Port Chester Carver Center, Inc.

Financial and Accounting Policies

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Overview

Carver Center's financial and accounting policies are used to manage a number of functions within the financial process. Specifically, these policies govern (1) cash and investment management; (2) billing and collection of revenue; (3) recognition of income; (4) approval of expenses and payment of bills; (5) use of the Center's corporate credit card; (6) checking account administration; (7) payroll administration; (8) budgeting and (9) preparation of monthly accounting statements.

The financial process is supervised by the Controller, who reports to the Executive Director of Carver Center. Several staff members support the process on a part time basis: the Administrative Assistant to the Executive Director ("the Administrative Assistant"), and the Front Desk Receptionists ("the Front Desk") (there are more than one within a 24 hour period). The primary financial and accounting functions are conducted by a third party administrator "the TPA", who provides accounting, payroll administration, accounts receivable and payable services. When used in this document, the TPA refers to the individual who works with Carver Center as an outsourced staff member.

MGroup is a firm that provides outsourced accounting and financial support to not- for- profits. They provide a dedicated individual who works in Carver's offices part-time. In addition, a partner of MGroup acts as a supervisor of the work performed by the individual who provides the services. The MGroup team has been selected because it offers Carver the specialized expertise required to perform the financial process.

The Board of Carver Center oversees the financial process through the Finance Committee. This committee is composed of 3 to 5 members, plus the President of the Board, the Executive Director of the Center, and the Controller. The Finance Committee meets (in person or telephonically) at least 6 times per fiscal year, and reviews the Center's financial statements as well as the investment reports. The Finance Committee also oversees the preparation of the annual Budget, and presents the Budget for the upcoming year to the Board. The Finance Committee also works to ensure that the financial function at Carver is operating within the policies, and that policies are reviewed regularly to determine if any changes might be necessary. From time to time, individual members of the Finance Committee may audit certain processes, such as payroll and credit card usage, to ensure that the processes are being followed.

Cash Management and Investment Policy-

Port Chester Carver Center ("Carver") has a significant portion of its assets in the form of cash and investment securities. These assets are segregated into four separate categories.

The first category is the **operating funds**, e.g. the cash which is collected from fees, grants, rental income, government payments, and donations on an annual operating cycle, and is spent on the day to day operations of Carver.

The second category is the **reserve funds**, e.g. the monies which have been set aside by the Board of Trustees, typically after Carver has a financial surplus for a full fiscal year. The reserve funds are available to make necessary capital improvements and such improvements must be recommended by the appropriate committee, typically the Space Utilization Committee and approved by the Executive Committee.

The third category is the **gift fund** established for all individual donations in excess of $50,000 which have been designated for a specific purpose OR are undesignated and the Executive Committee feels should be held separate from the Operating Funds pending a determination of how the funds are to be utilized.

The fourth category is the **endowed funds**, which are funds that have been donated to Carver with specific restrictions on their use and the amount that can be spent within a fiscal year.

Oversight of Operating Funds:

The Controller is responsible for overseeing the operating funds. The level of the funds must be monitored to ensure that Carver has sufficient liquidity to support daily operations, and to that end, the Controller should prepare a cash flow projection on a regular basis to ensure adequate liquidity. During the period between July and December, it is especially important to make such a projection, as the inflow of donations is seasonal, and cash balances fall to their low point during this period.

If it is anticipated that there will be a shortfall in the operating account, the Controller should advise the Finance Committee as soon as possible and obtain approval to borrow under the bank line of credit or "borrow" funds from the reserve funds. It is also necessary to advise the Board of this borrowing at the next scheduled meeting following the event.

Oversight and Management of Reserve Funds:

The Controller is responsible for overseeing the reserve funds. These funds are generally used to fund capital projects. On occasion, the reserve funds may be needed to bridge a temporary cash shortfall in the operating account. Since the use of these funds is fairly predictable, it is appropriate to keep most of the fund balances in liquid, low risk investments with maturities no greater than six months. The Finance Committee is responsible for managing the returns on these balances and is expected to identify the opportunities which will earn the highest rate of return given the choices available.

Oversight and Management of Gift Funds:

Gift funds are to be overseen similar to reserve funds. These funds are to be preserved pending a project which meets the wishes of the donor or has been approved by the Executive Committee. It is appropriate to hold the balances in liquid, low risk investments with maturities no greater than six months. The Controller is responsible for managing the returns on these balances and is expected to identify the opportunities which will earn the highest rate of return given the choices available.

Acceptable Banks:

The establishment of any bank account, including a certificate of deposit, must be with a bank which has a branch in Westchester County or Fairfield County. In addition, the bank must be included in the FDIC insurance pool to be acceptable.

Acceptable Money Market Funds:

If Carver's Finance Committee determines that the best investment of the funds is in a money market fund, he/she will identify a fund with the most reasonable fees, consistent with the highest quality investment.

Diversification of Bank Deposits:

It is desirable to limit Carver's deposits in any one bank, keeping in mind the current FDIC limit on deposit levels that are insured. The operating fund may at certain times during the year exceed this level. The bank which holds Carver's operating account may not also hold any other funds.

Endowment Funds:

Carver has three endowed funds. The largest fund is the Program Endowment Fund, which is to provide funding for new and existing programs. It was established in December 2002 with a letter from the donor and a donation of $750,000. The donor specified that no portion of the corpus, e.g. the amount of the original gift, be spent, and therefore the spending has been limited to accumulated interest, dividend, and capital gains. The second endowed fund is the general Endowment Fund, and its use is unrestricted. It was established in 2002 through the combination of two donations which equaled $50,000 and the designation of $50,000 from Carver's surplus funds. The annual spending from this fund was not specifically limited when it was established. The third endowed fund is a fund established in February 2011 with a gift of $604,000. These funds may be used for Carver Center's general purposes. However, spending is limited to accumulated interest, dividends, and capital gains.

Use of the Endowed Funds:

The purpose of Carver's endowed funds is to provide ongoing funding for the programs at Carver. This goal will be achieved through an annual withdrawal as permitted by state law.

In September 2010, a law was passed in New York which is known as the New York Prudent Management of Institutional Funds Act. This law makes important changes to rules governing the spending of endowed funds. In particular, it allows institutions to spend endowment funds below their original dollar amount ("historic dollar value") without court approval or Attorney General Review. The law requires that an institution make a determination on the amount and use of the funds on a systematic basis and record the basis for such a decision contemporaneously. The law requires that an institution must also keep records of how it determines NOT to withdraw funds from an endowment fund. Finally, the law allows an institution to withdraw up to 7% of an endowed fund's Fair Market Value, averaged over a period of at least the 5 preceding years.

On an annual basis, the Treasurer shall prepare an analysis of the endowment funds in accordance with the New York Prudent Management of Institutional Funds Act. Based on this analysis, the Treasurer shall make a recommendation to the Finance Committee for its approval as to the amount that should be withdrawn from the endowment funds to support the programs at Carver. The amount "appropriated for expenditure" shall be approved by the Board of Directors pursuant to its approval of the annual Budget.

Effective June 2012, Carver Center has the approval of the donors of its two large Endowment Funds to use the New York law's new limit on spending.

Oversight of the Funds:

The Finance Committee is responsible for oversight of the ongoing administration and investment of the endowed funds. The committee is responsible for selecting and hiring a third party investment manager to invest the assets of the funds. The Finance Committee is responsible for evaluation of the third party investment manager's performance and for determining whether such performance is acceptable or whether a change in investment managers is warranted. The Finance Committee will make a semi-annual report to the Board on endowed funds' performance.

Objective of the fund's investments:

The primary objective of the investments held by the endowed funds is capital preservation and long term growth. A lower growth target for the investment funds is acceptable if intended to preserve the stability of the fund balances.

Investment Allocations:

Investment allocations shall be determined by the Finance Committee assisted by the investment manager chosen by the Finance Committee. Such allocations shall reflect Carver's investment objectives for the endowed funds and shall be reviewed on an annual basis.

Measurement and performance evaluation:

The fund's results, net of fees, shall be compared to benchmarks as agreed with the investment manager, and should be evaluated by the Finance Committee with the manager at least semi-annually.

Reporting:

The results of the endowed funds' performance shall be reported to the donors annually. Results shall be made available to any legitimate request by a potential donor.

Financial and Accounting Policies:

Receipts:

Payments in the form of cash, credit card payments, checks, and money orders for programs, including fitness center, etc. are delivered to the Front Desk. Cash receipts are recorded in a book with a two-part form. One part is given to the payer and the second part remains in the book. At the end of the shift, the Front Desk fills in an End of Shift Reconciliation with receipt numbers and amounts. The cash, checks, money orders, and credit card receipts are deposited in the safe behind the receptionist's desk. The Reconciliation report, along with receipts, is also dropped into the safe. When the TPA comes in, twice a week, the envelope with payments, along with the Reconciliation report, is removed from the safe, and the TPA completes a deposit slip in preparation for taking the cash to the bank.

Incoming mail is sorted by the Front Desk, who forwards all envelopes with donations enclosed to the Development Department. The Development Department records each gift in their system, eTapestry, and prepares a deposit slip for donations. Other checks received in the incoming mail are put in the safe until they are removed by the TPA, who prepares a deposit slip for these checks.

All checks, credit card receipts, money orders, and cash received are photo-copied. Deposits to the Operating Account are made at least twice a week by a member of the business team. Once the deposits have been made and the deposit slip is returned to the TPA, the deposits are recorded to the accounting system by the TPA.

Expenditure Authorization Policy:

Expenditures include those for salaries and benefits, supplies, utilities, etc. The annual budget process serves as the starting point for approved expenditures. All salaries and benefits must be reviewed as part of the budget. Any change in salary for an employee as well as the hiring of staff for new positions must be specifically recommended by the Executive Director, who must get formal approval from the President of the Board of Directors. The Executive Director's salary and other compensation must be approved annually by the Board of Directors.

Operating expenditures which have already been budgeted must be authorized by a Purchase Order or invoice approved by the Controller.

Expenditures which have not been budgeted or which exceed the budget by more than $5,000 must be approved by the Executive Director. Any such item of spending which was not anticipated in the budget must be reported promptly by the Executive Director to the Finance Committee. Any amount in excess of $5,000 must be approved by the Finance Committee, and if the amount exceeds $10,000 must be approved by the Board, unless such amount is an emergency and then, the Executive Committee may authorize spending up to a limit of $50,000. Interim decisions shall be made only when timing is urgent, following which the entire Board must be advised immediately. Any such item of spending which was not anticipated in the budget must be reported promptly by the Controller to the Finance Committee.

The Finance Committee meets regularly to review the receipts and expenditures of Carver Center, and to review all variances from budget. The Finance Committee reports on these items to the Executive Committee and to the Board at their regularly scheduled meetings.

The exception to this policy is spending of restricted gifts, e.g. monies that have been contributed with a request that they be spent on a specific item or program. These contributions are recorded and reported by the Development Department. The Controller is responsible for monitoring the spending of restricted gifts, to ensure that amount spent and the purpose therefore is consistent with the restrictions of the donor.

Payment Procedure:

Once an expenditure has been duly approved, a check is prepared by the TPA. Checks are generated by computer, using the QuickBooks software. No checks are written manually. Each check that is written creates an accounting entry which identifies the expense or payment to a specific expense code. All checks have two attached vouchers, with the invoice number and date of payment. One voucher is torn off and attached to the Purchase order and/or invoice and all such invoices are filed alphabetically and kept in a file for the specific fiscal year. The invoices/purchase orders with vouchers attached are retained for 7 years.

Checks are then given to the appropriate individuals for their signature (see Checking Account Signatories) and once signed, are mailed by the TPA.

The payment of salaries is handled separately, by the TPA. (See Payroll Procedure)

Checking and Investment Account Signatories:

Checks up to $5,000 may be signed by one authorized signer. Amounts exceeding $5,000 shall require the signatures of two authorized signers. The Executive Director is typically the check signer, and no other staff members have signing authorization. Key Board members who are duly elected officers of Carver may be designated as authorized signers on banking and investment accounts. Typically, at least the President and Treasurer of the Board should be account signatories. Signing authority shall be changed immediately following election of officers if changes are required. A check made out to an authorized signer may not be signed by that individual.

A record of all bank and investment accounts, the accompanying corporate resolutions and signature cards or a record of the approved signers must be kept on file with other financial records.

Line of Credit and Borrowings:

The Board must approve any application for and the acceptance of a Line of Credit with a lending institution. The Executive Director and either the Treasurer or the President will be authorized, pursuant to a resolution of the Board, to execute the credit agreement as an officer of the Port Chester Carver Center.

Once a Line of Credit has been established, the Treasurer can authorize individual borrowing requests within the limit of the Line of Credit up to $100,000. The Finance Committee of the Board must approve individual borrowing requests against the Line of Credit in amounts greater than $100,000, or in all circumstances where the aggregate amount owed under the Line of Credit would exceed $200,000 following such borrowing. In all cases, borrowing requests under the Line of Credit will require the written approval of the Executive Director and one of either the Treasurer or President. Written approval may take the form of email correspondence, with such correspondence retained by the Controller.

Payroll Procedure:

Carver Center's payroll process is supported by a third party vendor.

Work hours for all employees are recorded using a hand-scanning time system. The system produces a report of all work hours for all employees, which is used as input to the payroll process.

The bi-weekly pay period ends on a Friday. Hours worked are tabulated and submitted to the third party vendor the following Tuesday. Physical checks are received and payroll reports are received the following Thursday, and physical checks are distributed to employees the following Friday. Direct deposits to employee accounts are made on the same Friday.

The following procedures are followed:

The TPA reviews the (hours worked) report created by the time system to ensure all employees' hours have been recorded and that they are reasonable. The TPA also reviews the paid time off, including Personal Days, Vacation Days, and Sick Days for any employee who has been absent during the period. The TPA prepares a payroll summary of hours by employee and telephones the third party payroll vendor with the information.

If there is a change in the employee's hourly or annual salary rate, the Controller and TPA advises the third party payroll vendor. This communication is documented on a Personnel Change Form and kept in the payroll files for the pay period in which the change occurs as well as the individual's personnel file. The Director of HR maintains the payroll files.

Checks are prepared by the third party payroll vendor and delivered to Carver Center for distribution. The payroll register, analysis control for gross wages, taxes, deductions and exception reports are received by the TPA and held for input to the Quick Books system.An employee must sign a form when he picks up his check.

The supervisor of the TPA, who is also a third party to Carver Center, reviews the payroll work papers monthly to ensure they are properly backed up by time sheets and salary/wage information.

Capital Expenditures:

A capital expenditure is the purchase of an item which has an expected life of 3 or more years, and costs at least $1,000. Capital expenditures are not generally part of the operating plan and must be approved by the Executive Director up to $2,000; by the Finance Committee up to $10,000; and by the Board for amounts in excess of $10,000. Approvals are given on a case by case basis to assure that funding of the purchase is available. The Executive Director may not approve more than $7,500 per year in aggregate.

Examples of capital expenditures are for items such as equipment, furniture, parts of the building such as windows or roof, computer hardware and software.

See Policy Number CC-ACC-002 in the Appendix for further detail.

Fixed Assets:

Information on all purchases over $1,000 should be forwarded to the TPA to be reviewed for possible capitalization. This information should note equipment information (type, serial number, etc.) cost, location and condition. This inventory record should be updated annually.

Expense Reimbursement Policy and Procedure:

Employees will be reimbursed for business expenses incurred while performing their job function. These expenses must meet the following criteria:

- There must be a business reason for the expense.
- The expense must be substantiated in writing as to the purpose and the date it took place.
- All expenses must be documented with a receipt.
- The reimbursement request must be submitted on a form available from the TPA and should be submitted no later than 10 days following the expenditure.
- The reimbursement request must be signed by the employee, the employee's immediate supervisor, and by the Executive Director. The Executive Director's reimbursement request must be signed by the President of the Board.

Following are guidelines for claiming reimbursement for travel and other business-related out of pocked expenses.

- Reimbursement for miles driven is at the Standard Mileage Rate set by the Internal Revenue Service. Tolls and parking fees are reimbursed in addition to mileage. This excludes personal and commuting travel.
- Reimbursement of travel expenses covers transportation, meals, lodging and telephone usage. Receipts for each of these expenses must be submitted. All travel must be approved by the Executive Director before the trip occurs.
- Reimbursement for entertainment expenses is allowed for expenses that are directly related to and occur in conjunction with a substantial business discussion
- Other business expenses which may be reimbursed are for subscriptions, books related to the job, business calls using personal phone, professional membership, licenses, dues, etc., provided that business purpose is provided.
- Reimbursements of automobile expenses that are for vans owned by Carver Center are allowed. All expenses should be reasonable and necessary, and include gas, oil, and repairs.

Use of Carver Center Credit Cards:

Carver Center asks all vendors with whom it does business to offer it a house account. If the vendor does not offer a credit line, Carver Center has a credit card account, which is used to make payment for expenditures. The credit card account has four sub-accounts for Business, Advancement, Learning/Programs, and the Executive Director, which facilitates tracking credit card expenditures. These 4 cards are secured under lock and key by the Business Office and Controller. An employee with a business need for the credit card will request a card from his Department Director. When the employee returns the card, he will also return all receipts for expenses that were incurred on the credit card. If an expense is not reported by the employee when he returns the card, he will be liable for the expense and may lose the privilege of using the card. The cards are not to be used for personal expenses.

A member of the Carver Center Finance Committee periodically reviews the credit card statements to determine that policy is being followed.

Rebates and Rewards Points:

Any vendor program offering rebates or reward points related to the purchase of goods and services by the Carver Center must be reviewed by and approved by either the Executive Director.. Carver Center employees shall not accumulate reward points or receive rebates from any vendor or provider related to the purchase of goods and services for use by the Carver Center. Rebate or rewards points earned on credit cards issued in the name of the Carver Center (“Corporate Cards”) must be made payable to the Carver Center or redeemed by and for the benefit of the Carver Center. For the avoidance of doubt, this policy does not apply to rewards points or rebates accumulated by Carver Center employees using personal credit cards for travel or other reimbursable expenses.

Bank Account Reconciliation Procedure:

The reconciliation is performed by the TPA, using the QuickBooks software. The reconciliation should be performed within a week of receiving the bank statement. All transactions over 3 months old which have not been cleared must be researched. If necessary, the TPA will prepare a journal entry to reinstate an item to cash.

The supervisor of the TPA, who is also a third party to Carver Center, reviews the bank account reconciliations monthly to ensure they are accurate and correct and that the accounting records fairly present the balances in the checking accounts.

Petty Cash:

The Carver Center only uses petty cash under extenuating circumstances and under the discretion of the Chief Executive Officer

Budget Process:

Carver Center's budget is to be prepared by management subject to the review and oversight of the Finance Committee. The budget must be approved by the full board no later than 90 days following the beginning of the new fiscal year.

During the budget process, the Executive Director and the Controller meet with all Department heads to develop plans for the new fiscal year, so that they can establish what financial resources are available, or will be needed, and revenues that are anticipated for each program. Staff positions and salary, wages, and benefits, including raises and new positions, shall be recommended by the Executive Director (for all positions excluding the Executive Director) and by the Executive Committee for the Executive Director, as part of the budget process. Also, the Development Department will work with the Executive Director and the Controller to establish the amount of fundraising income that is reasonable to expect in the next fiscal year. Once plans for all of the programs and the operations of the Carver Center are developed, the Controller, with the support of the TPA, aggregates all the information into an overall budget for the Carver Center. Further discussions may take place with all program heads to ensure that they understand how this budget will impact their programs.

The Treasurer reviews the budget with the Executive Director, the Controller, and the Director of Development, to ensure accuracy and completeness, and will assist with presenting the budget to the Finance Committee, the Executive Committee, and the Board of Directors. When the above committees approve the budget, they are authorizing the Carver Center to spend the monies budgeted for the programs in the manner described in the budget.

There may also be a capital expenditure budget for items which are extraordinary and do not occur frequently, e.g. replacement of a boiler or an air conditioning system. Any item in the Capital Expenditure budget must be accompanied by a means to pay for the item and requires the approval of the Board of Directors.

Financial Reporting:

The TPA shall prepare a monthly balance sheet, as well as a statement of financial changes, by no later than the 4th week of the month. These reports shall be circulated to the Controller, the Executive Director, the President and Treasurer, who will share them with the Finance Committee and Executive Committee at the next meeting. The Treasurer will review these reports with the Board at the next meeting.

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Policy:

A CAPEX Request Form must be completed for all items $500 or greater for all equipment, computer equipment and software. All Check Requests or Purchase Orders for projects greater than $500 for equipment, computer equipment/software must have an approved CAPEX form completed and attached for processing. If items are purchased in bulk and the aggregate total is greater than $500 a CAPEX Form must be completed.

Purpose:

The purpose of this policy is to provide a way to evaluate and approve projects which require a capital investment.

Procedure:

All projects and purchases greater than $500 and all computer purchases require the completion of a CAPEX Request Form.

Completion of CAPEX Form

- [ ] Complete the project name and individual requesting
- [ ] Check which type of asset is being acquired
- [ ] Indicate which department
- [ ] Provide explanation if the department is different than the requestor's department.
- [ ] Provide a detailed description of the project items and costs. Attach cost quotes, and invoices if available.
- [ ] Provide justification for purchasing the new asset. If the item is replacing an existing asset, explain why replacement is necessary. For new equipment identify the business need for purchasing asset.
- [ ] Please indicate if the item was budgeted in fiscal year.
- [ ] Route CAPEX Form and obtain all necessary approval signatures.
- [ ] Send CAPEX Form to finance for processing.

Examples include boilers, furniture, windows and equipment where the expected life is generally 3 years or greater. Capital Expenditure typically covers spending on plant and equipment in an amount exceeding $500 and for an item which is not used or consumed in the same year it was purchased. This includes all equipment, furniture, fixtures, computer hardware and software.

CAPEX Routing Process

It is the responsibility of the originator of the CAPEX form to insure that all signatures for approval have been received prior to provisioning asset.

Once all Approvals have been met and the asset has been ordered, the CAPEX Form must be forwarded to finance for processing.

Approval Levels:

Approval signature requirements in the following tables are for any CAPEX exceeding the indicated maximum amounts:

	All Other
Executive Director	<=$2,000
Finance Committee	<=$10,000
Board	>$10,000

If additional equipment is required and/or pricing changes or other costs cause the total cost for the CAPEX to exceed the approved amount by more than 5%, a new CAPEX Request must be resubmitted for re-approval at the higher amount.

Accounting for the Purchase

Depreciation expense is recorded on a straight-line basis monthly. Finance will begin depreciating the asset in the first full month following the month the asset is placed into service.

In all cases, finance strives to assign time periods that considers the estimated productive benefits of the specific asset. The current useful lives assigned by finance are as follows:

- Machinery and Equipment — 7 years
- Computer Hardware — 5 years
- Computer Software — 3 years
- Internet Software — 3 years
- Furniture and Fixtures — 7 years
- Leasehold Improvements — Lease Term