

CASA ESPERANZA, INC.
and
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.

FINANCIAL POLICIES AND PROCEDURES
As Amended and Approved by the Board of Directors
October 27, 2011

For purposes of this document, Casa Esperanza, Inc., and Casa Esperanza Endowment Foundation, Inc., will be referred to collectively as The Agency.

The Agency Staff, under the supervision of the Chief Executive Officer (CEO), and with the oversight of the Treasurer of the Board of Directors, is responsible for compliance with the following policies and procedures.

NONPROFIT ORGANIZATION

The Agency is a nonprofit organization and all records will be maintained and safeguarded regarding articles of incorporation, bylaws and minutes of all Board of Directors meetings. In addition:

- An appropriate computer based accounting system will be established and maintained to document the Agency's financial activities.
- Appropriate measures will be taken to ensure that the Agency remains in compliance with all applicable state and federal laws.
- In any area not addressed in this document, and where specific policies are required, the Agency will follow generally accepted accounting practices for nonprofit organizations.

GENERAL POLICIES

- The Agency will maintain an up-to-date double-entry accrual accounting system in addition to any necessary subsidiary records.
 - A complete and up-to-date chart of accounts will be maintained for all companies.
 - Each financial transaction will be documented and recorded accurately and assigned to an appropriate account.
 - Retroactive adjustments to accounts must be reviewed by the CEO.
 - Financial reports will be provided to the Board of Directors on a monthly basis, including Balance Sheet, Income Statement, and Budget Comparison reports for prior and current accounting periods.
- The Agency will arrange for an annual audit and certification of the books and records by a qualified independent certified public accounting firm, which will provide a Statement of Financial Position, a Statement of Cash Flow, a Statement of Functional Expenses, and a Statement of Operating Activities. The Agency will solicit bids for this service every four years unless the Budget and Finance

Committee approves for extending past the four years, with a maximum of a two-year extension.

- Reports required by governmental agencies will be accurate, complete and filed prior to deadlines to ensure reports are received timely.
- Adequate safekeeping facilities, such as fireproof storage areas and restricted access file cabinets, will be provided for custody of accounting records. There will also be backup files updated weekly and stored-in a fire safe.

INTERNAL CONTROLS

- Internal controls are necessary to prevent or detect any possible errors or irregularities involving money and/or financial transactions. Internal controls require accountability to be accomplished by:
 - Limiting access to money.
 - Immediately recording payment transactions.
 - Segregating financial duties.
 - Invoicing on a timely basis.
 - Reconciling accounts on a timely basis.
 - Refer to Internal Control Policy & Procedure document for detailed information.

BANKING AUTHORITY

- The choice of primary depository will be reviewed periodically by the Budget and Finance Committee. The Budget & Finance Committee will recommend such changes as are appropriate to the Board of Directors for approval.
 - Decisions regarding allocation of liquid assets to and from savings or investment accounts will be made by the CEO in consultation with the Budget and Finance Committee and/or the Investments Committee.
 - All such decisions will be communicated promptly and fully to the Board of Directors in the monthly Treasurer's Report to the board.
- The Agency's Executive Committee members of the Board of Directors, are authorized to sign agency checks and make appropriate withdrawals. The CEO or his/her designee is also authorized to sign agency checks and make appropriate withdrawals. Those who are authorized to sign may draw against corporate funds only as authorized by the Board of Directors.
 - One authorized signature is required for withdrawals or checks which do not exceed \$1000. Two signatures are required for withdrawals or checks in excess of \$1000 unless the transaction is for a transfer between companies. In addition, only one signature is required for paychecks, payroll benefit payments, payroll tax payments and internal transfers between Agency bank accounts over \$1000. In the event that an authorized signer is the payee of funds from the checking account, the check must be signed or co-signed by an additional authorized Board member.
 - The CEO is authorized to approve transfer funds electronically between checking and savings as necessary to cover loan repayments, payroll and other operational needs, and to maximize interest earned on savings whenever possible and feasible. If the transfer is to cover nonrecurring

expenses of more than \$1000, a second signature is required. The Finance Director and/or the Administrative Director may transfer funds with written authorization of the CEO.

- Bank statements and cancelled checks will be opened and reviewed by, a staff member designated by the CEO who is not responsible for producing and/or signing checks, and/or reconciling bank statements. If such a staff member is unavailable, the Treasurer of the Board of Directors will open and review such documents prior to their being reconciled by the finance staff.
- Bank reconciliations will be prepared monthly for all accounts, and any adjustments will be approved by the CEO.

LIABILITIES AND BORROWING

- **Cash Receipts and Refunds.**

- Cash receipts will be reconciled daily by the financial staff, deposited at least twice weekly and more often if there is \$1000 or more in currency to be deposited. All documentation and daily cash sheets will be reviewed by the CEO. All un-deposited funds will be secured in the office safe.
- Personal checks from clients or donors or company checks from accounts receivable must be preprinted and made for the exact amount due.
- All mail is to be opened by the CEO, who will distribute the mail as appropriate. The CEO will collect all checks, cash and/or credit card orders and enter into daily receipts log, initialing all receipts prior to passing on to the bookkeeper. The bookkeeper will stamp all checks "for deposit only." Any private, personal mail for staff members should be so stamped on the envelope. Such mail will be opened by the addressee only in the presence of the CEO. Employees are strongly encouraged to have all personal mail directed to their home addresses.
- All cash sales will be controlled by cash register or pre-numbered cash receipt forms.
- No cash is to be returned on transactions covered by checks unless ten (10) business days have passed since the check was received.
- Refunds of credit card deposits will be made only as credits to the card account. Cash refunds can only be done with the approval of the CEO or the Guest Services Supervisor.
- In cases where user fees are to be returned to clients on the basis of a third-party payer's authorization, the finance office will authorize the refund when it is clear that the refund is viable.
- Checks returned for "insufficient funds" will be re-deposited once for payment. If a check is returned a second time, the payer will be contacted and billed for the amount due. If the amount due is not paid, no future checks will be accepted from that payer.
- All daily cash sheets are to be pre-numbered and issued daily to the employee handling front desk cash transactions. The employee will record both the cash sheet number and the number of the cash bag issued to her/him on the daily log provided for this purpose.

- The Guest Services Team Supervisor or Guest Services Director will verify daily the previous day's receipts, the cash register tape, the cash sheet and cash bag balances. Cash bags will be verified by an independent staff member before they are re-issued. The finance office will verify amounts from cash bags to be deposited, record transactions in Agency's accounting software, and prepare deposits. Each cash bag will be maintained at a consistent amount adequate to ensure ease of operations.
- The CEO will review and approve daily reconciliations and relevant documents.
- **Receivables**
 - Third party billings will be prepared promptly and accurately.
 - Schedules of aging or past due accounts will be reviewed monthly by the CEO and the Budget and Finance Committee.

EXPENDITURES

- **Cash Disbursements**
 - The Agency will not cash personal or other checks for residents or staff.
 - All disbursements will be made by check except for small sums covered by petty cash.
 - Pre-numbered checks will be used and all numbers accounted for.
 - Unused checks will be kept in a secured location.
 - Petty cash funds will be maintained at no more than \$200.
 - Individual petty cash disbursements may not exceed \$50.
 - Petty cash funds will be kept in a secured location.
 - Petty cash disbursements will be supported by approved and pre-numbered vouchers.
 - Completed petty cash disbursement vouchers will be approved by the employee's supervisor.
 - Petty cash funds will be counted monthly by the CEO or his/her designee.
 - Change for the petty cash bags will be maintained on site.
- **Purchases**
 - Pre-approval from the CEO must be obtained for all purchases of \$500 or more.
 - All purchases over \$5000 require the prior approval of the Budget & Finance Committee or the Executive Committee.
 - Purchases in excess of \$500 may not be prepaid. Deposits of 50% or less are permitted, but full payment may not be made until the merchandise and/or service is on hand and inspected. Exceptions require the prior approval of the CEO.
 - Incoming materials and supplies will be counted and inspected for condition when received. Packing slips will be given to the finance office.
 - All receipts for purchases on credit must be promptly submitted along with appropriate paperwork to the finance office

- Employees making purchases for the Agency will shop for the best available price and verify that vendors have the Agency's tax exempt certificate on file.
- For purchases or contracts over \$5000, the Agency will obtain three bids to ensure that the Agency receives best rates for product or service.
- No personal purchases by employees are allowed on Agency credit cards.
- **Accounts Payable / Disbursements**
 - All checks will be computer generated to ensure that disbursements are properly recorded, that alteration is difficult, and that every check is accounted for. Exceptions require the prior approval of the CEO.
 - All invalid or incorrect checks will be voided, defaced and retained.
 - Accounts payable will be paid accurately and on a timely basis.
 - Vendor invoices will be reviewed by both the employee placing the order and by the CEO for correctness of quantities, prices charged and account distribution.
 - All payments must be approved by the CEO or his/her designee. Supporting documentation (receipts, purchase orders, etc.) must be presented with checks prior to signing.
 - Checks payable to "cash" are prohibited. To reimburse a cash bag or to obtain opening cash balances for special events, the check will instead be made payable to the employee authorized by the Finance Director to obtain the cash.

CAPITALIZATION POLICY

- Any single item purchased that costs \$1000 or more will be capitalized in the appropriate asset account and will be added to the Agency's depreciation schedule. If the total cost of a project permanently improves the building facility and is attached to the building, it will also be considered a capital asset.

PAYROLL

- Individual personnel records will be maintained by the Administrative Director (HR). Access to such files will be limited to CEO, independent auditor and/or official independent of payroll or cash functions.
- The CEO will establish salaries and hourly wages for the staff. The CEO's salary will be formally approved by the Executive Committee of the Board of Directors. The People Development Committee of the Board will annually review salary ranges for each position and make adjustments as needed.
- Gross pay will be determined using authorized rates and adequate time records.
- Approval and signature of payroll is the responsibility of the CEO.
- Government reports regarding employees and payroll will be filed on a timely basis to avoid late penalty fees.
- The payroll preparer will keep all payroll records in a secured location and will keep all payroll information confidential.
- Employee salary advances are not allowed without prior board approval. Such approval should go through proper committee channels: People Development Committee to Budget & Finance Committee to full board.

PROPERTY, PLANT AND EQUIPMENT

- Acquisitions will be approved by the CEO. Any major acquisitions will be reported to the Board of Directors at its monthly meeting. Acquisitions over \$5000 require the prior approval of the Budget and Finance Committee.
- Accurate depreciation schedules will be prepared and kept up-to-date, and will include cost, acquisition date and related depreciation.
 - Depreciable lives of property will be reviewed annually for adequacy to ensure that the Agency's records reflect unanticipated loss or obsolescence and/or actual experience.
- The CEO's approval is required on all retirement of property and equipment. The Finance Director will be notified of all such retirement.
- Physical counts of significant property, other inventory and supplies will be performed annually.
 - Physical inventory and inspection of property, plant and equipment will occur annually.
 - Written inventory and supply procedures will be established regarding location, distribution and/or methods of determining quantities for reorder and usage.
 - Disposal of surplus or obsolete property will be reported to the Finance Director and will be recorded timely and accurately.
- Insurance coverage must be adequate and with a reputable insurer.
- All holdings should be reviewed annually for tax liability and maintenance need purposes.