supported by notes on the business purpose of the expense. Expenses over \$50.00 shall require proof of the expense in the form of credit card statement and/or receipt along with detailed notes on the business purpose of the expense. Employees shall submit expense reports not less than quarterly.

### **Petty cash**

BAM shall maintain a petty cash account on an imprest basis in the amount of \$150.00. The Accounting Manager will be the custodian of the imprest petty cash funds. All petty cash funds will be kept in a petty cash box in a locked drawer or file cabinet. Only the petty cash custodian, the President, and the Treasurer will have access to the petty cash box. Disbursements of \$50.00 or less may be made from the petty cash fund for miscellaneous supplies and expenses. The purchaser shall present the petty cash slip to the petty cash custodian for payment. A receipt for all purchases must be attached to the petty cash slip. The petty cash custodian shall insure that the petty cash slip is properly completed, approved, and that a proper receipt is attached before payment is made. At all times, the petty cash box will contain receipts and cash totaling the amount of the fund. When expenditures total \$75.00 the petty cash custodian will total the disbursements by account classification and submit all appropriate documentation necessary to the Executive Director to have the fund replenished.

## **PROCEDURES**

### **Capital Acquisitions**

Bids are recommended for the purchase of budgeted capital assets in excess of \$5,000, if practical. The Executive Director selects a bid based on best judgment. Any

capital assets not budgeted by the Board must be approved by the President or Treasurer prior to soliciting bids.

Capital acquisitions under \$5,000 shall be expensed, not capitalized.

### **Supplies, Services, and Other Invoices**

Purchase requisitions may be generated by the **Executive Director**. Executed purchase requisitions are given to the Accountant and filed in the open order file.

When requisitioned goods or services are received, the Accountant pulls the purchase requisition and compares the order received to the packing slip and the purchase requisition for accuracy. The packing slip is attached to the purchase requisition and returned to the open order file until the invoice is received.

Mail is received and opened by the **office assistant**. All invoices are routed to the Accountant, who matches the invoice to the approved purchase requisition and the packing slip and determines an account coding for the transaction. **The Accountant gives the invoice and support documentation to the Executive Director for approval to pay.** The Executive Director initials the invoice indicating approval to pay, and approving the expense account coding proposed by the Accountant. The Accountant enters the approved invoice into the A/P computer module and files all documents in the open invoice file until they are paid.

### **Invoice Payment Procedures**

Invoices are paid by the 1st and the 15th of each month. Prior to generating checks, a pre-check report is generated which lists all outstanding payables with the due dates and amounts. The Accountant will indicate which invoices need to be paid.

### **Contract Payment Procedures**

Disbursement requests for contracts are paid at the time of receipt and subsequent, verified approvals, documentation, and evaluation plan. Disbursement requests are reviewed against records as well as the physical file documenting the contract. The Accountant records the contract expense and reduces the accounts payable account. The Accountant generates a printed check for signature, assembles a packet consisting of the contract invoice and the physical check and provides to the appropriate check signer for signature. The Chairman/President, Executive Director, or Treasurer signs the check, initials the invoice and returns to the Accountant. The check is sealed in an envelope by the Accountant and the support documents are returned to the Accountant to be filed alphabetically by the vendor. The check is mailed to the contractor.

### **Payroll Procedures**

Payroll is processed biweekly and is run and distributed by the HR contractor on a contracted period. The Executive Director enters approved payroll in the computer system of the HR contractor at the end of each period. The checks are printed and distributed, or the direct deposits are made by the HR contractor. The pay rates used to prepare payroll will be based on signed memos from the Executive Director or by orders entered by the Executive Director in the HR contractor's computer system. The salary for the Executive Director will be based on a signed memo from the President/Chairman or Treasurer or on approved minutes reflecting the vote of the Board of Directors.

## **CASH RECEIPTS**

### **POLICIES**

The Executive Director or her designee will receive and open the mail.

The Executive Director will restrictively endorse all checks when received.

The bank deposit will be made at the end of any day in which there are receipts. At no time will the Accountant be in possession of undeposited receipts.

Pre-numbered receipts will be used for any monies received directly from an individual.

### **PROCEDURES**

All checks are restrictively endorsed, photocopied and entered onto a daily cash receipts log when the mail is opened.

When possible the Chief Executive or Executive Director and an additional BAM constituent will sign the cash receipts log verifying its accuracy.

Payments made in person will be added to the cash receipts log. A photocopy of these checks and a copy of the pre-numbered receipt will be attached to the daily cash receipts log. The cash receipts log is totaled by the Chief Executive or Executive Director. A copy of the log is given with the check copies to the Accountant.

The Chief Executive or Executive Director will use the original of the cash receipts log for review and to assist in their duty of reviewing the bank statements.

The Accountant will use the copy of the cash receipts log and the check copies to determine account coding and to enter the cash receipts into the computer.

# **BANK RECONCILIATION**

## **POLICIES**

Bank statements are managed online. Upon the bank's closing date for each bank account the Accountant prints a copy of the statements for file.

At least once each month the Chief Executive or Executive Director reviews the bank accounts for unusual items or changes. The Chief Executive or Executive Director compares selected deposits on the bank statement to the copy of cash receipts logs and reviews any account transfers.

The bank statements are to be reconciled by the Accountant on a monthly basis no more than one week after the close of the account reporting period. The general ledger and the reconciled bank statements will be adjusted to agree monthly.

## **PROCEDURES**

Upon receiving the bank statement from the Executive Director, the Accountant prepares the monthly bank reconciliation. The bank reconciliations will reconcile the bank balance to the general ledger balance. A journal entry will need to be posted each month for items on the bank statements which are not already recorded in the general ledger. These reconciling items may include: interest earned, service charges, NSF checks, direct deposits and other debit or credit memos.

After the general ledger is reconciled to the bank statement, the monthly bank statement and cancelled checks and other forms and the actual reconciliation form are filed in the bank reconciliation file.

## **END OF MONTH ACCOUNTING PROCEDURES**

### **POLICIES**

The Accountant prepares and distributes the monthly financial statements to the Executive Director. The Executive Director approves the financial statements before being made available to the Board. The Executive Director should deliver the financial statements to the Treasurer and finance committee prior to the board meeting in order to facilitate this review.

### **PROCEDURES**

The cutoff for information in the monthly statements is two weeks after the month ends.

Upon completion of the monthly bank reconciliations, the Accountant will formulate the monthly journal entries. There are two types of monthly journal entries, those that remain consistent from month to month (recurring) and those that are specific to that month. The recurring journal entries are determined after the annual audit with the help of the CPA firm. These include depreciation and expensing of prepaid insurance. The specific journal entries include recording of principal/interest breakdown for any debt payment, interest and dividend income, bank transfers, NSF checks, bank charges, accrued wages and payroll taxes, receivables, etc.

The Accountant will maintain a file for each month which includes workpapers which document the balance of each balance sheet account. The file will also include copies of the grant billings. All balance sheet accounts will be reconciled monthly to help ensure that accurate statements are provided to management and the Board.

Once the final general journal entries are posted, the monthly financial statement is printed along with a copy of the general ledger for that month as well as the general journal entries posted.

The Accountant prepares a budget to actual expense report for the Chief Executive, the Executive Director, and the Chairman to be made available for monthly review.

The year-end financial statements will be delayed for additional procedures.

## **END OF QUARTER ACCOUNTING PROCEDURES**

### **POLICIES**

The Accountant prepares the quarterly financial statements.



The Executive Director approves the financial statements before being sent to the Treasurer. Upon Treasurer endorsement the quarterly statements will be available to the Board of Directors. The financial statements should be sent to the Executive Director prior to being made available to the Board of Directors in order to facilitate this review.

The Board of Director approves the quarterly financial statements.

# **END OF YEAR ACCOUNTING PROCEDURES**

## **POLICIES**

The Accountant prepares the year-end financial statements.

The Accountant is responsible for preparing for the annual financial audit. The Accountant and the Executive Director are responsible for working with the outside accountants to complete the audit.

The Board approves the financial statements before being sent to the Board of Directors. The financial statements should be sent to the Chief Executive and Treasurer at least one week prior to the mailing of the Board packet in order to facilitate this review.

The Board of Directors approves the year-end financial statements.

The Accountant will arrange to move all records from the year which is closing to storage.

## **PROCEDURES**

The cutoff for December financial statements is extended to four weeks after year end.

Upon completion of the December financial statements, the preliminary year-end report is run by the Accountant and given to the Chief Executive or Executive Director for review.

The Accountant calculates the recurring entries (with the help of the CPA firm if needed) for the new year.

## **FINANCIAL AUDIT**

The Accountant will contact the independent accountants as soon as the Chief Executive or Executive Director signs the audit engagement letter to begin planning the scheduling and work needed to complete the audit. The Accountant will ensure that adequate space is provided for the independent accountants to work in the offices. This would include one or more large tables, space to keep our records provided to the independent accountants, light, electrical outlets, and internet access.

The Accountant will work with the independent accountants to determine what confirmations will be required. This process will be completed as soon after year end as possible. The Accountant will oversee typing the confirmations. The Chief Executive or Executive Director will sign the confirmations. The Accountant will mail the confirmations to the independent auditors.

The Accountant will be responsible for preparing as many of the schedules which the auditors will use as possible. The completed monthly reconciliations for December will partially fulfill this requirement.

Some of the information which needs to be organized and made available includes: the complete general ledger for the year, a chart of accounts, all bank statements and cancelled checks, all paid invoices, all cash receipts logs, all payroll records, including timesheets, payroll summaries for each pay period, 941s, UC-101s and W-2s, Board minutes for the year under audit through the most recent minutes available, grant contract files, printouts of the donor database, including all restricted donations, lease agreements, insurance policies, documentation for fixed assets capitalized and documentation for donated services or donated assets recorded in the general ledger.

The Accountant will be available at all times throughout the audit to facilitate the work of the independent accountants. The Chief Executive or Executive Director will schedule some time to meet with the independent accountants as needed during the audit. The Office Assistant will also be available for any work which the Accountant may delegate to them.

The Accountant and Chief Executive or Executive Director will plan a meeting with the independent accountants at the end of the audit to discuss any issues raised, review the audit journal entries, evaluate the audit process and plan improvements for the following year.

## **COST ALLOCATIONS**

### **POLICIES**

BAM is required to follow various guidelines for allocating costs which benefit more than one program or grant. A cost allocation plan will be adopted each year which satisfies the requirements of all grants for that year. This cost allocation plan will need to be modified any time a new program is started or at the end or beginning of any fiscal year grants. Due to the frequent modifications to the cost allocation plan, it will be maintained outside of this accounting procedures manual.

## **INVESTMENTS**

### **POLICIES**

BAM will maintain a working capital treasury valued at the equivalent of four months of operating expenses. Cash not needed for immediate working capital will be transferred to interest bearing investments, unless investment is prohibited by the original donor or the funds are designated for a particular account.

Additional BAM cash assets will be invested in an interest-bearing investment account with provisions for excess SIPC protections of securities and cash.

The Board of Directors must approve any investments beyond the options listed above.

### **PROCEDURES**

The BAM treasury may be held in cash or a combination of cash, cash equivalents, and certificates of deposit that mature monthly. BAM will maintain these assets at the same bank where the operating checking account is maintained. The Chief Executive or Executive Director will initiate the transfer of funds or setting up new certificates of deposit based on BAM projected cash flow requirements and budgets. The Accountant will prepare the projected cash flow requirements as requested by the Chief Executive or Executive Director. The Executive Director will monitor the operating checking account to ensure the reserve does not vary significantly from the target of six months operating funds. When the balance exceeds this target, the Executive Director will initiate wire transfers from the operating bank account to the SIPC-protected interest bearing investment account.

## **DEBT**

### **POLICIES**

Board approval is required for incurring any debt other than operating trade payables and budgeted payroll payables. The Chief Executive or Executive Director will be authorized to negotiate such debt as needed by the Board of Directors.

Any loan covenants and restrictions will be reported to the Board when the debt is authorized. The Accountant will periodically review these covenants and report to the Chief Executive or Executive Director if there are any violations or potential violations of the covenants.

### **PROCEDURES**

The Chief Executive and Chairman will sign any debt agreements after receiving full Board approval.

The Accountant will reconcile the general ledger debt balances to statements or amortization schedules each month. In addition, accrued interest will be recorded in the general ledger as needed.

## **RESERVES AND DESIGNATED FUNDS**

### **POLICIES**

The Board of Directors may designate portions of the net assets of BAM for specific purposes.

### **PROCEDURES**

During the annual budget preparation, the Board will review the operating reserve and set a target for funds to be set aside that year. The Chief Executive or Executive Director will establish and maintain the operating reserve bank account as directed by the Board.

Designation of net assets will be made by resolution of the Board. A purpose and timeline must be specified for each designated fund. The designation may also specify whether a separate cash fund is to be used.

## **INTERNAL CONTROLS AND FINANCIAL AUDIT**

### **POLICIES**

The review of internal controls and the annual audit are two of the most important procedures the Board has for fulfilling its fiduciary responsibilities to BAM.

Internal controls pertaining to the accounting records are established by the Chief Executive or Executive Director and Board Treasurer in consultation with the Accountant.

The Board of Directors selects the public accounting firm which will perform the year-end financial audit. The financial audit report is presented to the Board of Directors who has the authority to approve the audit.

### **PROCEDURES**

Whenever there is a change in administrative personnel or a change in the operating structure of the organization, the Treasurer and Chief Executive or Executive Director will meet to determine that the internal control system continues to meet the needs of BAM. If appropriate, the changes will be reflected in this accounting procedures manual.

The key features of the internal control system are that the Accountant is not involved in handling checks and cash received, signing checks, transferring money, or establishing cash accounts or investments. The other aspect of this is that the Executive Director reviews the transactions of the other employees and is responsible for noting any problems to the Chief Executive directly to the Board Chairman.

The Board of Directors will approve, as part of the budget process, the public accounting firm to perform the annual audit.

The Treasurer will attend the audit exit conference at the conclusion of the audit. The public accounting firm will present the audit to the Board each year. The Board will review the financial audit.

The Accountant and Chief Executive or Executive Director will be responsible for scheduling the audit, preparing the information needed by the auditors and answering questions during the audit.



# **COMPLIANCE**

## **POLICIES**

BAM must have systems in place to ensure compliance with the restrictions imposed by those grants and restricted donations.

BAM shall employ a Compliance Officer who is responsible for overseeing the compliance with all applicable grant restrictions.

The Chief Executive or Executive Director will be responsible for communicating the nature of all donor restrictions to the Accountant. This information will be used to ensure that the General Ledger restricted donations account will reflect the restricted donations and the spending of those restricted amounts, as appropriate.

## **PROCEDURES**

### **Compliance Committee**

A compliance committee will be chaired by the Compliance Officer and will consist of the Chief Executive or Executive Director and primary program personnel. The Compliance Officer will be responsible for discussing new compliance requirements in the grants which fund the programs with the committee. The Compliance Officer will be responsible for preparing a report documenting how BAM is ensuring compliance with grant rules in each grant program. The Compliance Officer will also produce a similar report for overall compliance procedures of the agency. These reports, plus any correspondence with granting agencies regarding compliance issues, will be kept in a central compliance file.

The compliance committee will also oversee the maintenance of grant files. The grant files will contain the final signed copy of the grant, any addenda, and correspondence.

### **Restricted Donations**

The Chief Executive or Executive Director will maintain a record of all restricted donations in the donor database so that periodic reports of the year's cumulative restricted donations can be produced. When a restriction has been satisfied, that will be noted in the database. If appropriate, the Chief Executive or Executive Director will be responsible for communicating the satisfaction of the restriction to the donor.

The Chief Executive or Executive Director will forward copies of each month's new and outstanding restricted donations to the Accountant. The Accountant will create a journal entry each month to ensure that the restricted donations are correctly presented in the financial statements.

## **BUDGETING**

### **POLICIES**

The Board of Directors is responsible for guiding the budget process and for approval of the annual budget.

The Chief Executive or Executive Director and Accountant will be responsible for preparing the proposed budget. When questions arise, the public accounting firm selected for the annual audit will be consulted.

### **PROCEDURES**

The budgeting process will begin in September for the following fiscal year. This will allow for eight months of results to be used in planning the budget.

All budget documents will be submitted to the Accountant by October 1 for consolidation into an overall agency budget. The Chief Executive or Executive Director and Accountant will then review this to determine if there are any obvious areas which may need to be reworked. The collated budget will be submitted to the Executive Committee by November 1 for review and feedback. Any further revisions will be made and the budget presented to the Board by November 30.

The responsibility for each area of the budget is as follows:

- Chief Executive or Executive Director -- Program revenues and expenses, fundraising revenues and expenses, donations revenue, operations expenses, and capital budget.
- Accountant -- Accounting expenses, investment income, projected balance sheet.
- Board Treasurer -- Board and committee expenses.

After completion and approval of the budget by the Board of Directors, the budget will not be modified for subsequent activities without an additional cycle of presentation and approval.

# COMPUTER AUTHORIZATION AND BACKUP

## POLICIES

The accounting computer and software will have access controlled by passwords. The Chief Executive or Executive Director will control the master password. The Accountant will be given a complete system password and will control which other personnel will be given passwords.

The accounting computer will be backed up regularly. The Accountant is responsible for carrying out this backup.

The Accountant is responsible for maintaining the disaster recovery plan for the accounting software and for periodically testing the plan.

## PROCEDURES

### Passwords

The Accountant will maintain a record of all authorized users and the level of password access each user has. Passwords will be changed once each year in June.

### *Backup*

The backup procedures are designed to maintain records of various periods until that period is closed. The Accountant will ensure that the appropriate backups are made at the end of each day.

An annual cloud and external hard drive backup will be maintained of the accounting data prior to the close. This backup will be maintained until the subsequent year accounting data is backed up and closed.

A monthly cloud and external hard drive backup will be maintained of the accounting data for each month until that month is again backed up the subsequent year. A weekly cloud and external hard drive backup will be maintained of the accounting data for each week, as of Friday evening until that week is backed up the subsequent month. A daily cloud and external hard drive backup will be maintained of the accounting data for each day that work is performed until that day is backed up the following week.

The external will be kept in a fireproof tape safe in the office. A copy of the annual and monthly tapes will be taken home by the Accountant for storage. The Chief Executive or Executive Director and the Accountant will have keys to the fireproof safe.

### *Disaster Recovery*

In the event of the serious damage to the offices of BAM arrangements have been made to process certain accounting records at the offices of \_\_\_\_\_ in Memphis. Since the disasters we are anticipating would be localized in nature, such as fire or tornado damage, we have not set up recovery plans with other agencies in another part of the State.

# **ACCESS TO RECORDS AND RECORD RETENTION**

## **POLICIES**

BAM records are generally open to public inspection due to IRS rules, open records laws and the spirit of public service. However, certain information is not open to public examination and may only be released with the permission of the Executive Director. Questions in this area are to be resolved by the Executive Director. If the answer to a request is unclear the Chief Executive or Executive Director may contact BAM's attorney for a consultation.

Record retention is governed by various rules, statutes of limitations and common sense. Certain documents must be retained indefinitely, while others may have little use after a year.

## **PROCEDURES**

### **IRS Forms**

Payroll tax forms are not public information and will not be released.

IRS Forms 1023, 990, and 990-T, the exempt organization information returns, must be made available to anyone upon request. The specific rules are outlined in the instructions for form 990. All pages, schedules and attachments, except the detailed schedule of contributors must be made available. The prior three years of 990s must be available upon request for free review in our office. If the requestor wishes to have a copy, that will be provided immediately or may be mailed to the person. We ask that the person pay the legally allowed fee of \$1 for the first page and 15 cents for each additional page, plus actual postage, if applicable.

The application for exempt status, Form 1023, and the IRS determination letter are also available to anyone upon request for a free review in our office. Copying charges are the same as for the 990 if the person wishes to take a copy. The specific rules are outlined in the instructions for the form 990.

The Executive Director is responsible for maintaining copies of these documents in a form suitable for public release.

### **Tennessee Annual Charitable Organization Report**

Although public disclosure by our organization is not required, the Tennessee report is available to the public from the State Department of Regulation and Licensing. For this reason, BAM will make this return available with the form 990.

### **Personnel Records**

All requests for personnel records, job references and credit inquiries will be referred to the Chief Executive or Executive Director.

### **Financial Information**

Financial statements and other financial information is regularly distributed to the BAM Board. This information is not to be made available to persons who are not regularly authorized to receive that particular report. Any such requests for information must be approved by the Chief Executive or Executive Director.

### **Records Retention**

Prior to discarding of records, the permission of the Chief Executive or Executive Director and the Accountant are required to ensure that they have no reason that records should be kept. All discarded documents are to be shredded or sent to a confidential recycling company.

For tax purposes, records should be maintained until the expiration of the statute of limitations. Generally, that period expires six years after the later of the due date of the return or the date filed. While there are a few exceptions to this rule, the six-year period normally should be adequate.

For non-tax purposes, records should be maintained only as long as they serve a business purpose or until all legal requirements are met.

# **MAINTENANCE OF ACCOUNTING POLICIES AND PROCEDURES MANUAL**

## **POLICIES**

The Accountant is responsible for maintaining the accounting policies and procedures manual. All proposed changes must be approved by the Accountant and by the Chief Executive or Executive Director. The policies and procedure manual will be dated with the date of each approved revision.

## **PROCEDURES**

Each year the Accountant will review the manual and formulate proposed changes. This update will be completed no later than October of each year. All changes must be approved in writing by the Chief Executive or Executive Director. If the Accountant has no proposed changes, a memo to that effect must be approved by the Chief Executive or Executive Director.

Whenever changes to the accounting procedures are made, a review of the accounting policies and procedures manual will be made by the Accountant to determine if a revision is required. Any minor revisions to the manual which are not reflected in the manual immediately should be kept on file to incorporate into the formal annual update.

The revised manual will be distributed to the Accountant, Chief Executive or Executive Director and Board Treasurer.

## **PREPARATION OF INFORMATIONAL RETURNS**

### **POLICIES**

BAM is required to file IRS forms 990, Return of Organization Exempt from Income Tax, Organization Exempt Under Section 501(c)(3), and Tennessee Department of Regulation and Licensing form 1952, Charitable Organization Annual Report.

The preparation of these reports will generally be contracted out to the independent auditor. The Accountant will be responsible for providing the information needed to prepare the report. The Accountant and Chief Executive or Executive Director will review the reports prior to filing them to ensure that they are accurate and do not indicate any potential problems with the tax status or fundraising license of BAM.

### **PROCEDURES**

The IRS forms are due November 15 (four and one-half months after year end). If the forms are not ready, an extension may be requested for an additional 6 months using form 8868.

The Tennessee form must have the completed 990 attached and is due December 31. No extensions are granted on this filing. If donations from the general public, including federated fundraising and foundation grants, exceed \$500,000, the annual audit will need to be included with the Tennessee form.

These forms will be prepared primarily from the final audited financial statements. Additional information which is required includes a current list of the Board of Directors, the salary and benefits amounts of the Chief Executive or Executive Director, a list of all donations of \$5,000 or more from individuals, corporations and foundations, and a report on the nature and dollar value of any lobbying during the year. The Accountant will be responsible for gathering this information and providing it to the independent accountants.

The Accountant and Chief Executive or Executive Director will review the activity of the prior year to determine if there was any unrelated business income.