TREC Financial Management Resource

SAMPLE FISCAL POLICIES & PROCEDURES MANUAL: CANADIAN EDITION

Legal Disclaimer

Please note that TREC does not provide legal advice. This sample Fiscal Policies and Procedures Manual discusses a topic of general interest to employers. Because of the changing nature of this area of the law and the importance of individual facts, it is not meant to provide legal opinions and is not a substitute for the advice of an accountant.

These materials are provided for educational purposes only and should not be considered legal or other professional advice. TREC encourages all clients to seek the advice of competent professional advisors prior to adopting this, or any template document.

Table of Contents

DRAFT FISCAL POLICIES AND PROCEDURES MANUAL

I. PURPOSE OF THE MANUAL

This manual has been designed as a reference for staff and board of XYZ Organization (XYZ). XYZ was incorporated in the Province of British Columbia as a non-profit society. It is a non-profit organization exempt from tax under the provisions of S149(1).

The manual includes fiscal policies established by the board and the Executive Director, and fiscal procedures designed to implement those policies and provide simple methods to manage the organization's business affairs.

The manual will be updated periodically to reflect changes and clarifications in policies and procedures. The Executive Director will establish appropriate procedures to be certain that copies of the manual in use are updated and outdated policies and procedures are removed.

II. FISCAL MANAGEMENT POLICIES

A. Generally Accepted Accounting Principles (GAAP):

Financial statements are normally prepared in accordance with generally accepted accounting principles (commonly referred to as GAAP) which determine what information should appear in financial statements and how it should be presented. In Canada the major source of GAAP is the *Handbook* of the Canadian Institute of Chartered Accountants (CICA). XYZ follows the accounting and disclosure standards for not-for-profit organizations as contained in the CICA *Handbook.*

B. Methods of Accounting:

The CICA accounting standards identify two methods for accounting for contributions, the deferral method, and the restricted fund method. XYZ chose the deferral method, because it is generally easier to implement and more appropriate for smaller organizations. *Or* XYZ chose the restricted fund method, which involves reporting on a fund accounting basis. Note: the restricted fund method is often chosen by larger and more complex organizations, especially if comparability and compatibility within the group is considered important, and/or a funder has mandated fund accounting.

C. The Deferral Method of Accounting for Contributions:

There are three basic types of contributions: endowment contributions, restricted contributions, and unrestricted contributions. The basic principle underlying the deferral method of accounting for contributions is that contributions should be matched with any related expenses. Therefore the appropriate accounting for each type of contribution depends on whether there are any related expenses and when those expenses are recognized.

XYZ will account for the following contributions as follows:

Endowment
Recognized as a direct increase in net assets (the non-profit equivalent of retained earnings or accumulated surplus). (CICA paragraph 4410.29)

Externally restricted for expenses of future periods
Recognized as revenue in the same period(s) as the related expenses are recognized. (4410.31)

Externally restricted for the purchase of capital assets that will be amortized
Recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. (4410.33)

Externally restricted for the purchase of capital assets that will not be amortized (e.g. land)
Recognized as a direct increase in net assets. (4410.34)

Externally restricted for the repayment of debt incurred to fund expenses of one or more future periods
Recognized as revenue in the same period(s) as the related expenses (i.e. treated as if the contribution were restricted for the purpose that the debt was used.(4410.38)

Externally restricted for the repayment of debt incurred to fund the purchase of a capital asset that will not be amortized (e.g. land)

Recognized as a direct increase in net assets (i.e. treated as if the contribution were restricted for the purchase of the capital asset). (4410.39)

Externally restricted for the repayment of debt incurred for other purposes
Recognized as revenue in the period. (4410.40)

Externally restricted for expenses of the current period
Recognized as revenue in the period. (4410.45)

Unrestricted
Recognize as revenue in the period. (4410.47)

D. Equipment, Furnishings, and Real Property:

XYZ records equipment with a useful life of more than one year and cost of more than $300 as an asset. Equipment with useful life under one year and/or cost of $300 or less is recorded as an expense. Equipment purchased with restricted grant funding is coded to the expense account "Equipment - ABC Fund" where "ABC" is related to the fund providing the money during the fiscal year. This is so that the purchase may be easily tracked for reporting to the funder. At fiscal year end the totals of assets purchased are transferred to the asset accounts.

Amortization expense and an allowance for accumulated amortization are recorded for all equipment, furnishings, and real property owned by XYZ.

E. Donated Materials, Equipment, and Services:

XYZ records in-kind gifts of equipment as in-kind contributions, a revenue account, and as equipment, an asset account. Donated equipment is recorded at the fair market value on the date of donation. Fair market value is the price at which the item would be sold by a willing buyer to a willing seller.

Donated material that does not meet the definition of equipment is recorded as "in-kind supplies expense" and "in-kind contributions." Volunteer time of professionals in their professional capacity is recorded as "in-kind revenue" and "in-kind expense." Note: Board members' volunteer time is (not) recorded as either an "in-kind revenue" or "expense."

F. Inventory:

XYZ maintains a physical inventory of curriculum that includes written materials, videotapes or other products. During the year, purchases of printing services, contracted writing services, videotaping services, etc. are coded to a purchases account. At year-end, a physical inventory count is taken, which may be witnessed by the independent auditor, and a journal entry is made to back out purchases of inventory from the purchases account and adjust the inventory account to actual.

G. Cost Allocation:

XYZ may develop its cost allocations within its budgeting process, and uses these allocations as the basis of negotiations with funders.

XYZ develops an annual written cost allocation plan to fairly allocate shared costs among the various functions performed by the organization. The written cost allocation plan is utilized as the basis of negotiation of costs with funding sources. The cost allocation plan is applied consistently to all programs. It may be revised during the year upon approval of the Executive Director.

H. Restricted Funds:

Grants and contracts from grantors who restrict the use of funds are recorded in separate general ledger accounts as "Deferred contributions restricted to….." Expenditures linked to the purpose specified by the donor/grantor are recorded in separate accounts.

I. Functional Expense:

XYZ utilizes distinct cost centers to record costs of its distinct program and management functions. Each cost center contains the specific expense account line items needed to record the specific expenses of performing its respective functions.

J. General Ledger:

XYZ maintains a complete double entry General Ledger reflecting the complete chart of accounts and segregating costs by function and by restricted funding source requirements.

K. Budget:

The Board of Directors adopts a comprehensive organization-wide budget for each fiscal year. The budget reflects all anticipated revenues from all sources and all anticipated expenses. Board adoption of the budget constitutes authorization for staff to incur budgeted expenses.

L. Financial Statements:

To monitor the budget, the Board receives a balance sheet and statement of support, revenue, and expense for (each month during the month following the month for which the statements are prepared). The statements are presented to the board by the board Treasurer, who has reviewed them with the Fiscal Manager. *(Note: the fiscal management function may be performed by the Administrative Director or Executive Director. We will use the term Fiscal Manager in this document; you may insert whatever term your office uses.)* The financial statements facilitate identification of restricted and unrestricted funds and comparison of actual revenues and expenses to budget.

M. Audit/Review/Compilation:

The board selects an independent Chartered Accountant (CA) to conduct an annual audit, review or compilation of all funds of XYZ. The auditor is required to present the results of the audit to the board or a designated board committee.

N. Interest Bearing Accounts:

XYZ places funds in interest bearing accounts whenever practical and permissible by funding source agreements.

O. Bonding:

XYZ carries an Employee Dishonesty Bond insurance policy which covers the Executive Director and Fiscal Manager positions.

P. Line of Credit/Borrowing:

The Board of Directors has approved the establishment of a line of credit with *ABC financial institution).* The Executive Director and the Fiscal Manager are authorized to draw on the line of credit during times of short-term cash flow difficulties. The Executive Director and the Fiscal Manager may do so via a telephone draw down of cash into the XYZ chequing account. Currently, the line of credit has a *($x)* limit.

III. PURCHASES AND DISBURSEMENT PROCEDURES

A. Purchases:

Authorization by a supervisor is required prior to all purchases. Standing authorization for routine expenditures such as utilities and copier maintenance is provided by board approval of the annual budget. Employees desiring to make purchases outside the standing authorization items should put the request in writing, describing the item briefly, its cost, and the project to which it is to be charged, and give the request to the Fiscal Manager. The Fiscal Manager codes the request to the appropriate fund and cost center, and gives it to the Executive Director for approval. Once the Executive Director approves the purchase, the Fiscal Manager cuts the cheque. Alternatively, with approval of the supervisor, an employee may purchase the item with her/his own funds and submit a written request for payment, complete with receipt, to the Fiscal Manager who will prepare a reimbursement cheque.

B. Processing Invoices:

All invoices/statements from outside vendors will be routed to the Fiscal Manager who will review them to determine whether they are covered by a standing authorization or whether a written request has already been submitted for the item.

The Fiscal Manager supplies the account code. Once an approved request or standing authorization is available, the Fiscal Manager will prepare the cheque. The Fiscal Manager assembles invoices and bills, and types cheques on *(date, e.g. the fifteenth and the last day of each month).* The Executive Director sign cheques and returns the signed cheques to the Fiscal Manager. If the Executive Director is unavailable, the Fiscal Manager has cheque signing authority. The Fiscal Manager then mails the cheques, tapes the cheque stubs on to the account coding sheet and staples any backup information, such as an invoice, packing slip, etc., and files the document by vendor in the vendor files.

C. Cheque Preparation:

XYZ utilizes two-copy self-carboning cheques. The cheque document is the top copy; under it is the yellow carbon that will be attached to the invoice for filing, and photocopied for use by the (contract) bookkeeper for preparation of accounting records. The photocopied cheques are returned to XYZ by the bookkeeper for easy reference and to indicate any changes in coding the bookkeeper has made.

Void cheques are marked VOID. The original cheque is retained in the VOID cheque file. The yellow copy is destroyed.

D. Cheque Signatures:

The board authorizes cheque signers through board resolution. Cheques for under *($x)* require one signature; cheques for over *($x)* require two signatures. All cheque signers must review the documentation attached to the cheques prior to signing the cheques. Currently, the Executive Director, the Fiscal Manager and (three) Board members are authorized cheque signers. It is preferred that the Executive Director be the primary cheque signer. Whenever possible, the Executive Director is the signer for all cheques and the Fiscal Manager the second signer for cheques over *($x)*. *(Note: The organization needs to determine what size cheque requires two signatures. This size typically ranges from $500 to $5,000.)*

The Board may authorize the Fiscal Manager and Executive Director to make telephone transfers between XYZ bank accounts, and to utilize XYZ's line of credit over the phone.

E. Distribution of Cheques:

Once cheques are signed, the Fiscal Manager removes the attached documentation for filing and places the cheque in envelope for mailing. Cheques for staff reimbursements or purchases are released to the approved staff member. Payroll cheques prepared by the payroll service are distributed by the Executive Director or her/his designee.

F. Filing Paid Invoices:

Once cheques have been separated from paid invoices, the invoice, written cheque request, account coding form and yellow cheque copy are then taped and/or stapled together by the Fiscal Manager. These documents are filed by vendor chronologically, i.e. the most recent invoice placed at the top of the file. Reimbursements to employees are filed by employee in the vendor files, treating employees as vendors.

G. Employee Travel Expense Procedures:

All policies covering employee travel expense procedures are outlined in the XYZ Personnel Policies and Procedures Manual.

Some staff members who travel extensively for their jobs may be issued a company credit card for charging their job-related travel expenses. Personal charges should not be charged to XYZ credit cards.

Other employees may submit a request for a travel advance by estimating costs on a travel voucher form to the Fiscal Manager, or may submit their actual expenses with a travel voucher form for reimbursement after the travel. All travel advances must be reconciled with actual expenses incurred within 15 days of return from the travel. The reconciliation takes place on the travel voucher form, and the form must be submitted to the Fiscal Manager whether or not money is owed to the employee. When additional reimbursement is owed to the employee, the Fiscal Manager will cut a cheque on the next normal cheque processing day (e.g., the fifteenth or the last day of the month). When the employee owes XYZ money (because the advance was for more than the actual travel) a refund cheque, payable to XYZ, must be submitted with the travel voucher form to the Fiscal Manager. The Fiscal Manager then routes the cheque to the Office Manager for logging in to the Receipts Log.

XYZ will not pay for personal items or services while traveling.

Staff mileage reimbursement, currently at *($/kilometer)*, includes the cost of gasoline and wear/tear or actual expenses. Separate gasoline costs will not be reimbursed. Gasoline costs should not be charged to XYZ credit cards.

Staff travel expenses are coded to one of the following General Ledger accounts:

____, Staff mileage, for mileage costs
____, Staff per diem, for food and lodging costs (actual reimbursement, not per diem)
____, Staff airfare, for airfare costs
____, Reimbursable travel, for any reimbursable travel costs

H. Board Travel Expense Procedures:

Requests for travel advances must be submitted on a travel voucher form with estimates of costs to the Fiscal Manager prior to travel. Alternatively, XYZ will endeavor to arrange travel for board members on XYZ's account. When travel advances exceed actual cost the unspent portion should be returned to XYZ within 10 working days. If expenses exceed advance amount, XYZ will reimburse traveler within 10 working days. Optional: Childcare reimbursement shall be in the form of a stipend not to exceed *($x)* for any one trip. Meals purchased for others may be considered a XYZ expense, over and above per diem, if the board member is conducting official XYZ business, or providing a meal in exchange for a billet. Receipts are required for reimbursement of such meals.

Board members can plan travel through XYZ's Office Manager, who also coordinates travel for XYZ staff; requests for financial authorization must be made to the Fiscal Manager and the Office Manager will arrange for ticketing.

XYZ will not pay for personal items or services for board members while traveling.

Board meal expense reimbursement is based on a federal per diem rate for the given city *(e.g., $x for breakfast, $y for lunch or $z for dinner)*. Hotel reimbursement is based on actual cost based on a hotel receipt.

Board mileage reimbursement, currently at *($x/kilometer)*, includes the cost of gasoline and wear/tear or actual expenses. Separate gasoline costs will not be reimbursed. Gasoline costs should not be charged to XYZ credit cards.

Board travel voucher forms, with receipts, should be submitted to the Fiscal Manager within 30 days of travel.

Board travel expenses are coded to one of the following General Ledger accounts:

____, Board travel, for mileage and airfare costs
____, Board per diem, for food and lodging costs

IV. PROCEDURES FOR RECEIPT AND DEPOSITS FOR CASH AND CHEQUES

A. Funds Received at the Office:

The Executive Director identifies an employee other than the Fiscal Manager to sort mail and log all cheques received in the mail prior to giving them to the Fiscal Manager. Currently, this employee is the Office Manager. All receipts should be routed through this employee.

The information received with grant cheques from funders, including any cheque stub or correspondence, is passed on to the Fiscal Manager who files the information in the revenue section of the filing system, which is organized by General Ledger revenue account.
When cash payments are received in the office, the employee assigned to maintain the receipts log records the cash receipt in the log, and the Fiscal Manager *(may)* issue a receipt to the payer utilizing a pre-printed, pre-numbered, pre-carbonned triplicate receipt book. The original receipt is given to the payer. The first copy is attached to the daily receipts log. The second copy is retained in the receipt book.

B. Cash and Cheques Received Outside the Office:

Occasionally employees will be given cash and cheques at meetings or events held outside the office. Any cheques and cash received outside the office are brought back to the office by the employee who received them, and given to the Office Manager who logs them into the receipts log.

The receipts log is totaled weekly by the Office Manager, and proofed to the cash receipts/accounts receivable journal by the Fiscal Manager.

C. Maintaining the Cash Receipts/Accounts Receivable Journal:

The Fiscal Manager maintains a manual cash receipts/accounts receivable journal. The journal lists the date received, payer, invoice number where applicable, and amount of each receipt. Amounts received through out-of-office collection procedures are entered in the cash receipts/accounts receivable journal with appropriate receipt number references. Cash receipts which lack a receipt number are entered with the words, "Cash Sale," or "Cash Donation." Each receipt entered in the cash receipt/accounts receivable journal is then spread to the appropriate column on the journal to indicate accounts receivable payment, direct mail donation, sale of curriculum, workshop registration, etc. The Fiscal Manager adds and proofs the pages of the journal, and indicates deposits by skipping a line in the journal and writing the date and the deposit total in the journal.

D. Bank Deposits:

The Fiscal Manager will prepare all bank deposits with duplicate deposit slips. Each deposit ties out to the cash receipts/ accounts receivable journal.

The Fiscal Manager lists the total cash deposited on the bank deposit slip and on the carbon copy of the deposit slip. The Fiscal Manager compares the bank deposit total to the cash receipts/accounts receivable journal total and reconciles any differences before deposit. A deposit should be made at least once a week, and always on the last day of the month. The Fiscal Manager writes the deposit total in the chequebook.

V. PROCEDURES FOR ACCOUNTS RECEIVABLE

A. Payments from Funders:

Payments from funders received in the mail are opened by the Office Manager, who routes them to the Fiscal Manager. The Fiscal Manager logs them into the Accounts Receivable/Cash Receipts journal, noting the funder name and amount and spreading the amount to the Miscellaneous column of the journal. The bookkeeper codes the receipt to the correct fund and account. If it is a cost reimbursement on a grant or contract, the payment is credited against the Grants receivable account in the appropriate fund. Grants and contracts which send an equal monthly payment are treated in the same way as cost reimbursable grants and contracts: payments are credited against Grants receivable, and revenue is recorded based on actual expenses incurred. Grant payments received in advance of the grant period are coded to a deferred revenue account in the appropriate fund. (These funds may be reclassified as Temporarily Restricted revenue by the auditor for the year-end audited financial statements.)

VI. BILLINGS AND FISCAL REPORTS TO FUNDERS

All financial reports to funders are to be prepared directly from the General Ledger of XYZ by the Fiscal Manager. Staff responsible for supervision of grant/contract funded activities will prepare all required narrative portions of funder reports and review all fiscal portions prepared by the Fiscal Manager prior to submission.

Whenever feasible, the General Ledger amounts will be established to correspond to funder fiscal report categories. When this is not feasible, the Fiscal Manager will prepare worksheets for each fiscal report documenting the source of all information reported by General Ledger account number and funder report line number or caption.

VII. PAYROLL PROCEDURES

A. Payroll Service:

An outside Payroll Service (may be) used to prepare paycheques, payroll tax reports, and employee payroll records. If so, copies of all payroll journals, payroll tax reports, and individual payroll records must be maintained at XYZ. The Fiscal Manager is responsible for assuring the completeness and order of the payroll record files.

B. Pay Periods:

XYZ utilizes a *(monthly/semi-monthly/biweekly)* pay period, with paycheques issued on *(the last day of the month)* for that *(period)*'s hours.

C. Processing of Monthly Timesheets:

Each employee is responsible for recording his or her daily hours worked on a monthly timesheet. Days taken off for sick, holiday, or vacation leave must be recorded on the monthly timesheet to their supervisor for approval on the last working day of the month. Employees are required to record out of office work hours on their timesheets for Workers Compensation Board (WCB) reporting requirements. The supervisor reviews the timesheet for correct recording of hours worked and hours taken as sick, holiday and vacation leave and initials the completed timesheet to indicate approval. Timesheets must indicate the number of hours worked by project and grant. The supervisor turns in all approved timesheets to the Fiscal Manager no later than *(e.g., two days prior to the last day of the month)*. Hourly employees must project their hours for the last two days of the month. These projected hours are then corrected or adjusted, as necessary, by the Fiscal Manager, in the following month's pay cycle.

The Fiscal Manager verifies the totals of hours worked and used as sick, vacation, or holiday leave on each timesheet. The Fiscal Manager compares the sick and vacation leave to the employee's master record of sick and vacation leave available to verify that hours taken as paid leave were available. The Fiscal Manager initials any lines on the time sheet she/he has changed as part of the review process, and adjusted timesheets must be re-signed by the employee and supervisor. The Fiscal Manager then completes the vacation and sick worksheets for each employee for that month.

Once the timesheets have been reviewed and corrected, the Fiscal Manager fills out funding source on the time sheet. S/he then completes the timesheet form provided by the payroll service and calls the information in to the payroll service.

D. Review and Distribution of Paycheques:

The Fiscal Manager picks up the prepared paycheques and payroll journal and compares the documents to the timesheets to be certain that the correct hours worked have been recorded. Once s/he has reviewed the payroll documents and initialed the payroll journal indicating her/his review, she/he gives the paycheques and journal to the Executive Director. The Executive Director spot cheque the payroll, and satisfies her/himself that all employees being paid are bona fide employees and that no payroll amounts appear unreasonable. The Executive Director then signs the paycheques and passes them back to the Fiscal Manager for the second signature, if needed. (Note: If a payroll service is used, XYZ may give the service authorization to issue paycheques from XYZ's account. Paycheques are then delivered to the Fiscal Manager for signature and distribution to employees.)

Once the paycheques are signed, they are given to the Fiscal Manager for distribution to the employees. Employees of XYZ have the option of direct deposit of their paycheques.

E. Payroll Tax Deposits:

The payroll service computes all withholding tax deposit requirements. With each monthly payroll listing, the payroll service prepares instructions for payroll tax deposits. The Fiscal Manager prepares deposit coupons and cheques, and gives them to the Executive Director for signature. The Executive Director gives the coupons and cheques back to the Fiscal Manager for second signature, if needed.

F. Recording the Payroll Cheques in the Chequebook:

The Fiscal Manager records the total net amount of cheques and directly deposited cheques in the chequebook with the date, and the words "Net Payroll" or "Net Direct Deposit Payroll" for description. The cheques prepared by the Fiscal Manager for payroll tax deposits are recorded in the chequebook with all other cheques issued by the Fiscal Manager that day.

G. Payroll Records:

The payroll service is required to supply a printed payroll journal for each pay period and copies of all payroll tax reports *or* The Fiscal Manager must keep a payroll journal and reports of payroll tax reports. The Fiscal Manager maintains files for the payroll journals and payroll tax reports.

H. Benefit and Miscellaneous Payroll Payments:

The Fiscal Manager generates cheques for health and retirement benefits and for any wage garnishments.

I. Allocation of Staff Time:

The Fiscal Manager uses the timesheet records for the month to update the spreadsheet of staff time allocations so that it accurately reflects actual time spent. The spreadsheet is then used by the (contract) bookkeeper to spread payroll, payroll taxes, and benefits to the correct fund and cost center.

J. Workers Compensation Reports:

The Fiscal Manager prepares semiannual Workers Compensation reports. S/he prepares a worksheet for breaking out hours worked into clerical (for in-office) and out of office classification, and for recording vacation hours. This worksheet is the basis for the final Workers Compensation report.

VIII. DAILY CASH BALANCE

The Fiscal Manager maintains a chequebook for the chequing account. At the end of each day's processing of receipts, disbursements, and payroll, the Fiscal Manager enters all disbursements into the chequebook for the chequing account by entering each cheque on a line including date of cheque, payee, cheque number, and amount.

On days on which the payroll service provided paycheques, the chequebook will have an additional line for payroll, with the date and total net amount of the payroll.

The Fiscal Manager also enters the amounts deposited by date into the chequebook. Deposit entries are made for totals only, showing date and amount. If no deposit is made on a day, no entry is made.

The Fiscal Manager computes the daily cash balance in the chequebook by adding deposits made to the previous balance and subtracting cheques written. The chequebook is reconciled to the monthly bank statements. Any bank charges or other bank entries must be recorded in the chequebook as soon as notification is received from the bank. The contract bookkeeper also reconciles the Cash in Chequing General Ledger account to the bank statement on a monthly basis.

The chequebook is used to determine whether funds are available for disbursements. The Fiscal Manager is responsible for projecting cash needs and evaluating whether sufficient cash will be available when needed.

When the Fiscal Manager identifies potential cash flow problems, s/he notifies the Executive Director who is responsible for resolving cash flow problems.

IX. GENERAL LEDGER

A. Monthly General Ledger Preparation:

The Fiscal Manager is responsible for preparing the materials needed by the (contract) bookkeeper to prepare the General Ledger each month. S/he is also responsible for initial review of the computer processed General Ledger when it is returned by the bookkeeper, and for maintaining files of the printed General Ledgers.

The following data is prepared by the Fiscal Manager for the bookkeeper:

A. A complete set of photocopied cheque copies in cheque number sequence for the entire cheque range processed during the month (including voids) - all cheque copies must be coded to the correct line item, fund and cost center.

B. Copy of the payroll journal.

C. The complete set of pages of the cash receipts/accounts receivable journal for the month.

D. A listing of all outstanding invoices for goods or services received prior to month end for which payment was not made by month end, including expense account, fund and cost center information for each invoice.

E. A reconciliation of accounts receivable for the month, including balance forward at the beginning of the month; total new sales on account (from the cash receipts/accounts receivable journal); total payments for the month (from the cash receipts/accounts receivable journal); and adjustments; ending balance; and a list of all outstanding invoices which total ties to the ending balance.

F. The updated spreadsheet listing each staff member's allocation of time by fund and cost center *(may be omitted if the annual budget process includes tracking funds and cost centers)*.

G. The updated spreadsheet listing vacation time accrued and vacation time used for each employee.

H. Any adjustments to prior month's General Ledger.

I. The bank statement for the chequing account, and for the savings account on a quarterly basis.

J. Any other information relating to transactions in that month (voided cheques; deposits to the savings account; electronic drawdowns; etc.)

K. Any award letters from funders/donors

The (contract) bookkeeper reviews the information provided by the Fiscal Manager and discusses any questions on coding with her/him. The bookkeeper records any disbursements previously recorded as payable to the accounts payable account, and makes adjustments for changes in payable amounts.

B. General Ledger Entry Procedures:

XYZ's General Ledger is maintained by the bookkeeper. A copy of the Chart of Accounts are attached at the end of this manual.

The bookkeeper enters all disbursements into the computerized General Ledger, maintaining one set of journals for cash disbursements and one set for payroll cash disbursements. S/he proofs the cash receipts/accounts receivable journal and verifies month end totals, and enters all deposits into the General Ledger using a revenue receipts journal. S/he prepares a set of General Journal entries from the information provided, recording:

- Accounts receivable sales (from cash receipts/accounts receivable journal)
- Accounts payable (from list of outstanding invoices provided by the Fiscal Manager)
- Prepaid expenses (from a schedule maintain by the bookkeeper)
- Salary reduction plan adjustments to employee benefits (from the payroll journal)
- Payroll taxes (from a worksheet she prepares based on the payroll journal)
- Vacation time accrued by employees (from the spreadsheet provided by the Fiscal Manager)
- Vacation time used by employees (from the spreadsheet provided by the Fiscal Manager)
- Interest earned on bank accounts (from the bank statements)
- Visa/Mastercard deposits and sales revenue (from the Visa/Mastercard log, with confirmation on the bank statement)
- Any other bank account activity not recorded through cash receipts or cash disbursements (such as electronic draw downs, monthly donor program deposits or bank charges)
- Depreciation expense and accumulated depreciation on fixed assets (from a schedule prepared by the Fiscal Manager)
- Any adjustments to accounts receivable (from the accounts receivable reconciliation)

- Any adjustments to prior months (these are coded into the current month)

After posting these entries, the bookkeeper reconciles the Cash in Chequing account to the bank statement, verifies balances in the accounts payable, accounts receivable, prepaid expense, and payroll liability accounts, and prepares a second set of General Journal entries. These entries correct any errors in posting and record:

- Grants and contracts receivable and revenue earned for the month, based on expenses incurred in the month for each reimbursable grant or contract (this procedure is followed even if the grantor sends equal monthly payments).

- Deferred revenue recognized/grant revenue earned, based on expenses incurred in the month for each grant which has advanced XYZ money

After posting these entries and proofing the financial statements, s/he prints out a full set of financial statements and the month's General Ledger in detail, and prepares an updated list of accounts payable. S/he delivers these to the Fiscal Manager for review with the Executive Director.

C. Review of the General Ledger and Financial Statements:

Upon receipt of the computer processed General Ledger and financial statements, the Fiscal Manager is responsible for initial review of the statements and the General Ledger printout. The purpose of this initial review is identification of any entries posted to incorrect accounts. The Fiscal Manager is not expected to verify each transaction. Instead, s/he should scan the statements for apparently too high or too low amounts in line items and look up the questionable line items in the General Ledger for closer review. The Fiscal Manager should scan the entire General Ledger print out to be sure that there are not obvious mispostings. If the Fiscal Manager finds possible errors, s/he should discuss them with the bookkeeper and arrange for correction if needed.

The Fiscal Manager should be certain that the bookkeeper has returned the cheque copies and cash receipts/accounts receivable journal pages. The bookkeeper keeps the rest of the information in files at her/his office.

The Fiscal Manager then makes photocopies of the statements for the board, and forwards the financial statements and the General Ledger printout to the Fiscal Manager, who reviews them and files them. If the Fiscal Manager notes any questionable variances in comparing actual to budget, s/he meets with the appropriate program manager and/or project director to determine what happened and whether further action is needed to correct the problem.

X. FINANCIAL STATEMENTS

The monthly financial statements include a Balance Sheet and a Statement of Support, Revenue, and Expenses. The revenue and expense statement includes both the current month and the year-to-date amounts and a comparison to budget. Separate revenue and expense statements by grant and contract (fund) are prepared to facilitate monitoring the various grants, and statements which break out costs by cost center (functional statements) are also provided.

The Fiscal Manager has primary responsibility for monitoring the financial statements and alerting the Executive Director, who will alert board members to financial choices or problems. The Executive Director is responsible for assuring overall compliance with grant and contract agreements, and consequently must monitor the financial activity for each grant/contract and take corrective action if problems occur.

XI. BUDGET PREPARATION, MONITORING AND REVISION PROCEDURES

The Fiscal Manager prepares XYZ's organizational budget for each fiscal year, by fund, cost center, and line item. The budget is reviewed with the Executive Director and the board Treasurer, who present it to the full board for discussion and approval.

Revisions to the annual budget are necessary when new funding sources are received mid-year. The Fiscal Manager prepares budget revisions, including both the new funding source budget and any changes to other budgets caused by changes in cost allocations. The revisions are reviewed by the Executive Director and the board Treasurer, who then present the revisions to the full board for approval. Since the full board meets (e.g. only quarterly), mid-year revisions may be approved by the Executive Committee.