

# **NeighborWorks of Western Vermont**

## **Financial Policies and Procedures**

**Last Board Review and Approval: February 2022**

Updated 2008, 2014, 2022

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## **Section 1**

### **Financial Policies and Procedures Manual**

The Board of Directors of NeighborWorks of Western Vermont (NWWVT) have developed and enacted the following financial policies and procedures.

These policies and general operating procedures were enacted and are being adopted for the effective operation of NWWVT. The day-to-day functional implementation of these policies and procedures is the responsibility of the Finance Director or CFO under the supervision of the Executive Director of NWWVT.

The purpose of these policies and procedures is to serve as governance in making decisions involving the management and operation of NWWVT. The manual will also provide employees with information on NWWVT's policies and procedures with respect to accounting and financial management.

Financial policies and procedures may be amended through the Board of Directors on recommendation of the Executive Director and/or the Executive Committee and/or the Finance Committee. Financial policies and procedures should be reviewed regularly by NWWVT to determine if any changes are necessary.

#### **Purpose of the Manual**

The American Institute of Certified Public Accountants (AICPA) defines accounting control as "The plan of the organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records."

The control features built into a financial management system will ensure that:

- Transactions are executed in accordance with management's general or specific authorization.

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- Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles, generally accepted auditing standards or any other criteria applicable to such statements and (2) to maintain accountability for assets.
- Access to assets is permitted only in accordance with management's authorization.
- The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Although conditions change, resulting in revisions of procedures, these four objectives remain constant. Documenting policies and procedures in this manual is essential for achieving maximum compliance with internal controls. In addition, this manual will serve as a valuable reference during times of employee turnover or illness.

## **Section 2**

### **Record Retention**

NWWVT maintains a separate records retention policy that covers the entire organization including accounting and finance documents.

## **Section 3**

### **Receipt of Cash & Checks**

The receipt of cash and checks is divided into two general areas:

- **Cash / Check collections (Walk-Ins)** The collection, control, and deposit of amounts due to NWWVT from cash sales, collection of accounts receivable, and other sources that are brought directly to NWWVT.

- **Check Collections (Mail)** - The collection, control, and deposit of amounts due to NWWVT from sales, collection of accounts receivable, and other sources that are received via the US Mail or other service.

### **Finance Director or Chief Financial Officer (CFO) Responsibilities**

The Finance Director or CFO has been delegated responsibility and authority for the following operations:

- Development and dissemination of standards for the custody and accountability of cash and checks
- Development and maintenance of systems to deposit cash and record cash in the Accounting System
- General supervision of cash handling operations
- Overseeing the day-to-day cash handling function
- Developing and issuing specific cash handling procedures
- Coordinating with other staff

### **Cash / Checks Collections (Walk-Ins)**

Receipts are issued to the payee for both cash and checks. Receipt books are pre-numbered. All cash and checks are then stored, with all funds received in the mail to be recorded on the daily log.

### **Checks Collections (Mail)**

Checks that are received by the front desk are removed from their envelope and stamped for deposit only. They are then recorded in a daily log sheet by someone other than the front desk. The daily log will indicate:

- The date received
- The check date and check number
- The Payee name
- The amount
- The loan number, if applicable



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- Any additional notes from sender, as applicable

Once the logbook is completed the checks and deposit slips are transferred to the staff accountant, or representative in the finance department.

### **Deposits**

Staff, on a daily basis, make deposits unless circumstances make this inefficient or unnecessary. If a deposit is not made checks and cash are securely stored.

### **Segregation of Duties**

Two separate employees will perform the handling of cash receipts. The staff responsible for receiving cash and checks and developing the deposit slip will not be the same person making the deposit, recording the payments, authorizing write-offs, or reconciling bank statements.

- The customer service coordinator will receive all checks and create the daily log and deposit slips. When the receptionist is not available the heat squad program assistant or other non-finance department individual will perform this role.
- A member of the finance department will deposit checks and record the non-loan receivable payments and loan payments to a loan receivable account.
- The loan servicing staff will record all loan payments in the servicing software.
- A member of the finance department will prepare bank account reconciliations and a separate member will review the reconciliations.
- All cash disbursements will be approved by the executive director or another authorized individual approved as a check signer.

**Commented [HS1]:** This should all not be capitalized.

## **Section 4**

### **Petty Cash**

The purpose of a petty cash fund is to provide the organization with ready cash for the payment of various small expenditures, such as short postage, office supplies, and the like.

### **Establishing a Fund**

The Petty cash fund should not exceed two hundred (\$200) dollars. A petty cash fund can be established for each office when appropriate.

### **Maintaining the Fund**

1. The cash should be kept in a locked drawer or cabinet with the key in the custodian's possession.
2. A Petty Cash Receipt Form must be used to document the disbursement of cash.
  - a. The Form must be supported by original receipts (i.e., cash register, credit card, store, cab receipt, etc.).
  - b. For reimbursement of business meals the names of the individuals in attendance, the business purpose, date, and place of meeting must be clearly stated on either the form or the supporting documentation.
3. Disbursements of cash without proper support may be grounds for closing the petty cash fund or employee discipline.
4. The receipts, plus cash on hand, should equal the total amount of the fund at all times.
5. The fund is subject to audit at any time without prior notice.
6. To change the custodian of the fund requires authorization from the Executive Director.
7. The Finance Manager or CFO will perform unscheduled audits on the Petty Cash fund as deemed appropriate based on amount, frequency of replenishment, and nature of reimbursements requested.

### **Changes in Petty Cash Fund**

1. An increase to the fund requires a written request to the Executive Director stating the reason for the increase.
2. Closing or decreasing the petty cash fund requires a written request to the Executive Director stating the reason for the decrease or the closing.

### **Restrictions on Use**

The petty cash fund cannot be used to:

1. Purchase goods currently covered by a negotiated contract.
2. Pay personnel services (i.e., typing, photography, entertainers, caterers, etc.) that would be considered either wages (salary) or Independent Contractor payments. All payments for personnel services must be paid through either:
  - a. The Payroll System as wages, or
  - b. The Accounts Payable System if payment is being made to an independent contractor.
3. Reimburse expenditure greater than fifty (\$50) dollars.
4. Pay travel expenditures, except for local travel.
5. Make personal loans, salary advances or to serve as a check cashing fund.

### **Segregation of Duties**

The Executive Director will designate a custodian of the Petty Cash at each site.

Replenishments of Petty Cash will follow the cash disbursement approval process ensuring that the disbursement approver is not the same individual requesting petty cash.



## **Section 5**

### **Cash Disbursements**

General guidelines for cash disbursements includes:

- All cash disbursements are made by check or Electronic Funds Transfer (EFT) (with the exception of petty cash)
- All checks are to be pre-numbered and accounted for by a check custodian (this includes all used, voided, and not used checks).

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- Voided checks are to be properly defaced and maintained.
- All checks are to be held in a secure location

### **Processing Invoices**

The Executive Director, department head, or other authorized employee must approve all invoices for payment. The approving employee should have sufficient knowledge of the transaction to validate its accuracy and completeness.

Check signers compare data on supporting documents to checks presented for their signature as a second review. The invoice approver and check signer should not be the same individual.

Checks for payment are signed only when supported by approved invoices (checks will not be processed and signed in advance of proper invoicing approval procedures).

### **Segregation of Duties**

The employee responsible for approving invoices, approving wires, and signing checks will not be responsible for recording cash disbursements. Check signers compare data on supporting documents to checks presented for their signature as a second review. The invoice approver and check signer should not be the same individual.

All modifications to vendor data are reviewed and verified by someone other than the editing staff. All new vendors are created by an individual and reviewed by a separate individual.

### **Internal Controls**

Supporting documentation is attached to a check stub that indicates: check number, date paid, and amount. Supporting documentation is noted as approved for payment by an authorized individual. The coding of accounts for each payment is reviewed for accuracy.

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NWWVT finance staff will ensure that all costs paid through the utilization of external funding sources are recognized as ordinary, necessary, within the budget, are arm's length transactions, and do not deviate from established practices of the organization.

A cost will be considered reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.



## **Section 6**

### **Accounting & Reporting**

The general accounting function consists of business processes that maintain NWWVT's general and subsidiary ledgers, prepare reports from these ledgers and other accounting records, and safeguard NWWVT's assets.

The Finance Manager or CFO has authority to prepare and, after necessary consultations, define the responsibility for the general accounting function and processes. The Finance Manager or CFO develops, installs, and oversees the operation of suitable business systems to accomplish this function.

The general ledger system consists of balance sheet accounts contained in the general ledger and revenue and expense accounts contained in the general ledger and subsidiary ledgers. They are the official records of NWWVT. The general ledger accounting function includes the processes of maintaining these accounts and the integrity of the data in them.

The Finance Manager or CFO has the authority for day-to-day operations of the general accounting function and for the processing of transactions through the general ledger system.

## **Operational Policies and Procedures**

The Finance Manager or CFO is responsible for:

- Developing and issuing policies and procedures for general accounting processes.
- Developing and maintaining manual and computer systems.
- Providing general supervision to operations.

The Finance Manager or CFO has responsibility and authority for the general ledger system as it relates to NWWVT-wide activities, as well as other NWWVT-wide systems.

NWWVT's financial reports provide information helpful in evaluating how resources are managed to attain NWWVT's goals. These financial statements are prepared, as required, using generally accepted accounting principles for nonprofits.

To account for the diversity of resources available, the principles and practices of fund accounting are used as the basis for NWWVT's accounting.

## **Annual Audited Financial Report**

The annual audited financial report presents NWWVT's financial activities for the fiscal year covered and the financial position at the close of the period. The report contains Financial Statements, which are prepared in accordance with FASB 117. These include:

- A Statement of Financial Position
- A Statements of Activities
- A Statement of Functional Expenses
- A Statement of Cash-Flows

In addition, the annual financial report will include:

- Notes to the Financial Statements
- Supplementary Schedules as needed
- The independent auditor's opinion of these statements.

- Other required reports as needed.

### **Internal Reports**

The Finance Manager or CFO will be responsible for compiling monthly and year-to-date reports as needed. The monthly reports include:

- Balance Sheet
- Statement of Activities (by Line of Business)
- General Fund Statement of Activities (versus budget)
- Forecast of General Fund Activity

Additional reports may be generated as necessary to provide further insight. Examples are:

- Revenue source, type and restriction
- Expense type, tied to source and restrictions
- Asset and liability classifications
- Net Assets by restriction

Financial reports are reconciled to the general ledger and accounting records prior to submission to management and any funding source.

Internal financial reports, which analyze NWWVT'S financial position and the effectiveness of its management and programs, will be presented to Management and the Finance Committee of the Board of Directors and also reported within the board packets.

Reports will be provided to all funding sources as requested or required by contract.

NWWVT'S finance and accounting staff will maintain records that identify adequately the source and application of funds for all activities. These records shall contain information pertaining to awards, authorizations, obligations, assets, outlays, income and interest.

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Records to be maintained include copies of contracts, invoices, proof of payments and allocation tracking when costs are distributed among several funding sources.

#### **Definitions**

**Statement of Financial Position** - Reports financial status at a specific point in time and specifies what NWWVT owns (assets), owes (liabilities) and worth (net assets), segregated by restriction.

**Statement of Activities** - Reports any changes in financial position between reporting dates. The statement includes all restricted group classifications.

**Statement of Revenue and Expenses** - Current revenues showing the details of revenues by source, and restriction, and the use of those resources.

**Statement of Functional Expenses** - Revenue and Expenses categorized by functional activity. Functional activity is segregated between program services and supportive services.

**Supplementary materials** - Supplementary schedules and materials prepared and published as necessary to provide details in support of the basic statements that may be useful to various interest groups.

## **Section 7**

### **Fund Accounting**

Fund accounting is the procedure by which resources are classified into segregated groups according to specified activities or objectives for financial accounting and reporting purposes. This classification is according to regulations, restrictions, or limitations imposed by sources outside NWWVT, or with directives issued by the Board of Directors.



## **Funds and Fund Groups**

A fund is an accounting entity with a self-balancing set of accounts consisting of assets, liabilities, and net assets. Separate accounts are maintained for each fund to ensure limitations and restrictions placed on the use of resources are observed. For reporting purposes funds of similar characteristics are combined into fund groups. Examples of fund groups used by NWWVT at the time of this revision are:

- Operating Fund (referred to as the General Fund in the accounting records)
- Loan Funds
- Real Estate Funds

The Operating Fund is further classified by:

- Grants
- Program Services
- Supportive Services

The Loan Fund is broken down by investors that change over time. Examples of investors are:

- NeighborWorks America Capital Fund
- VCDP Loan Fund
- CDFI Loan Fund

## **Operating Funds**

This fund group includes the expendable resources of NWWVT for carrying out the primary mission of NWWVT. They represent resources available for general operations.

**Temporarily restricted funds** - Funds available for operations that have externally established limitations as to specific purposes, programs, or have time restrictions.

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**Unrestricted funds** - Resources received with no limitations placed on them by external agencies or donors, or funds generated through fees, sales, profits, etc.

**Endowment and Similar funds**

Donors or other outside agencies sometimes set up funds with the stipulation that the principal remain intact. The income generated from such principal may be expended, but generally for some specific purpose. This group also contains several other types of funds that are similar in nature to endowments. Separate accounts are kept showing the various accountabilities.

**Loan funds**

This fund group includes cash available to be lent and loans made to customers. These funds come from a variety of sources, for which separate funds are maintained for accountability as needed.

**NWA Loan Fund**

Neighborhood Reinvestment Corporation dba NeighborWorks America (NWA) grants capital funds to NWWVT, which were previously received as restricted funds. NWWVT uses NWA capital grants for the purpose of providing loans to income qualified residents. Uses of the NWA capital are approved in compliance with the grant agreements.

Since all NWA funds and assets were previously received as permanently restricted, the total amount of capital funds received from NWA must be kept in the NWA fund, the total assets less the total liabilities must always be equal to at least the amount of capital funds received. Any excess funds generated through interest or by fees may be transferred to the Operating fund. NWA from time to time allows NWWVT to apply to release funds from restriction. When funds are released, they are moved to the general NWWVT loan account or transferred to the operating fund as needed.

## **Section 8**

### **Accounting Basis**

NWWVT maintains its accounts and prepares financial statements using the accrual basis of accounting. Under this method of accounting, revenues are reported when earned, and expenditures are reported when materials or services are received. Under this method of accounting, expenses incurred at the balance sheet date are accrued and expenses applicable to future periods are deferred.

Accrual accounting, particularly when government funds are involved, may need to be modified to meet timing and reporting needs and specific measurement objectives of the organization. These adaptations can best be referred to as "modified accrual accounting." NWWVT may use a modified accrual accounting system if required by a funder.

### **Encumbrances**

Under the NWWVT'S accrual accounting system, expenses are not reported until the materials or services are received. However, these anticipated expenses may be considered potential or actual financial obligations (a legal agreement to pay) under certain circumstances. Where appropriate the encumbrances will be recorded in the accounting system. Encumbrances may be classified as commitments (funds set aside for anticipated expenses, such as purchase requisitions) or as obligations (legal requirement to pay, such as purchase orders).

### **Chart of Accounts**

NWWVT'S chart of accounts and other classification methods used for financial data are to meet the financial reporting needs of the NWWVT.

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The Finance Manager or CFO has the authority to create the chart of accounts and other necessary financial accounting classification methods, and develop and implement suitable business procedures to maintain them. These authorities apply to the chart of accounts and any other financial classification methods. The Finance Manager or CFO is also responsible for ensuring that the coding system meets the requirements of NWWVT.

#### **Chart of Accounts and Accounting Codes**

NWWVT uses an accounting package designed for non-profits. Each segregated fund has its own unique chart of accounts. The basic structure of the account codes is depicted in the table below.

Account ID	Category
10000 through 12999	Cash and Cash Equivalents
13000 through 14499	Other Current Assets
14500 through 15899	Fixed Assets
15900 through 16999	Loans receivable
17000 through 19999	Real Estate Development Assets
20000 through 23999	Current Liabilities
24000 through 29999	Long Term Debt and Related Liabilities
30000 through 39999	Net Assets
40000 through 49999	Income
50000 through 99999	Operating Expenses

## **Section 9**

### **Cost Allocation**

NWWVT cost allocation plan is designed to allocate labor and expenses charged to support services to the various programs and grants operated by the organization. The Cost Allocation Plan is as follows:

1. Costs are allocated to Program Services which may change from time to time.
2. Program Services as of this draft are defined as:
  - Lending
  - Home Repair
  - New Construction
  - Education and Counseling
  - Rental Housing Services
  - Energy Efficiency Services
  - Realty
3. Support Services are defined as:
  - General Administration including Resource Development & Fundraising

### **Allocation Plan**

1. All staff must allocate their time on a half hour basis to Programs or Support Services.
2. All timesheets must account for staff time by Program and Support Services
3. All vacation, sick, and personal time will be allocated to Program and Support Services based on the most recent cost allocation of the employee using the non-productive time.
4. All expenses directly attributable to a Program or Support Services will be expensed to that program(s) or service(s)
5. All expenses that are not readily identifiable to a particular program or service will be expensed Support Services and allocated based on the most recent cost allocation to all Programs.

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## **Section 10**

### **Investment Function**

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The Board of Directors adopts a NWWVT policy(ies) on investments and delegates the execution of those policies to the Executive Director. The Finance Manager or CFO has been delegated transaction authority to assist the Finance and Audit Committee (Finance Committee) and Executive Committee of the Board in investments.

### **Responsibilities**

The Finance Committee and Executive Committee meet as necessary to review the investment policy of the Board of Directors. The Committees meet regularly to review policy compliance, asset allocation, portfolio and Director performance, and other policy questions.

The Finance Manager or CFO has been delegated the authority and responsibility to develop, and, after necessary consultations, disseminate the necessary guidelines and procedures regarding the investment of NWWVT funds. The Finance Manager or CFO is also authorized to develop, install, and oversee the operations of suitable business systems to accomplish this function. Requests for exceptions to approved investment policies should be addressed to the Executive Director.

### **Operating Funds Investment Policies**

The operating funds of NWWVT represent operating funds available for current use in support of NWWVT'S programs and support functions. Operating funds are pooled to provide NWWVT continuity, investment flexibility, and efficient administration.

Operating funds with unique requirements, which prevent participation in the pool, are separately invested. Funds earmarked for loans and funds generated through debt issues are generally separately invested in order to meet funder requirements and to foster project accountability. Separately invested funds will follow the quality guidelines contained in the operating funds policy, but the maturity structure will be guided by projected cash flows.

### **Definition Of Responsibilities**

The Board of Directors is responsible for establishing the investment policy that is to guide the investment of NWWVT'S funds. The investment policy describes the overall level of risk the Board of Directors deem appropriate.

Investment Directors are appointed to invest the operating funds in accordance with the policy but apply their own judgments concerning relative investment values. Investment Directors are accorded full discretion, within policy limits, to select individual investments and diversify their portfolios.

### **Investment Objective**

Operating funds are invested to preserve the value and safety of the principal, maintain liquidity appropriate to the forecasted working capital requirements of NWWVT, provide prudent diversification and maximize the rate of return. Funds expected to be used within one year are invested in money market instruments to ensure they are available for expenditure. Core operating funds are those that are not needed for liquidity purposes. Core operating funds will be invested in longer maturity investment instruments in order to earn a higher return. These longer maturity investments will experience some variation in market value as capital market conditions change. This market value variation is acceptable since these investments are not expected to be utilized to meet liquidity needs. Operating funds are invested as a pool to provide NWWVT continuity, investment flexibility, and efficient administration.

### **Delegation of Authority**

The NWWVT Finance Manager or CFO is authorized to invest NWWVT operating funds at his/her discretion in investments consistent with the Board of Director's policy and/or with Investment Directors appointed by the Board of Directors.

## **Reporting and Review**

The operating funds investment policy shall be reviewed as needed by the Board of Directors. The Finance Manager or CFO prepares quarterly investment and performance reports for the Board of Directors when funds are invested in longer term options.

The total operating funds portfolio is broadly diversified across securities in order to reduce the impact of losses in individual investments in a manner that is consistent with fiduciary standards of diversification. This diversification shall be achieved by employing multiple investment Directors and by imposing 5% maximum position limits with the exception of U.S. government securities for each Director.

## **Liquidity**

The Finance Manager or CFO will be responsible for maintaining adequate cash balances for the liquidity needs of NWWVT. The Finance Manager or CFO will make recommendations of any need for cash withdrawals from the investments to the Executive Director. The Executive Director must approve all cash withdrawals in writing.



## **Section 11**

### **Bank Accounts**

Bank accounts for checking, savings, depository, and other investment banking services for the holding of NWWVT'S monies may be opened only upon the approval of the Executive Director. They may be closed only upon the approval of the Executive Director or other authorized signer. At least two authorized persons must be designated to sign checks or authorizations for withdrawing funds in compliance with the disbursement policies.



### **General Guidelines**

- Bank accounts will be established as required by donors and funding requirements
- All checks written on NWWVT'S accounts require signatures in compliance with the disbursement policies in particular the check signer and expense approver must not be the same individual.
- Individuals generally authorized to sign checks include certain Directors, the Executive Director and the Board President of NWWVT.
- The approval of signers shall be approved by the Board of Directors and reflected in the meeting minutes.
- Banks are promptly notified of all changes of authorized check signers

### **To Open Accounts**

Requests for opening bank accounts will be sent to the Executive Director. After approval, the Finance Manager or CFO will notify the Board President or Treasurer of intent and reason for opening a new bank account.

### **Account Reconciliation**

The Finance Manager or CFO and accounting staff will reconcile bank accounts at least monthly. Reconciliations will be reviewed by another qualified individual.

### **To Close Accounts**

Requests to close bank accounts will be sent to the Executive Director. After approval, the Finance Manager or CFO will notify the Board President or Treasurer of intent and reasoning for closing a bank account.

**Review of inactive bank accounts** – During the monthly reconciliation, the Finance Manager or CFO reviews the status of all bank accounts for inactivity. If appropriate, the

Finance Manager or CFO will recommend the closing of an account to the Executive Director.

**Unused checks and deposit slips** – The Finance Manager or CFO is to destroy all unused checks and deposit tickets for closed accounts. At least one other person should witness the destruction of checks and deposit tickets.

## **Section 12**

### **Hiring Contractors**

Contractors are used for specific tasks and for explicit periods of time. Contractors can be either business firms or individuals who are not employees of NWWVT. Payments to contractors must be made in full compliance with all United States government and State laws, orders and regulations as well as NWWVT disbursement policies.

#### **Definitions**

Certain words appear frequently throughout this policy and have the following meanings:

##### **Contract**

A contract is a mutual, written agreement between NWWVT and another entity whereby each party is required to perform certain obligations to satisfy the agreement. A contract may or may not require the transfer of funds, the transfer of tangible property, and/or the issuance of a purchase order.

##### **Employee**

An employee is any individual presently employed by NWWVT.

##### **Employer-Employee Relationship**

An employer- employee relationship exists when an employer has the right to direct and control the work of an individual who performs the services, including not only the results to be accomplished but also the methods and means by which the results are accomplished.

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Even if the employer does not exercise the right to direct or control the manner in which the worker performs the services, the fact that the employer retains the right to do so is sufficient to create an employer- employee relationship.

### **Independent Contractor**

An independent contractor (contractor) is a business firm or an individual that contracts with NWWVT to provide services for which NWWVT controls or directs at most the result of the service, not the means and methods of accomplishing the result.

### **Types of Contracts**

#### **General Services**

A General Services contract is used for the purchase of useful manual skills or labor that may or may not produce a tangible commodity. Examples of these services include, but are not limited to janitorial work, rubbish and waste removal, and service and repairs to equipment.

#### **Construction Related Services, including Architectural, Engineering and Land Surveying Services**

A Construction Related Services (including Architectural, Engineering, and Land Surveying Services) contract is used to procure construction related services.

#### **Professional**

Professional Services means those services provided under contract to NWWVT by a business firm or individual acting as an independent contractor and qualified by education, experience and/or technical ability as defined below. An essential element distinguishing professional services from other services is confidence, trust and belief in not only the ability but also the talent of the individual(s) performing the services. Professional services are primarily for intellectual or creative skills. Contracts for services involving primarily manual skills or labor are not considered professional and artistic services contracts.

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If the professional services contract is with a business entity, the individuals whose education, experience, and technical ability provided the basis on which the business entity was selected must meet the required qualifications.

Professional services are further defined as follows:

- Qualified by education means the individual(s) must have obtained the level of education required to provide the requested services.
- Qualified by experience means the individual(s) must have the level of general experience required to provide the requested services.
- Qualified by technical ability means the individual(s) must demonstrate a high degree of skill or ability to provide the requested services.

## **Guidelines for Selection**

### **Construction Related Services**

NWWVT shall maintain a current bidders list. Interested construction companies and suppliers shall be given an opportunity to be included on the NWWVT bidder's list. Any list of persons, firms, construction companies, or suppliers that are used in the procurement of supplies or services shall be kept current and shall include enough participants to assure competition.

For small services or purchases below \$ 1,500.00, only one estimate will need to be solicited if the price received is considered reasonable by NWWVT and the OWNER. Price estimates may be obtained orally or by telephone, e-mail, or in writing. If multiple estimates are obtained, the award shall be made to the contractor providing the lowest acceptable estimate based on the specifications. If practicable, an estimate shall be solicited from other than the previous source before using a repetitive contractor.

For work deemed to be in excess of \$ 1,500.00, no less than two (2) written estimates shall be obtained unless the OWNER has a preferred contractor, he/she wishes to do the work. If a preferred contractor is used, the OWNER is required to sign bid waiver declining the

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advantages of the competitive bidding process. If more than one estimate is obtained, the award shall be made to the contractor supplying the lowest estimate based on the specifications. In an effort to distribute work to a variety of contractors, estimates for competitive work shall be solicited from a bidders list maintained by NWWVT.

All procurements in excess of \$ 1,500.00 shall be supported by a written contract. No contract shall be awarded for any reason until there are sufficient funds escrowed into an account specifically designated for the OWNERS REHAB work, and that the identified funds shall be adequate to cover all anticipated procurement costs including modifications and change orders.

A contract administration system designed to ensure that all contractors perform in accordance with their contract shall be maintained by NWWVT. All contracts and contract modifications shall be in writing and shall clearly specify the desired services and construction; indicating the scope of work for which the procurement process was based. Each contract shall allow NWWVT access to the construction jobsite to inspect and evaluate the work, make recommendations and changes in the work, monitor contractor performance, mediate any disputes between OWNER and contractor, and issue payments to the contractor for completed work.

NWWVT shall maintain a construction document folder for each construction project. All source documents supporting any and all transactions to include invoices, purchase orders, pay requests, and bid materials shall be retained and filed within the construction folder in an appropriate manner. At a minimum, source documents must be sufficient to establish the basis for selection of contractor, cost of project and method of procurement.

**Professional Services**

The policies and procedures to contract for professional services are based on the total anticipated fees and allowable expenses for the duration of the contract including all renewal periods.

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A determination is made that the services cannot be performed more economically or satisfactorily through NWWVT employment process.

An appropriate selection process, based on the dollar level of the expenditure, is used to secure the most qualified firm or business entity or person available, subject to the constraints of timeliness and costs.

Charges are appropriate considering the qualifications of the independent contractor, the contractor's normal fees and the nature of the services.

Conflict of interest will be avoided. In general, the following contractors or companies where they have influential roles are prohibited from contracting with NWWVT: members of The Board of Directors, NWWVT employees; and, in every case, their spouse and minor children.

If the services are to be provided by an individual and not by a business entity or firm, the service provider is properly identified and classified as an independent contractor versus an employee.

The Internal Revenue Service (IRS) may impose penalties on an employer that fails to correctly classify an individual as an employee and thereby fails to withhold the required income and employment taxes.

### **Contracting Methods and Related Documentation**

Contracts may be negotiated between Department Managers and the Contractor. Contracts will be signed by the Executive Director or Finance Manager or CFO. Payment may not be made to the contractor without a fully executed contract and IRS W9 when needed.

### **Classification of Independent Contractors**

NWWVT classifies and pays individuals who provide services as employees, unless the nature of the services and other circumstances satisfy the criteria for independent

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contractor status. Section 3121(d)(2) of the Internal Revenue Code (IRC) provides that the term "employee" means any individual who, under the common law rules applicable in determining the employer-employee relationship, has the status of employee. The Internal Revenue Service (IRS) ignores contract labels, and instead examines the facts and circumstances of each situation and analyzes specific characteristics, such as behavioral and financial control and the relationship between the employer and the individual performing services, before a determination can be made whether the individual is classified as an employee or an independent contractor under common law.

Once an employer-employee relationship is established, the employer is required to withhold the appropriate income and employment taxes. Penalties may be imposed by the IRS in instances where the employer fails to properly withhold such taxes.

#### **Withholding Requirements**

If the individual is classified as an independent contractor, NWWVT is not responsible for withholding income and employment taxes. However, NWWVT is responsible for reporting compensation paid to individuals who are classified as independent contractors on Form 1099-MISC, Miscellaneous Income to the IRS per its guidelines.

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## **Section 13**

### **Approval of Financial Documents**

The organization establishes transaction and contract authority to provide appropriate controls over the organization's finances. These authority limits are employed in conjunction with the controls detailed in the cash disbursement section of these policies.

### **Program/Department Manager**

A program or department manager is allowed to approve purchases within their department budget up to \$1,000. Transactions higher than this amount need to be confirmed with senior management prior to completing. A senior manager signing of the check confirms they were informed of the transaction and are in agreement with the purchase. If senior management was not informed disciplinary action may be necessary.

A variety of business documents, initiated by the heads of budgetary departments, are for the expenditure of funds. The signature or approval of these business documents by personnel certifies that, to the best of their knowledge, the transaction occurred, the cost is accurate and complete, and its classification is correct. Based on this certification the Finance Manager or CFO authorizes expenditures or transfer of funds. The signature or approval of the head of the budgetary department is necessary on business documents.

### **Executive Director**

The Executive Director must approve purchases of more than \$1,000.

### **Purchase of Equipment**

The Executive Director must approve all capital equipment purchases, leases, and lease to purchase of equipment as indication of approval.

**Filing** - After contracts, leases, and change orders are signed, the original document or electronic copy must be maintained in appropriate paper or electronic files of NWWVT for example accounting files or a construction folder.

### **Board of Directors approval**

Board of Directors approves the annual operating and capital budget as detailed in the budget section. Projects that are not covered by the budget or that exceed the budget by more than 10% need to be approved by the Board of directors.



## **Departmental Authorization**

### **Conflict Of Interest**

Authorized certifiers/approvers of business transactions cannot approve their own documents or transactions and documents or transactions payable to their immediate supervisor, the supervisor's business or the supervisor's immediate family. In addition, authorized certifiers or approvers cannot approve documents or transactions which are payable to, or on behalf of individuals where a conflict of interest would be perceived. The Board President or Treasurer will review the Executive Director's travel related expenditures to avoid any conflict of interest.

According to NWWVT, situations involving "conflict of interest" may take various forms, but arise when an employee is or may be in a position to influence NWWVT business, in ways that could lead to any form of personal gain for the employee or the employee's family. Family member's documents and transactions should be reviewed and authorized by an independent person at an appropriate authority level to ensure that transactions are approved without undue influence and to avoid the appearance of a conflict.

### **Travel**

**Traveler certification** - All travel reimbursements will be signed personally by the traveler (payee) or submitted by them electronically.

**Approval of vouchers** - Employees may not approve their own travel voucher. The Executive Director or will approve travel vouchers for the head of a department.

Employees will be reimbursed for travel and expenses provided the trip is pre-approved by the employee's immediate supervisor. Employees using personal automobiles for travel will be reimbursed at the current IRS approved rate. All requests for mileage reimbursement will be documented on the approved Mileage Reimbursement Form.

### **Personnel Services**

Employees may not approve their own payroll documents. Payroll documents for the head of a department, as a rule, are approved by the Executive Director. When the executive director is not available, the board chair shall approve payroll documents for the head of a department.

The Board Chair or a Board Officer should approve the Executive Director's annual payroll.

### **Goods, Contractual Services and Other Expenditures**

**Requisitions** – All request for funds will be made with an approved invoice or disbursement request signed by the department head and submitted to the Finance Manager or CFO. The Finance Department will then authorize payments to vendors for goods and services received and charge the accounts indicated. Incidental charges in connection with a purchase (for example, freight, toll charges, interest penalties, etc.) may be paid and charged to department budgets without additional approvals. Checks are signed and backup documentation reviewed by an approved check signer.



## **Section 14**

### **Budgets**

The annual operating budget of NWWVT is a statement of proposed expenditures for a particular fiscal year. It identifies the proposed sources of funds to finance programs, as well as the functional nature of the expenditures (for example, program services or supportive services). When approved by the Board of Directors, this document is NWWVT'S authorization to incur expenditures and to collect and apply the revenues to the appropriate activities.

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The annual budget planning process encompasses the entire NWWVT organization to allocate funds into NWWVT'S operating account structure, and to prepare annual budget documents for the Board of Directors.

The financial reporting function utilizes the approved operating budget , and monitors actual expenses compared to the Board approved budget throughout the fiscal year.

Budgetary control is one mechanism used by NWWVT to regulate, direct, and coordinate its activities and affairs. The budget also provides all levels of management with an effective analytical tool for measuring estimates against actual results.

### **Annual Budget Documents**

The Budgets will be submitted to the Finance Committee for purpose of discussion prior to Board of Directors approval. Sources of Funds and estimated expenditures are summarized by program and function at various levels of detail. It is the responsibility of the Finance Committee to review the budget, request modifications, and submit a draft budget to the Board of Directors. It is the responsibility of the Board of Directors to review the budget, request modifications, and approve the budget.

### **Annual Budget Fund Groups**

The annual budget is divided into two major fund groups:

- Operating Funds
- Capital Funds

#### **Unrestricted Operating Funds**

Unrestricted Operating Funds are those funds that have not implicitly or explicitly been restricted to use by the donor for a stipulated purpose. Unrestricted Operating Funds also include earned income from fees, sales, profits, etc.

#### **Restricted Operating Funds**

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Temporarily Restricted Operating Funds are those funds that have been restricted by the donor for a specific purpose or for a specific time.

#### **Capital Funds**

Capital funds are those funds that are to be used for capital purchases, such as land acquisition, development or rehabilitation. Capital funds that are permanently restricted are identified as such in the annual budget.

#### **Revised Budgets**

Budget revisions will be prepared as a result of significant changes to expected operations. Budget revisions are presented to the Finance Committee for purpose of discussion. It is the responsibility of the Finance Committee to review the budget, request modifications, and submit the revisions to the Board of Directors on a timely basis. It is the responsibility of the Board of Directors to review the revisions, and approve the amended budget on a timely basis.

## **Section 15**

### **Payroll**

The Board Treasurer has delegated responsibility for the administration of the payroll function to Finance Manager or CFO.

It is the responsibility of the Finance Manager or CFO to:

- Maintaining compliance with changing government policies and laws pertaining to employment and taxation.
- Providing prompt service to employees.
- Promoting the use of electronic methods for transactions and payments to employees.

## **Payroll Checks and Earnings Statements**

NWWVT is required by Federal and State law to pay all employees salary and wages within specified time periods according to employee contracts, union contracts or other agreements. NWWVT is required to make these payments in a form convertible to cash, such as check or direct deposit to a financial institution. NWWVT is required to make deductions from the salary and wage payments according to Federal and State laws. NWWVT is required to issue an itemized statement of all deductions for each pay period.

## **Payroll Schedule**

- Employees are paid on a bi-weekly basis. Timesheets for each payroll period should be submitted on the last working day of the period to the authorized approver and the Finance Manager.

## **Payroll And Earnings Statement Distribution**

Employers must keep records of names and addresses of all employees and of wages paid each pay period, and must furnish each employee with an itemized statement of deductions made from his/her wages for each pay period.

### **Direct Deposit**

Employees may request to have their pay directly deposited into a financial institution of their choosing.

### **Form W-2**

The Finance Department is responsible for issuing Forms W-2, Wage and Tax Statement. According to Federal Treasury Regulation §31.6051-1, Form W-2 must be furnished, meaning properly addressed and postmarked, by January 31. Form W-2 is sent to the employee's home address that is recorded in the NWWVT's payroll system or distributed to them in the office.

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Undeliverable Forms W-2 are returned to the Finance Department and can be claimed with appropriate identification. Employees can request a re-issued Form W-2 from the Finance Department with proper identification or upon written request.

**Tax Related Payroll Issues**

The Finance department is responsible for ensuring that NWWVT is in compliance with numerous Federal and State laws and regulations relating to the withholding of employment taxes on various types of remuneration, including payments made to nonresident aliens, FICA exceptions, and fringe benefits.



**Section 16**

**Annual Audit**

NWWVT will contract for an independent audit to be performed by a Certified Public Accountant (CPA) at the conclusion of each fiscal year.

The auditor(s) will complete the audit within six months of the conclusion of the fiscal year as required by NWA or when needed to meet external source of funds requirements.

The auditor(s) will test accounting mechanisms in accordance with generally accepted auditing standards for not-for-profit organizations and as contractually required by funding sources.

If during its established fiscal year, NWWVT meets the federal funding requirements, it will contract for an audit that meets the requirements of OMB A-122 and A-133.

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The audit will be produced under the requirements established by the Financial Accounting Standards Board (FASB)

A formal written report of the audit will be presented to the Board of Directors and each principal funding source.

#### **Audit Responsibilities**

It is the responsibility of the Board of Directors to hire the audit firm. The Board of Directors may delegate this responsibility to the Audit Committee, Finance Committee, or the Executive Committee.

The audit will be put out to bid every 5 years. Only auditing firms that have the required CPE credits in General Accepted Government Auditing Standards will be allowed to submit a proposal.

The audit search will begin as need to ensure an auditor is hired in time to properly complete the audit.

Additional Board Responsibilities include:

- Ensure timeliness of audit
- Meet with auditors
- Review management letter responses
- Review / approve audit

## **Section 17**

### **Capitalization Policy**

### **Capitalization Criteria**

It is the policy of NWWVT to capitalize and depreciate real or personal property acquired by gift or purchase with an estimated useful life greater than one fiscal year that meets the capitalization threshold. Purchased or constructed assets are reported at acquisition, construction cost, or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Capital assets are depreciated on the straight-line basis over their useful lives per IRS depreciable lives in effect the year capitalized. Assets in excess of the amounts below will be capitalized.

<b>Asset Type</b>	<b>Capitalization Threshold</b>
Land	Capitalize All
Land Improvements	\$5,000
Buildings	\$5,000
Building Improvements	\$5,000
Furniture, Fixtures, and Office Equipment	\$1,500
Vehicles	\$1,500
Computer Equipment and Software	\$1,500