



Fiscal Policies & Procedures

Approved as Amended by the Board of Directors, June 5, 2019

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I. Accounting Procedures

This section covers basic accounting procedures for the Foundation. The accounting procedures used by the Foundation shall conform to Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards. Per the Bylaws, the Foundation's fiscal year begins on July 1 and ends on June 30.

A. Basis of Accounting

Policy: The Foundation uses the accrual basis of accounting. The accrual basis identifies (records) revenue and expenses with specific periods of time, such as a month or year, which are recorded as incurred. This method of recording revenue and expenses is without regard to date of receipt or payment of cash (also known as the cash basis of accounting).

Procedures:

- Throughout the fiscal year, expenses are accrued in the month in which they are incurred. The books are closed no later than the 15th day after the close of each month. Invoices received after closing the books will be counted as a current-month expense.
- At the close of the fiscal year, this rule is not enforced. All expenses that should be accrued in the prior fiscal year are so accrued, in order to ensure year-end financial statements reflect all expenses incurred during the fiscal year. Year-end books are closed no later than 45 days after the end of the fiscal year.
- Revenue is always recorded in the month in which it is first earned (received or invoiced) or committed (pledged, ordered, or contracted for).

B. Journal Entries

Policy: Journal entries to record payroll expenses, cash receipts, interest earned, investment gains or losses, prepaid expenses, depreciation, other accruals and adjustments will be posted to the General Ledger on a monthly basis. Vacation liability is recorded and adjusted annually at the end of the fiscal year.

Procedure:

- Journal entries for each month will be posted prior to monthly closing, by the 15th day after the end of the month.

C. Bank Reconciliations

Policy: All bank statements will be opened and reviewed in a timely manner. Bank reconciliations will be completed by the 15th day after the close of each month, and approval will be documented within 30 days of the close of the month.

Procedures:

- All bank and investment statements will be opened, reviewed, and initialed by the Executive Director upon receipt. Review will include inspection of checks paid during the month.
- To expedite reconciliation, the Accounting Consultant will obtain monthly bank statements from the bank's website. Bank reconciliations will be completed prior to monthly closing and completing monthly financial statements.
- The Executive Director and Treasurer will review and approve reconciliation reports by signing and dating.

D. Monthly Close

Policy: Books will be closed monthly by the 15th day following the end of each month. At fiscal year-end the books will be closed by the 45th day (August 15) after June 30.

Procedures:

- The Accounting Consultant will record cash receipts, payroll expenses, prepaid insurance, depreciation, interest earned, and on a monthly basis.
- The Accounting Consultant will reconcile bank and investment accounts to General Ledger prior to monthly closing.

E. Recordkeeping

Policy: Financial documents and records will be retained in accordance with the Foundation's document retention policy.

Procedures:

- The Foundation will maintain copies of all financial records including accounts payable, cash receipts, payroll documents, and bank statements.
- The Accounting Consultant will maintain a copy of invoices paid for each fiscal year.
- After monthly closing, the Accounting Consultant will send a copy of the fiscal year-to-date General Ledger to the Executive Director and Treasurer along with monthly financial statements as specified by the Executive Director and Treasurer.
- Documents in electronic form including payroll reports, General Ledger, audit schedules, audited and monthly financial statements, and federal and state tax returns will be stored electronically in a form that will allow for remote access by the Accounting Consultant, Executive Director, and Treasurer. For records stored in this manner, back-ups to a device such as a USB drive, DVD or other external drive will be kept and updated at least monthly.
- Upon the Foundation's dissolution, the Foundation's financial records and documents will be maintained by the City of San Bruno and in accordance with the City's document retention policy

II. Internal Controls

The Foundation employs several safeguards to ensure financial transactions are properly authorized, appropriated, executed, and recorded.

A. Lines of Authority

Policy: The Board of Directors will create, maintain, and update fiscal policies and will approve a budget before the start of each fiscal year. The Board of Directors will also approve significant budget variances.

Procedures:

- The Executive Director will prepare the annual budget for each fiscal year and present it to the Board of Directors for approval. After Board approval, the budget will be submitted to the San Bruno City Council for approval.
- The Audit Committee will review internal controls with the Executive Director, Accounting Consultant, and CPA Auditor as necessary.
- The Accounting Consultant will directly contact the Treasurer in the event of any concerns regarding the Executive Director's financial management decisions or actions.
- The Treasurer may independently contact the Accounting Consultant directly for information.

B. Conflict of Interest

Policy: In accordance with the Conflict of Interest Policy, all employees and members of the Board of Directors are expected to use good judgment, adhere to high ethical standards, and act in such a manner as to avoid any actual, perceived, or potential conflict of interest.

Procedures:

- The Foundation will monitor compliance with the Conflict of Interest Policy through the use of the annual conflicts questionnaire completed by all Board of Directors members.

- Foundation Board members and the Executive Director annually complete and submit California Fair Political Practices Commission Form 700, Statement of Economic Interests, to the San Bruno City Clerk's Office.

C. Segregation of Duties

Policy: The Foundation's financial duties are distributed, to the extent possible, among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the Foundation's assets while also considering efficiency of operations. When, due to the small size of the Foundation staff, the Foundation is unable to achieve sufficient segregation of duties, additional oversight from the Board and/or the City of San Bruno staff may be implemented.

Procedures:

- The Accounting Consultant will not be an authorized agent or signer on any SBCF accounts.
- Only invoices and other payment vouchers approved by the Executive Director will be processed for payment.

D. Physical Security

Policy: The Foundation maintains physical security of its assets to ensure only people who are authorized have physical or indirect access to money, securities, real estate, and other valuable property.

Procedures:

- The Accounting Consultant will secure blank checks.
- The Executive Director will secure the credit card.

E. Insurance

Policy: The Foundation will maintain an insurance policy protecting against loss by theft, embezzlement, or other crimes committed by employees and the Accounting Consultant.

Procedures: The Executive Director will purchase, keep in force, and maintain a crime insurance policy for the Foundation to cover losses up to at least \$1,000,000,

III. Financial Planning & Reporting

The Foundation's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). Presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards Board (FASB) No. 117, "Financial Statements of Not-For-Profit Foundations." Under GAAP, revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation are classified as unrestricted, temporarily restricted, and permanently restricted.

A. Budgeting Process

Policy: The Foundation's annual budget is prepared and approved before the start of each fiscal year. The Executive Director prepares the budget with input from the Board of Directors. The budget must be approved by the Board of Directors prior to the start of each fiscal year. The budget must be transmitted to the San Bruno City Council prior to the beginning of the new fiscal year for approval as required by Foundation's Bylaws. The budget is revised during the year only as approved by the Board of Directors.

Procedures:

- The Executive Director will work with the Accounting Consultant to ensure the annual budget is a reasonably accurate estimate of programmatic and infrastructure goals for the coming fiscal year.
- The Executive Director will ensure the budget is developed using the Foundation's standard revenue recognition and cost allocation procedures.

- The Executive Director will present a draft budget to the Board by its May meeting.
- The Board may approve the budget as presented in May or table final approval until the June meeting.
- A Board approved budget must be submitted to the San Bruno City Council so that it can be approved no later than June 30 of each year.

B. Internal Financial Reports

Policy: The Foundation prepares regular financial reports on a monthly basis. All reports are finalized no later than 30 days after the close of the prior month. The Executive Director and Treasurer will request and approve changes to financial report detail and format as necessary.

Procedures:

- The Accounting Consultant is responsible for producing the following year-to-date reports within 30 days of the end of each month: Statement of Financial Position (also known as Balance Sheet) and Budget vs Actual Statement of Activities (also known as Income Statement or Profit & Loss Statement).
- The Executive Director and Treasurer review financial reports each month, and the Treasurer reports to the full Board of Directors at the regular monthly meeting.
- On a monthly basis the Accounting Consultant prepares a narrative report that summarizes the Foundation's current financial position (as of the last closed month) and includes explanations for budget variance.
- As changes in operations warrant or as otherwise deemed appropriate, the Executive Director or Treasurer will request changes to financial statement detail and/or format from the Accounting Consultant. The Accounting Consultant will prepare a pro forma (draft) version for review by the Executive Director and Treasurer. The Executive Director will approve any changes prior to implementation.

C. Audit

Policy: The Foundation will have its financial statements audited on an annual basis by an independent CPA. A Request for Proposals (RFP) for audit services will be issued at least every five years.

Procedures:

- The Board's Audit Committee, working with the Executive Director, will be responsible for creating the RFP, reviewing audit proposals, and recommending the CPA to the full Board for approval; meeting with the CPA; and ensuring any audit issues identified are reported to the full Board.
- The Executive Director will oversee the audit process and ensure that audited financial statements are published not later than 120 days (October 31) after the end of each fiscal year.

D. Tax Compliance (Exempt Organization Returns)

Policy: IRS 990, CA 199, and CA Attorney General RRF-1 forms will be filed by November 15 each year.

Procedures:

- The CPA prepares the forms using audited financial information. The Accounting Consultant and Executive Director review the first draft and request edits and corrections by the CPA.
- Prior to the submission deadline, the final draft of the forms is presented to the full Board for review.
- The President signs the forms on behalf of the Foundation.

IV. Cash Receipts

Policy: The Executive Director or designee will log in checks received on cash receipts log and secure the checks and log.

Procedures:

- Checks will be immediately endorsed “for deposit only.”
- Checks will be logged on a daily basis. The log will include date received, payer name, purpose, and amount of check.

A. Deposits

Policy: The Executive Director or designee will make deposits.

Procedures:

- Deposits will be made immediately when \$10,000 or more has been logged. Deposits of any amounts will be made by the last day of each month.
- The deposit slip amount must equal the total on the cash receipts log. Copies of all checks and any other documents that were received with checks will be attached to a copy of the deposit slip and the original log. This deposit package will be given to the Accounting Consultant for recording to the General Ledger and be maintained in the Cash Receipts file.
- Receipt of currency should be discouraged. When currency is received, it should be deposited as soon as reasonably possible.

V. Expense & Accounts Payable**A. Payroll**

Policy: Payroll will be processed on a semi-monthly basis with paydays on the 15th and last day of each month.

Procedures:

- A separate, dedicated bank account will be maintained for the purpose of processing payroll transactions only.
- The Accounting Consultant will process payroll at least two business days prior to each payday.
- For employees choosing direct deposit payment, the Accounting Consultant will obtain paystubs from the payroll service website and distribute them to employees electronically. For employees requesting checks, paychecks/paystubs will be delivered to the Executive Director, who will distribute paychecks/paystubs to employees.
- The Accounting Consultant, for purposes of recording payroll expenses and liabilities, will obtain the payroll register and other payroll reports from the payroll service website.

1. Time Sheet Preparation & Approval

Policy: Time Sheets, including time in and time out, documenting daily hours worked must be signed by the employee and the Executive Director and are required for all non-exempt employees. The Executive Director will maintain an Attendance Log to track all employees’ paid time off (PTO) accruals, usage, and balance.

Procedures:

- The Executive Director will provide the Attendance Log to the Accounting Consultant at least three days prior to each payday when at least one employee has taken PTO during that pay period. Employees will receive monthly reports of their PTO balances.

2. Payroll Additions, Deletions, Changes, and Voluntary Deductions

Policy: New employee additions, terminations, and pay rate changes will only be made based on authorization of the Executive Director or, for the Executive Director, on authorization of the President.

Procedures:

- All new employee additions, terminations, and pay rate changes will be submitted to the Accounting Consultant in writing at least three days prior to payday or last day of work.
- Voluntary payroll deduction requests, such as employee retirement contributions, will be initiated based on signed documentation submitted to the Accounting Consultant at least three days prior to payday.

3. Pay Upon Termination

Policy: Final payment of wages and vacation balance will be made to the employee on his/her last day of work.

Procedures:

- If an employee terminates without giving advance notice, payment will be made within 72 hours of termination.

B. Purchases & Procurement

Policy: The Executive Director is authorized to approve expenditures not in excess of \$25,000 per transaction. The Board of Directors must approve any expenditure in excess of \$25,000 per transaction. Expenditures may not be split into multiple purchases to evade this requirement.

Procedures:

- The reasonable person standard will apply in purchase and procurement decisions. Multiple bids should be solicited when practical and when sufficient competition warrants.

C. Independent Contractors

Policy: The Board of Directors must approve any contract with a total value in excess of \$25,000. The President, Treasurer, or Executive Director may enter into contracts not to exceed \$25,000 on behalf of the Foundation.

Procedures:

- With Board approval as needed, the Executive Director will execute contracts. The contract will include a Description of Items and/or Services (Exhibit A) and Compensation (Exhibit B).
- Contractors will complete and submit an IRS W-9 and must submit invoices for services, which include a description of services provided.

D. Invoice Approval & Processing

Policy: The Executive Director must approve all invoices. Approved invoices will be paid within 30 days of receipt or according to contract terms when those terms specify a different payment schedule.

Procedures:

- Invoices and bills will be opened and reviewed by the Executive Director or designee.
- Invoices are approved by the Executive Director and submitted to the Accounting Consultant for payment.
- The Accounting Consultant will file copies of all invoices paid.

E. Cash Disbursements

Policy: Any single check or other transfer of funds in excess of \$2,500 requires the signature of two of the authorized signatories (Executive Director, Treasurer, and President). Invoices, bills, or expense reimbursement claims may not be split in order to evade the two-signature requirement. No authorized signatory may sign checks payable to him/herself. The President or Treasurer will sign credit card payments.

1. Check Payments

Procedures:

- The Accounting Consultant, will prepare and deliver checks to the Executive Director.
- The Executive Director will sign checks after verifying the payment amount and obtaining a second signature as necessary. One check stub will be retained and attached to the invoice as proof of payment along with a photocopy of the signed check. Checks will be distributed by the Executive Director, and the invoice and check stub will be maintained in the vendor files.

2. Electronic or ACH Payments

Procedures:

- In certain cases, such as an office lease, where payment amounts have been predetermined and agreement to terms is documented and authorized consistent with policies detailed above, the Executive Director may provide the vendor with the checking account number and authorize recurring automatic payments to be taken directly from the checking account.
- The Executive Director will inform the Accounting Consultant immediately upon establishing any recurring electronic and/or ACH payments and provide a schedule of the payments to be made in this manner.

F. Credit Cards

Policy: A business credit card will be obtained for and secured by the Executive Director. Charges not exceeding \$2,500 may be made without secondary approval. For transactions exceeding \$2,500 and within the Executive Director's expenditure and contract authority, written approval (including email) from either the Treasurer or President are required prior to the purchase.

Procedures:

- The business credit card will be used for SBCF business purposes only.
- Documentation of purchases made will be attached to the monthly statement when submitted to the Accounting Consultant for payment.
- Credit card payments will be submitted, with corresponding statement and supporting documentation, to either the President or Treasurer for signature.

G. Travel & Expense Reimbursements

Policy: The Foundation will reimburse employees for reasonable out-of-pocket business travel- and other business-related expenses. The Foundation may also reimburse Board members and other volunteers for reasonable out-of-pocket travel and Foundation-related expenses. The Foundation will not cover reimbursement for travel to/from meetings and events in San Bruno.

The Foundation's standard travel and expense report will be used for all reimbursements. Mileage will be reimbursed at the business rate published annually by the IRS.

Foundation travelers are urged to minimize travel costs by, for example, booking airline tickets in advance, flying in economy class, and using the most economical mode of transportation (for example, airport bus rather than taxi or car rental). However, in the application of this general rule, extenuating circumstances such as the best economic use of the traveler's time should be taken into consideration.

Reimbursements for alcoholic beverages or any moving vehicle or parking citations are prohibited.

Procedures:

- Employees, Board members, and other volunteers must obtain Executive Director approval prior to incurring out-of-pocket expenses for which reimbursement will be sought. The Executive Director must obtain prior approval by the President for reimbursable expenses exceeding \$500.

- Travel and expense reports require Executive Director approval and signature. Executive Director travel and expense reports require President approval and signature.
- Original receipts must be attached to travel and expense reports.
- Accounting Consultant will verify expense reimbursements.
- Travel and expense reports must be submitted no later than 60 days after the expense was incurred.

VI. Asset Management

A. Cash Management and Investments

Policy: Cash balances in operating bank accounts should be maintained within FDIC insurance limits. Bank accounts for payroll, general checking, and savings will be maintained.

Investments will be made consistent with the Investment Policy Statement and the Investment Operating Plan. No payments will be made directly from investment accounts. Invested funds will be accessed only by wire or electronic funds transfers from the Investment Liquidity Pool to the general checking account. The check-writing feature is to be disabled on all investment accounts.

The President, Treasurer, and Executive Director are the authorized signatories on all bank and investment accounts.

Procedures:

- Total balance for operating demand accounts at a single bank should not exceed \$250,000, unless otherwise approved by the Board. In unexpected, short-term instances where a balance greater than \$250,000 cannot be avoided, the Executive Director will notify the Treasurer, who will determine whether Board ratification is warranted.
- Payout and withdrawals from the investment accounts will be carried out in accordance with the Investment Operating Plan. In particular, payout from the Quasi-Endowment Pool to the Liquidity Pool will follow a regular schedule set forth in the Investment Operating Plan.
- Non-regular transfers between investment accounts require advance written (including email) approval from one authorized signatory.
- Wire transfers from the Investment Liquidity Pool account to the general checking account in excess of \$2,500 require advance written (including email) approval from two authorized signatories.
- For unplanned withdrawals from any investment account, five (5) business days' notice must be given to allow time for trade execution, trade settlement and fund transfer through the Liquidity Pool (if necessary) and out to the general checking account.

B. Capital Equipment

Policy: Equipment, furnishings, leasehold improvements and real property will be capitalized when the item has a useful life greater than one year and initial cost greater than \$5,000.

Procedures:

- Items capitalized will be depreciated on a straight-line basis, unless the IRS requires a different depreciation method, over their useful life. Land is not subject to depreciation.
- Useful life for technology equipment will be three years, furniture and other equipment will be five years, leasehold improvements will match lease term, and buildings will be 30 years.