

# Ronald McDonald House Charities® of Arkansas & North Louisiana



Ronald McDonald  
House Charities®  
Arkansas & North Louisiana

## Financial Policies Handbook

# FINANCIAL POLICIES HANDBOOK

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## INTRODUCTION/PURPOSE

The purpose of this manual is to document the financial policies and procedures of Ronald McDonald House Charities® of Arkansas, referred to as “the Organization.” These policies and procedures have been designed to establish and promote an effective internal control system.

Controls are established to reduce the potential for misuse of the Organization's assets or misstatement of account balances. Most people are aware that internal control helps deter fraud within the Organization. Control activities benefit employees, as well as the Organization, because such activities protect honest employees from being falsely accused of fraud or misuse of assets.

In addition to deterring fraud, strong internal controls can positively impact the Organization in other ways, including:

- Conserve the Organization's resources for use in accomplishing the Organization's mission,
- Ensure compliance with regulations and donor requirements, thus fulfilling the Organization's stewardship responsibility and building the confidence of the Organization's donors and the general public that the funds are being used appropriately,
- Ensure accurate financial reporting, and
- Assist the Organization in maintaining a good reputation.

## GENERAL POLICIES

- The Finance Committee recommends all financial policies to the Ronald McDonald House Charities of Arkansas Board of Directors ("the Board") for approval and delegates administration of the policies to the Executive Director. The Executive Director will review the financial policies and procedures on an ongoing basis. The Board will approve changes to such financial policy.
- Financial duties and responsibilities will be separated among available full and permanent part-time staff so that no one employee has sole control over cash receipts, disbursements, payrolls, reconciliation of bank accounts, etc. without appropriate monitoring procedures.
- Separate accounts will be maintained as needed by management or required by funding source regulations.
- An annual budget will be prepared and submitted to the Finance Committee for approval and recommendation to the Board.
- Monthly financial statements will be prepared in accordance with Generally Accepted Accounting Principles no later than the 15<sup>th</sup> of each month. Additional information will be prepared and submitted as requested by management and the Board or as required by external funding sources.
- Annual financial statements will be audited by an outside, independent auditor and these financial statements will be in accordance with Generally Accepted Accounting Principles. They will be "held open" long enough to ensure all revenues and expenditures are recorded in the appropriate period.

## ACCOUNTING RESPONSIBILITIES-OVERVIEW

### Accounting Responsibilities:

- The Board is responsible for:
  - Assigning responsibility for financial oversight to the Finance Committee,
  - Approving the annual budget,
  - Reviewing and approving monthly financial statements,
  - Reviewing and approving the annual 990, and
  - Meeting regularly and ensuring that accurate minutes of all meetings are recorded and maintained.
- The Executive Committee is responsible for:
  - General oversight of the Executive Director's activities,
  - Approving disbursements in excess of \$5,000, and
  - Meeting regularly.
- The Finance Committee is responsible for:
  - Reviewing the annual budget for recommendation to the Board,
  - Reviewing financial statements, including monthly, annual and 990, for recommendation to the Board,
  - Meeting regularly,
  - Ensuring adherence to Investment Policy, and
  - Engaging the independent auditor.
- Executive Director is responsible for:
  - Approving all expenditures,
  - Signing checks,
  - Reviewing work performed by the Bookkeeper,
  - Reviewing work performed by the external payroll firm,
  - Reviewing work performed by the external auditing firm,
  - Approving payroll and changes in pay rates, and
  - Ensuring internal processes are followed.
- The External Accounting Firm is responsible for:
  - Preparing monthly financial statements,
  - Preparing financial reports for board,

- Reviewing work performed by the bookkeeper, Maintaining the fixed asset detail
- Filing 990 with all governmental and other entities, as required. The Bookkeeper is responsible for:
  - Preparing deposits,
  - Entering deposit information into QuickBooks ,
  - Posting accounts payable invoices into QuickBooks as they are received and maintaining accounts payable records,
  - Processing approved invoices for payment, printing checks and getting them signed by the Executive Director,
  - Ensuring checks are distributed/mailed,
  - Reconciliation of credit card account and fundraising accounts
  - Reconciliation of all bank accounts and investment accounts
- The Programs Director is responsible for:
  - Logging incoming checks and cash into the Incoming Mail Log,
  - Verifying bank deposits against the Incoming Mail Log and Rent Deposit Book,
  - Approval of time and payroll expenses for all hourly staff. ,
  - Preparing payroll for the external payroll firm and communicating pay rate changes to the external payroll firm,
  - Tracking employee leave balances,
  - Oversight of donation box program including RMHC Global grant information by store and expenses by store.,
- The External Payroll Firm is responsible for:
  - Preparing payroll checks and the related reports,
  - Calculating and submitting payroll tax deposits and remittances,
  - Preparing and submitting all payroll tax returns, W-2s and 1099s,
  - Obtaining and submitting employee information to the Administrator of the Organization's 403(b) Plan and insurance providers,
  - Calculating and submitting 403(b) remittances,

Maintaining an awareness of current legal issues related to payroll activity and communicating necessary information to the Programs Director.



## WHISTLEBLOWER POLICY

### **General**

Ronald McDonald House Charities of Arkansas ("the Organization") requires directors, officers 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 Organization, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

### **Reporting Responsibility**

It is the responsibility of all directors, officers and employees to report violations or suspected violations in accordance with this Whistleblower Policy.

### **No Retaliation**

No director, officer or employee who in good faith reports a 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 the Organization prior to seeking resolution outside the Organization.

### **Reporting Violations**

The Organization 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 you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with the Executive Director or a member of the Board with whom you are comfortable in approaching. Employees are required to report suspected violations to the Organization's Executive Director, who has specific and exclusive responsibilities to investigate all reported violations. For suspected fraud, or when you are not satisfied or uncomfortable with following the Organization's open door policy, individuals should contact the Organization's Chair of the Board directly.

### **Accounting and Auditing Matters**

The Finance Committee of the board of directors shall address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. The Executive Director shall immediately notify the Finance Committee of any such complaint and work with the committee until the matter is resolved.

### **Acting in Good Faith**

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.

## **Confidentiality**

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.

## **Handling of Reported Violations**

As appropriate, the Executive Director or the Chair of the Finance Committee 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.

## SECURITY

### Accounting Department

#### *Access to Electronically Stored Accounting Data*

- Access to a "live" version of QuickBooks files shall be limited to the External Accounting firm, Bookkeeper, the Executive Director and Programs Director.

#### *Access to hardcopy accounting data*

- Accounting records and related data shall be filed in an orderly manner and access should be restricted to those with a logical need for such information.

### Storage of back-up files

- Data backups shall be performed daily.
- Backup files shall be stored via an on-line back-up service and access will be limited to the External Accounting Firm, Bookkeeper and the Executive Director.

### Password security

- All computers shall be password protected and password records will be maintained by the staff member responsible for IT, and the Programs Director.
- Passwords shall be reasonably protected (i.e. they shall not be posted on the computer monitors, etc.)
- All login, passwords, and key combination entry codes shall be deleted when an employee terminates his employment with the Organization.

### Confidentiality

- Each employee shall keep confidential all of the Organization's financial information, including donor information.
- All sensitive information shall be thoroughly "wiped" clean before disposing of any computer equipment.

### General Office Security

- Laptops will remain in a secured area when not in use.
- Server equipment, along with other hardware, will be protected in a separate room behind locked doors with appropriate protection to protect from overheating and fire.
- Appropriate programs shall be in place to protect the computer network from spyware and other malicious code.

## QUICKBOOKS AND CHART OF ACCOUNTS

An accrual system for accounting in accordance with accounting principles generally accepted in the United States of America for all transactions will be utilized. The Organization will report information regarding its financial position and activities according to three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

All receipts and disbursements will be recorded in QuickBooks as they occur (at least weekly).

### **Chart of Accounts Overview**

Accounts will be maintained in sufficient detail to correspond to the budget and to provide sufficient information to the Board.

### **Control of Chart of Accounts**

New account information will be approved by the Executive Director.

### **Fiscal Year of the Organization**

The Organization's fiscal year shall correspond with the calendar year.

### **Journal Entries**

Adequate support for all entries will be maintained on file in chronological order by month.

## POLICIES ASSOCIATED WITH REVENUES, SUPPORT AND CASH RECEIPTS

The public holds a nonprofit organization accountable for the funds the public donates. A nonprofit organization is a steward of public funds and expected to use its resources exclusively to further its mission and not to waste or misuse resources. It is essential that nonprofit organizations have effective and efficient procedures for processing receipts and recording revenue. Nonprofit organizations must balance the need to be as efficient as possible against the need for strong internal controls. The ultimate goal is to ensure, as much as possible, that funds are not lost, stolen, or used other than how the donor intended.

### Revenue Recognition

#### *Contributions*

- Contributions are recognized as support in the Statement of Activities in the period received or when the Organization becomes aware that an unconditional promise to give has been made, whichever occurs first.
- Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions." It should be noted that while the Board may designate funds to be utilized for a specific purpose, these designations do not meet the criteria of restricted net assets in accordance with generally accepted accounting principles.
- Management considers all contributions fully receivable within one year of the financial reporting date, unless otherwise noted; therefore, no allowance in uncollectible contributions receivable will be recorded. If amounts become uncollectible, they will be expensed.
- The Executive Director and the Bookkeeper will review contributions receivable annually and determine if any are uncollectible. The Executive Director and the Bookkeeper will approve contributions determined to be uncollectible for write-off.

#### *Contributions of Investments*

- The value of stock or other investments securities contributed by donors will be determined based on the average of the high and low market prices on the date received. If appropriate, the Organization will liquidate the investment on the day received or as soon as reasonably possible thereafter. The difference between the value of the investment when received and the proceeds when sold is reflected in the Statement of Activities as "net gains (losses) on investments."

## Donated Services, Facilities, Equipment and Materials

- The use of facilities and materials contributed by other organizations or individuals toward the fulfillment of projects initiated by the Organization will be reflected as support and expense in the financial statements based upon their estimated fair market value during the period of use.

In accordance with Generally Accepted Accounting Principles, donated services are recognized as contributions only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donations of property and equipment are recorded at fair market value at the date of the donation. These donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

## Billing/Invoicing Policies

### *Contributions and Sponsorships*

- Event personnel submit the information to the Bookkeeper. The Special Event and Marketing Coordinator and Bookkeeper are responsible for monitoring and reconciling receivable balances and collections.
- Any unpaid sponsorships or contributions related to such events that remain after an event has occurred will be evaluated for inclusion in the G/L.
- The Executive Director and the Development Director will review contributions receivable annually and determine if any are uncollectible. The Executive Director and the Development Director will approve pledges determined to be uncollectible for write-off.

## Processing Receipts

### *Opening the Mail*

The first step in processing mail receipts begins with opening the mail. This process, the step where cash is first received and handled, is a critical component in ensuring that Organization funds are protected against theft or loss.

- ***Opening the mail*** is restricted to the Programs Director, Development Director or Executive Director. They are exclusively responsible for opening all mail, recording checks and cash received in the Incoming Mail Log (see Attachment A), and turning all monies into the Bookkeeper for depositing.
- ***Restrictively endorse checks*** – All checks are then given to the Bookkeeper, who stamps “for deposit only”, including the Organization’s full name and bank account number on each check.

- **Make photocopies of the fronts of the checks** – All checks received will be copied and coded by the Bookkeeper on the form required for entry in the Exceed Database program along with a copy of the deposit slip. The deposit slip including the coded checks is given to the Database Coordinator.
- A **Deposit Detail** report is printed from the remote scanner and given to the Programs Director as deposits are made no less than weekly. The Programs Director is responsible for matching the entries on the deposit detail to the entries recorded in the Incoming Mail Log.

**Family Donations and Other Monies received at the Organization will be recorded in a 3-part receipt book.** The 3-part receipt will be completed for receipt of all money received on site. The top copy of the receipt will be given to the donor or guest, the second copy will be attached to the money received and secured until turned into the Bookkeeper. The third copy will stay in the receipt book for bank deposit verification by the Programs Director.

- **Coke Machine** –Providing dual control, the House Operations Manager along with the Bookkeeper will empty cash and change from the vending machine monthly and secure money in a sealed bag in a secure location until taken to the bank for deposit. All deposits will be made in conjunction with the cash deposit process stated below, more often if necessary. The deposit slip is sealed in the bag. Coin and cash are processed at the bank and the completed deposit slip is returned to the Organization in an envelope to the Bookkeeper.
  - **Donation Box Coin Collection** - The designated third-party collection agency, selected by RMHC Global, will travel to all restaurants that are part of the McDonald's Co-Op to collect coin and bills from all donation boxes. Approximately two months later, RMHC Global will grant the funds, less 25% plus collection expenses charged by the third-party collection company, via EFT.
  - **Aluminum Recycling Collection** - A designated Staff Member will take all aluminum products to the salvage/recycling center. After weighing the aluminum, the salvage center prints and provides a statement of the cash amount or check given for the aluminum. The designated Staff Member brings the statement and the cash to the Bookkeeper. Providing dual control, the Programs Director and Bookkeeper verify the cash amount and prepare a deposit slip for this amount.
- **Secure Cash Receipts** – Providing dual control, the Programs Director and Bookkeeper receive all cash, confirm the amounts, and prepare a deposit slip for the amount. All cash collected at any event is recorded on an "Event Cash Log" (in Attachment C), which is documented with signatures from two individuals, one of whom is required to be a staff member. The cash is then delivered to the Programs Director to be secured. Additional cash that is received "in House" is delivered to the Programs Director to be secured. Both of the above processes then have the cash amounts verified by the Programs Director and Bookkeeper and are logged in the "Official Cash Log" (in Attachment C). Providing dual control, the Programs Director and Bookkeeper verify all cash amounts and prepare a deposit slip. Between processing the cash receipts and taking them to the bank for deposit, the Programs Director will secure the cash receipts in a locked location. Only individuals with a valid business reason should have access to the secured cash receipts.

## Making the Deposit

When making a deposit, the Bookkeeper will:

- Review items for deposit restrictions to ensure compliance with donor specifications (i.e. requirements to maintain separate deposit accounts, designated funds, etc.)
- Deposits are made no less than weekly via remote deposit. Bookkeeper will total all checks and scan each check via the remote scanner on the Bookkeeper's desk. Once all checks are scanned, the Bookkeeper verifies all checks were accepted and balanced. Bookkeeper stamps each check "deposited" with the date deposited. Copies are kept for ninety days before being destroyed.
- The Bookkeeper will run a report, code the checks, and make copies for the Database Administrator to enter into the Exceed Database. The Bookkeeper will enter the deposits into QuickBooks.
- The Executive Director and Programs Director will review deposits monthly.
- Cash is physically deposited by the end of each month, by either the Bookkeeper or picked up by an authorized employee of the bank. Cash is stored in Program Director's locked cabinet until that time.



## POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

### Purchasing

#### *Approval*

The individual department directors may approve up to \$1,000 in expenditures for their department.

The Executive Director may approve expenditures up to \$5,000.

Expenditures exceeding \$5,000 must be approved by a member of the Executive Committee, in writing, and that approval will be filed with the corresponding check stub.

#### *Processing invoices for payment*

After mail is opened, invoices will be date stamped and distributed to the individual department directors for approval. The Programs Director will review and approve all House-related expenses, the Development Director and Communications Director will review and approve all fundraising and marketing related expenses, respectively. All approved invoices are routed to the Bookkeeper, at which point they are taken to the Executive Director for final approval and then entered into QuickBooks.

A printed copy of the Unpaid Bills Register will be given to the Executive Director weekly for approval. The Executive Director will initial the Unpaid Bills register to indicate her approval of the invoices to be paid.

Checks are to be generated weekly or more often as needed.

Reimbursement of the Executive Director's expenses in excess of \$200 will be approved by the Treasurer or Chair of the Board.

#### *Preparing Checks*

Checks are stored in a locked cabinet by the Executive Director. A log of check numbers is maintained, and initialed, as they are taken from the locked cabinet, checking for sequential order. Checks are prepared by the Bookkeeper utilizing QuickBooks. The invoice is filed with a copy of the check stub. The checks, along with supporting invoices and check register, are then given to the Executive Director for signature.

The Executive Director signs the checks and gives them to the House Operations Manager, along with the check register, for review. House Operations Manager will confirm the sequential check number, payee, and amount, and prepare them for mailing. House Operations Manager will seal the check envelopes, mail the envelopes, initial the check register, and return the check stubs and register to the Bookkeeper. The Bookkeeper will maintain a file for all check stubs and invoice copies.

A copy of the invoices is filed with the check stub chronologically by vendor.

Voided checks will have VOID boldly written in ink across the face of the check. The voided check original will be shredded immediately. .

Vendor files will be maintained by the Bookkeeper.

### ***Credit Cards***

Credit cards may be utilized for travel and general expenses as needed.

The Executive Director will authorize the need, complete all credit card applications and authorize necessary personnel's' use of credit cards.

**Maximum credit limit:** The total bank credit card limit will be \$25,000. The Executive Director has a credit limit of \$15,000. Staff other than the Executive Director has a credit limit of \$1,500. Other credit card limits will be kept as low as possible to not impede ability to handle business costs as necessary.

**Expense parameters:** All purchases should be approved in advance by the Executive Director. Under no circumstances are credit cards to be utilized for personal expenditures.

**Receipt requirements:** All transactions must have a receipt. Receipts will be coded and approved by the individual department directors and turned in to the Bookkeeper immediately or as soon as reasonably possible. The Bookkeeper will enter all credit card receipts into QuickBooks as soon as received.

**Credit card statements** will be reconciled and matched with receipts. All credit card statements will be paid in full.

### ***Travel***

The Organization recognizes that staff may be required to travel or incur expenses from time to time to conduct business and further the mission of Ronald McDonald House Charities. The purpose of this policy is to ensure that (a) adequate cost controls are in place, (b) travel and other expenditures are appropriate, and (c) to provide a uniform and consistent approach for timely reimbursement of authorized expenses incurred by staff. It is the policy of the Organization to reimburse only reasonable and necessary expenses actually incurred by staff. All travel must be approved by the Executive Director and must be for the benefit of the Organization.

When incurring business expenses, the Organization expects Staff to:

- Exercise discretion and good business judgment with respect to those expenses,
- Be cost conscious and spend the Organization's money carefully and judiciously, and

- Report expenses, supported by required documentation, as they were actually spent.

### ***Expense Reports***

Expenses will not be reimbursed unless the individual requesting reimbursement submits a written Expense Report. The Expense Report, which shall be submitted at least monthly or within two weeks of the completion of travel, must include:

- The individual's name,
- Itemized list including the date, origin, destination and purpose for each expense,
- The name and affiliation of all people for whom expenses are claimed (i.e., people on whom money is spent in order to conduct the Organization's business).
- Receipts for all expenditures regardless of amount.

### ***Payroll***

Personnel policies related to hiring, termination, vacation, etc. are located in the **Employee Handbook**.

The Executive Director's compensation is set by the Executive Committee and communicated to the Programs Director who acts as the Human Resources Coordinator.

The Executive Director authorizes salary information for all other employees and communicates such information to the Programs Director.

Employees are paid semi-monthly on the 15<sup>th</sup> and the last day of the month.

The external payroll firm is responsible for processing payroll and preparing all withholding reports and deposits.

The Programs Director will review, confirm, and approve the hourly staff time entry report. This review and approval should be indicated by initialing and dating the report.

Prior to submitting the direct deposit information to the bank, the Executive Director and Programs Director are given a payroll summary by the external payroll company to review and approve. This review and approval should be indicated by email or printing, initialing and dating.

The payroll summary and report should then be filed by month.

Upon approval from the Executive Director and Programs Director, the external payroll firm is responsible for submitting the direct deposit information to the bank and preparing payroll tax submissions. The external payroll company will prepare 403(b) submissions and a 403(b) summary will be provided to review. The review should be indicated by initialing and dating the summary.

The Programs Director is responsible for tracking all employee leave balances as described in the **Employee Handbook**.

## POLICIES ASSOCIATED WITH SPECIFIC ASSET AND LIABILITY ACCOUNTS

### Cash Accounts

#### *Bank Reconciliations*

Bank statements are available for review either online or in hard copies in the Bookkeepers file. The external accounting firm will:

- Scan cancelled items for unrecorded disbursements and obtain support for items as necessary
- Scan cancelled deposits for “cash back” transactions or unusual items

The Bookkeeper will perform all account reconciliations and submit to the Executive Director for review and approval.

The Executive Director is responsible for reviewing all account reconciliations. This review will consist of:

- Scanning reconciling items for reasonableness,
- Investigating old reconciling items (items over 60 days should be investigated and appropriate action taken), and
- Investigating unusual reconciling items.

Upon review and approving the bank reconciliation, the Executive Director will initial and date the reconciliation indicating such review and approval.

Reconciliations will be filed in chronological order by month.

### Minimum Cash Required

The organization must maintain a minimum of nine months of operating expenses through cash or cash equivalents.

### Investment Policies

The Organization will invest all funds not required for current obligations in investment instruments that give competitive returns minimal risk in accordance with the Investment Policy (see Attachment B). Those instruments will be in the following categories:

- Money Market Accounts
- Repurchase Agreements

- FDIC or NCUA insured Certificates of Deposit
- US Treasuries
- Government Agencies
- Fixed Income Securities
- Equity Securities

Funds required for current obligations shall be invested in Money Market accounts or Repurchase agreements. Excess cash may be invested in FDIC insured Certificates of Deposit with the approval of the Executive Director. Such investments shall be made with staggering maturities, not to exceed two years without the approval of the Executive Committee.

Investment account balances shall be reconciled monthly by the Bookkeeper and approved by the Executive Director and submitted to the Finance Committee, Executive Committee and Board. All investment records shall be safeguarded against theft, loss, or damage.

## **Property and Equipment**

Property and Equipment shall be defined as all items that are purchased or donated with a unit cost of \$2,000 or more and a useful life of more than 3 years. Additions should be stated at cost or, if donated, at the estimated fair market value at the date of donation.

Property improvements will be capitalized if the cost (or fair market value of donated items) exceeds \$2,000 and the improvement extends the estimated useful life of the property by more than 1 year.

A copy of all invoices for the purchase of equipment and property or property improvements will be forwarded to the external accounting firm.

New property and equipment will be entered on the inventory list (depreciation schedule) and assigned an identifying number. The Organization's insurance carrier will be notified in writing of new additions or deletions of equipment and identifying numbers.

All property and equipment will be recorded in QuickBooks. A journal entry must be made whenever property is disposed of or acquired. Support for such journal entries will include supporting invoices and the depreciation schedule, as applicable.

The External Accounting Firm will maintain an inventory (i.e. depreciation schedule) of all property, property improvements and equipment, including the purchase date, original cost, estimated useful life and salvage value, as applicable. The Programs Director will review the listing semi-annually and provide the external accounting firm with information regarding additions and disposals.

A physical inventory of all property, property improvements and equipment will be kept on an on-going basis, for depreciation purposes.

If the total cost of leasing equipment over a three-year period or less exceeds the purchase price, the equipment should generally be purchased.

Estimated depreciation entries will be posted monthly based on the current year's projected depreciation expense. Depreciation should be computed using the straight-line method over the estimated useful lives of the respective assets. Actual depreciation entries will be calculated and posted to QuickBooks upon annual review by the Organization's independent auditor and Executive Director. Support for such entries will be in the form of a depreciation schedule as provided by the independent auditor.

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## ACKNOWLEDGEMENT OF RECEIPT

This is to acknowledge that I have received and read THE ORGANIZATION's Financial Policy Manual from which this form was taken and was given the opportunity to ask questions, and that I agree to follow them during my employment with THE ORGANIZATION.

I understand the guidelines and policies in the Financial Policy Manual are presented for informational purposes only and can be changed at any time without notice or consent. I also understand these guidelines and policies are not a contract expressed or implied. In addition, I understand that THE ORGANIZATION maintains exclusive rights to alter, amend, interpret and apply the guidelines and policies with or without notice as it believes is necessary to promote the overall best interests of THE ORGANIZATION.

I will consider confidential all financial and donor information.

I have read the entire Financial Policy Manual; I understand that the matters discussed in this manual are subject to change at THE ORGANIZATION's discretion and do not create any contractual agreements by THE ORGANIZATION; I understand what it requires, and I consent to all of its terms.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature of Employee)

**\*NOTE TO THE EMPLOYEE:** *The original of this signed form will be placed in your personnel file. A photocopy of the form will be given to you for your records.*



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**Rationale:**

Ronald McDonald House Charities of Arkansas will, from time to time, have cash and cash equivalent assets not needed for immediate use. These monies may be devoted to operating, capital or endowment use restrictions and may be a mix of unrestricted, temporarily restricted and permanently restricted funds. In order to facilitate the logical investment of these reserve fund and idle dollars, the Board of Directors should determine the parameters under which investments should be made. As fiduciaries, the financial stability of RMHC AR is paramount in all decisions regarding investment policy.

**Investment Policy Parameters:**

The Investment Committee shall be composed of the Board Treasurer, Finance Committee Chair and others as appointed by the Board Chair. The Board Chair shall serve in a voting ex officio capacity and the President & CEO shall serve as a nonvoting member.

The Board of Directors shall, from time to time, establish an organizational risk tolerance level as general guidance to the Investment Committee.

The Investment Committee shall provide instruction to the President & CEO in matters related to establishing, investing, reinvesting and withdrawal of reserve and other idle funds in order to meet objectives established for each fund class.

**Investment Objectives:**

Regardless of the class of funds to be invested, the investment strategy shall consistently consider safety of principal, liquidity and cash flow requirements to meet short-term needs of the Organization. Investment returns are expected to enhance the real value of the assets while sufficiently supporting our programs and projects. Securities should be selected only after consulting the current Lipper and/or Morningstar rating services.

Very high risk, volatile investment vehicles such as commodities, margin purchases, naked options, direct real estate purchase, unregistered securities and direct energy exploration participation are to be completely avoided.

**Asset Allocation:**

Cash flow needs shall be determined on a rolling 90-day basis. The funds required to meet these short-term obligations shall be kept in cash and cash equivalents. The remaining funds should be allocated to investment classes within the following targeted ranges: First and foremost, we should assure we are maintaining enough cash to meet our expenses over the next nine months. Subsequent to that, management should determine the horizon for cash outflow and determine if the suitable investment is a longer-term CD or enter into the fixed income or equity markets. We wish to have a lower limit on equities as they typically are the most volatile, with greater percentages in cash, CD, or fixed income portfolios. When investing in fixed income, we will be mindful of overall duration, to limit the price risk in changing rate environments.

When viewed in total, the overall level of risk to the portfolio should not exceed a conservative to moderate level at any time. At least annually, the Investment Committee shall evaluate the portfolio and reallocate assets to meet the current guidelines.

### **Guidelines for Asset Classes:**

The investment goal for the total fund is principally capital preservation and, as such, the following asset classes are recommended. Care must be taken to avoid overuse of securities contained within the same or similar industries.

- **Cash/Cash Equivalents (Minimum 9 Months of Expenses)**  
This class of assets should include Certificates of Deposit and other daily liquid fund investments placed with institutions insured under FDIC, NCUA or equivalent. The amount placed in a single institution should not exceed that institution's insured limit. The total amount invested in cash/cash equivalents should be tied to the capital thought to be needed within one (1) year and therefore maturity dates should be one (1) year or less. The calculation to determine the minimum amount of Cash / Cash Equivalents would be to take the current budgeted expenses and divide by *12 then multiply by 9*. This does not include depreciation or amortization expenses as those are non-cash.
- **Fixed Income Securities**  
This class of assets should include a mix of investment vehicles chosen for their above average financial characteristics, i.e. government backed, price-to-earnings, return-on-equity, debt-to-capital ratios dominated by investment grade securities. The portfolio should concentrate on high-quality, large capitalization domestic securities and corporate bonds traded on the New York, NASDAQ or American Stock Exchanges. High yield bonds and other fixed income investments will be no more than 5% of total invested. The Fixed income asset class is intended to include Certificates of Deposit issued by Banks (FDIC Insured) or Credit Unions (NCUA Insured) with maturities up to 5 years.
- **Equities (Maximum 15% of Equity)**  
This class should be the most scrutinized, closely followed of our investment portfolio. It should include a mix of equities and mutual funds providing the greater potential for appreciated value over time understanding the potential for market downturns resulting in value losses with no more than 5% of the class invested in any single stock.

Using the same selection criteria as for Fixed Income Investments, this class may contain a mix of capitalization securities, either domestic or international and mutual funds with no more than 20% of the class invested in small-cap and international securities. Equity Mutual Funds are acceptable so long as they adhere to the principles above, are no-load, without 12(b)(1) charges and maintain an expense ratio consistent with other funds of similar investment styles.

Investment vehicles that are prohibited would include: Private placements, derivatives, margin transactions and foreign denominated bonds. If imbedded within a mutual fund, these investment vehicles may be allowed but inclusion decisions should be made to mitigate risk against enhanced return.

**Performance Measures:**

The benchmarks to be used in evaluating the performance of Fixed and Equity Assets shall be the respective industry standard for each category. The Investment Committee should evaluate the total portfolio and rebalance as necessary at least annually.

**Distributions and Spending:**

Each year the Investment Committee shall recommend an amount of earnings from investments to be placed in the appropriate Operations, Capital or Endowment budgets. Following budget approval, the timing of any distribution will be determined at the discretion of the Board Treasurer, Finance Committee Chair and President.

**Investment Advisors:**

The Investment Committee shall evaluate potential investment managers and recommend one or more to the Board of Directors. Investment Advisors chosen to manage our funds will prepare reports of condition at least monthly for Investment Committee and Board review. Regardless of the number of investment advisors selected, the overall portfolio should not exceed the risk tolerance level currently in place.

**Arkansas Community Foundation Endowment:**

The Arkansas Community Foundation (ACF) is the repository for the corpus of the Organization's endowment. It will also serve as the source for liquidating gifts of securities given to the Organization, of which proceeds will then be transferred back to the Organization.

Endowment net assets consist of a contribution received from a donor, the corpus of which is to be maintained in perpetuity, and general contributions resulting from an internal designation by the Board of Directors. Contributions and income of the endowment are reported as increases to unrestricted net assets. The Organization attempts to ensure preservation of capital and to provide a satisfactory market rate of return in order to provide for its current and future needs. The income earned thereon is to be utilized for operating expenses incurred by the Organization.



# EVENT CASH LOG

Event \_\_\_\_\_

Date \_\_\_\_\_

Account Code \_\_\_\_\_

Beginning Cash (taken w/you) \$ \_\_\_\_\_ Volunteer \_\_\_\_\_

Staff Initials #1 \_\_\_\_\_

Staff Initials #2 \_\_\_\_\_

Total Cash End of Event \$ \_\_\_\_\_

Staff Initials #1 \_\_\_\_\_

Staff/Vol Initials #2 \_\_\_\_\_

Money Secured Where \_\_\_\_\_ Date \_\_\_\_\_

Money Delivered/Counted/Logged in Official Cash Log Confirmed Amt. Date \_\_\_\_\_

Staff Initials #1 \_\_\_\_\_ \$ \_\_\_\_\_

Staff Initials #2 \_\_\_\_\_

Cash Breakdown (Subtotals)			
	Item	Total	Code
1)	Beginning Event Cash Replenishment	\$ _____	_____
2)	_____	\$ _____	_____
3)	_____	\$ _____	_____
4)	_____	\$ _____	_____
5)	_____	\$ _____	_____
6)	_____	\$ _____	_____

Notes: