

## **KCD Financial Policies**

Knoxville Center of the Deaf (KCD) is committed to responsible financial management. The entire organization including the Board of Directors and Staff will work together to make certain that all financial matters of the organization are addressed with care, integrity, and in the best interests of KCD. These policies and procedures are designed to:

1. Protect the assets of KCD;
2. Ensure the maintenance of accurate records of KCD's financial activities;
3. Provide a framework of operating standards and behavioral expectations at KCD; and
4. Ensure compliance with all federal, state and local legal and reporting requirements.

The Executive Director (ED) of KCD has the day-to-day responsibility for administering these policies and ensuring compliance with procedures which have been approved by the Board of Directors (Board). Changes or amendments to these financial policies may be recommended by the Finance Committee and approved by the Board at any time, and a full and complete review of these policies shall take place every two (2) years after initial approval.

Every Board Director and every KCD staff member with any finance-related responsibilities is expected to be familiar with and operate within the parameters of these financial policies and guidelines.

ADOPTED BY THE BOARD OF DIRECTORS OF KNOXVILLE CENTER OF THE DEAF  
September 8, 2011.

## **LINE OF AUTHORITY**

**Board of Directors:** The Board has the authority to execute any policies it deems to be in the best interests of KCD within the boundaries of KCD's Articles of Incorporation, Charter, Bylaws, or federal, state and local law. The President of the Board shall be an authorized signatory on KCD's accounts. Each Board member shall be given adequate background and training to allow him or her to fulfill his or her financial oversight role as a Board member.

**Finance Committee:** The Finance Committee has and may exercise, when the Board is not in session, all of the powers of the Board in the fiscal management of KCD except the authority to amend the Bylaws, adopt a plan of merger/consolidation, sell, lease, exchange, mortgage, pledge or make any other disposition of all or substantially all of the property and assets of KCD. The Chair of the Finance Committee shall be an authorized signatory on KCD's accounts.

**Treasurer:** The Treasurer has whatever authority as may be designated by the Board, including:

1. the authority to choose the auditor,
2. to perform regular, in-depth reviews of the organization's financial activity,
3. to oversee the development of the annual budget by the ED in conjunction with the accounting staff, and
4. to make recommendations for the allocation of investments and deposits to the Board.

The Treasurer shall sit as a member of the Finance Committee and shall be an authorized signatory on KCD's accounts. The Treasurer, or his/her designee, shall be responsible for making the report on

KCD's UBS accounts to the Board by email each month unless directed otherwise by the Board.

Executive Director: The ED has whatever authority as may be designated in writing by the Board, including:

1. the authority to review finances and, working with the accounting staff and Finance Committee, to present a balanced budget to the Board for approval each year in the format designated by the Board and in sufficient time for reasonable approval by the Board,
2. to make spending decisions within the parameters of the Board-approved budget without overspending the individual line items of the budget or otherwise redistributing monies under the individual line items of the Board-approved budget,
3. to recommend employment and termination of personnel,
4. to create and implement annual staff performance reviews,
5. to maintain written personnel records including performance reviews and disciplinary actions,
6. to recommend staff salary levels and any bonuses to the Board,
7. to create and amend day-to-day operating procedures and controls with Staff input,
8. to make decisions regarding the duties and accountability of Staff and the delegation of decision-making authority to same,
9. to obtain competitive bids for items in excess of \$500 per unit, unless an emergency, and to make recommendations to the Board for same,
10. to investigate and recommend service contracts to the Board but has no authority to make contractual commitments for bank loans, corporate credit cards, or other indebtedness without specific prior written approval of the Board, and
11. to be an authorized signatory on KCD's operating bank account upon approval by the Board.

Staff Members: The Staff Members (Staff) individually have whatever authority as may be designated by the Board and the ED including the authority to accept fee payments and to provide cash receipts.

## **INDEMNITY POLICY**

It is the intention of the Board to implement an organizational mandate to act in a timely and responsible manner on financial information for the benefit of KCD.

To the full extent that it shall have from time to time under applicable law and in the manner from time to time prescribed or permitted by applicable law, KCD shall indemnify any past, present or future Director or Officer against all costs, expenses and liabilities, including attorneys' fees, actually and necessarily incurred by or imposed upon them in connection with or resulting from their service as a member of the Board of Directors of KCD.

No such reimbursement or indemnity, however, shall relate to any expense incurred or settlement made in connection with any matter arising out of his or her negligence or misconduct as determined either by a court of competent jurisdiction or, in the absence of such a determination, by KCD acting on the advice of counsel.

KCD shall purchase and maintain insurance on behalf of any person who is or was serving at the request of KCD, as a Director or Officer, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such.

## **INVESTMENT POLICY**

It is the intention of the Board to provide and maintain an organizational climate of resource development, accumulation, and protection for KCD's assets in order to further its underlying purposes.

The investment objectives of KCD, in order of importance, shall be the safety of principal, liquidity, and a competitive rate of return. KCD's Board shall have primary responsibility for the administration of the investment policy and for establishing any specific guidelines as to the mix and quality of the investment account(s) after reviewing recommendations by the Treasurer and Finance Committee.

## **OPERATING PROCEDURES**

### **IN GENERAL**

1. No advances of funds to employees, officers, or directors are authorized. Direct and necessary expenses including travel for meetings and other activities related to carrying out KCD's responsibilities shall be reimbursed upon prior written approval of the Board or Finance Committee.
2. KCD shall not borrow funds from any employee, officer or director without specific authorization from the Board.
3. KCD will accept stock or other negotiable instruments as a means for donors to transfer assets to KCD. Transfer of and recording the value of the asset will be done by the accounting staff in compliance with generally-accepted accounting standards. The Board will sell any stock given to KCD immediately upon receipt by KCD.
4. KCD will accept contributions of goods or services other than cash which are related to the programs and operations of KCD. Any other contributions of non-cash items must be reviewed and recommended by the Finance Committee and approved by the Board before acceptance.
5. The accounting staff will be required to provide end-of-month financial reports to the Board by email by the 15<sup>th</sup> of the following month. Should the accounting staff need extra time in any given month to provide such report to the Board, the accounting staff shall make such request and explanation to the Treasurer for approval before the 15<sup>th</sup> of the month.
6. The Board will be required to secure an independent audit annually.
7. Computers at KCD use vendor unmodified software packages, e.g. Peachtree, Word, Excel, Lotus, etc. Each staff person uses a computer at KCD. The server, added in 2005, performs a backup regularly.
8. The ED and staff shall review the computing systems annually and make recommendations for upgrading, if any, to the Finance Committee which shall review and present appropriate recommendations to the Board for approval.

### **FINANCIAL REPORTING**

1. Annual balanced budgets are to be prepared by the ED in consultation with the accounting staff in a format approved by the Treasurer and shall not take effect until approved by the Board.
2. Budgets are reviewed by the Finance Committee before Board meetings, in consultation with the ED and accounting staff as necessary, and are adjusted if needed to reflect changing conditions upon recommendation of the Finance Committee.
3. A Chart of Accounts is available and used to code receipts and disbursements to the proper accounts by the accounting staff.
4. Timely and accurate information shall be provided in a budget operating report to the Board at

- each Board meeting.
5. Annual audits will be conducted by an independent CPA at the close of each April. Copies of these reports will be made available to the public.
  6. The Fiscal Period for KCD shall be January 1-December 31.

### **SAFEGUARDING ASSETS**

1. The ED shall have primary responsibility for ensuring that proper financial management procedures are maintained and that the policies of the Board are carried out. Failure to adhere to Board-approved financial management procedures shall be grounds for termination.
2. The Treasurer, Finance Committee, and Board shall provide fiscal oversight in the safeguarding of KCD's assets and shall have primary responsibilities for ensuring that all internal and external financial reports fairly present KCD's financial condition.
3. A proper filing system will be maintained by the accounting staff for all financial records.
4. All excess cash will be kept in an interest-bearing account at a different financial institution than the main bank holding KCD's operational accounts. This interest-bearing account shall be accessible only by the Board or its designees. Two authorized signatures shall be required to transfer funds from this Board-only account to the operating account.
5. Board approval and two authorized signatures shall be required to withdraw funds from UBS accounts.
6. Two authorized signatures, one of which is a Board member, shall be required on all KCD checks from the operating account.
7. The accounting staff will promptly reconcile all bank statements on a monthly basis.
8. Accounting staff will keep documents on all securities and fixed assets in a locked file.
9. Asset inventory records will contain a description, serial number, date of purchase, copy of receipt (if any), valuation, and date of valuation. These records will also be in a locked file.
10. Appropriate insurance for all assets will be maintained.

### **COMPUTER CONTROLS**

1. The accounting staff is responsible for inputting the financial data into the computer for generating financial reports. Only the accounting staff, Board President, Treasurer and Finance Chair shall have access to the password required to log onto the accounting system. Others who are assisting the accounting staff may be logged on by someone with the password to the system but will not be given the password.
2. Any errors made during the inputting of information shall be promptly corrected.
3. Detailed printouts of cash receipts and cash disbursements shall be maintained.
4. The accounting staff shall be responsible for comparing the detailed printouts to source documents for accuracy.
5. A trial balance on the general ledger totals shall be obtained and compared to detailed reports for accuracy of balances.

### **POLICIES ON DISBURSEMENTS**

1. The ED has expenditure approval up to the parameters set by the annual operating budget as approved or modified by the Board. The deliberate splitting of vouchers or invoices with the sole purpose or effect of exceeding the boundaries of this authority is expressly prohibited.
2. Expenditure requests from Staff will be initiated in writing and approved within specified authority by the ED.

3. Two signatures are required on all KCD checks and at least one signature must be an authorized Board member. Both signatures may be authorized Board members.
4. Petty cash shall be limited to one hundred fifty dollars (\$150.00). Receipts or vouchers are required for all petty cash disbursements and shall be written and recorded properly. The accounting staff shall reconcile the petty cash account before the fund is replenished and such check to replenish the petty cash fund shall be made to "Petty Cash Fund."
5. All checks are pre-numbered and accounted for monthly. Checks shall be valid for payment for a maximum of ninety (90) days from the date of issuance and this shall be printed on each check.
6. The checks print in two (2) parts: the original is sent out for payment and the second part is filed with support.
7. All voided checks must be defaced and retained by the accounting staff.
8. No checks may be written to "cash" or "bearer."
9. Blank checks shall be stored in a locked drawer. Signed blank checks may never be used without prior approval of the Treasurer or Finance Chair.
10. KCD will not make loans to individuals. KCD will also not be responsible for the safeguarding of monies other than its own.
11. At least three estimates are required for all major expenses, including renovations and repairs, over \$500.00 except for emergencies, e.g. plumbing. Preference is to be given to deaf-owned or deaf-connected businesses whenever possible without sacrificing fiscal responsibility to KCD.
12. All payments to staff, free-lance interpreters, and SSPs shall be by direct deposit at the financial institution of his or her choice. Each new staff person and all free-lance interpreters shall be required to complete an ACH bank form for depositing payments from KCD electronically.

### **POLICIES ON RECEIPTS**

1. Receipts are generally received by mail and a designated staff person opens the mail, logs receipts into an Excel spreadsheet, and gives the accounting staff the checks. The accounting staff records receipts by number into the Computer Accounting System.
2. All checks are marked with "Deposit Only" immediately upon receipt.
3. All cash receipts are recorded on pre-numbered duplicate receipts.
4. Accounting staff fill out the deposit slips and reconcile it to the receipts.
5. Accounting staff will prepare the detailed cash listing to be posted to the general ledger (amount, date received, account number, etc.).
6. A copy of the deposit slip from the Bank will be compared with and attached to the corresponding receipt copies and cash listing.

### **CASH RECEIPTS**

1. All checks and cash receipts received through the mail are marked "Deposit Only" if appropriate and recorded in the cash receipts register, listing the date received, payer, check number (if any) and amount received.
2. Copies will be made of each cash receipt.
3. The accounting staff shall prepare the bank deposit, attaching a copy of the deposit slip and deposit receipt to the cash receipts copies. Deposits shall be made in a timely manner per regular accounting practices by accounting staff or person designated by the accounting staff.
4. The accounting staff shall code all cash receipts according to the Chart of Accounts.
5. The accounting staff prepares the cash receipts journal on a timely basis using the cash receipts summary sheet.

6. The accounting staff posts the cash receipts journal to the general ledger on a timely basis.

### **CASH DISBURSEMENTS**

1. All invoices received are stamped with the date received and are directed to the accounting staff.
2. The accounting staff prepares all checks for the approved expenditures, using pre-numbered checks.
3. The accounting staff reconciles invoices to monthly statements (if applicable), enters the check into the Computer Accounting System, prints out the check and records it in the disbursement journal.
4. All checks require two authorized signatures at least one of which must be an approved Board member.
5. The accounting staff, or person designated by the accounting staff, is responsible for mailing all checks.
6. The accounting staff will file one copy of the check with supporting documentation attached in numerical order.

### **PAROLL DISBURSEMENTS**

1. All new hires are approved by the Board.
2. All employees, including the ED, fill out time sheets.
3. Accounting staff enters time sheets into Computer Accounting System.
4. The employees each authorize all withholding amounts.
5. The accounting staff completes all payroll tax returns.
6. All employees, including ED, will participate in the direct deposit program.
7. If any hand-written checks are required, those checks shall be signed in accordance with the general check-signing policy.

### **PETTY CASH FUND**

1. The petty cash fund is kept secure and maintained by the accounting staff in a locked cash box in the office of the accounting staff.
2. Petty cash disbursements are limited to making change for fee payments.
3. Any other use of the petty cash fund must be authorized by the ED.
4. Periodically, the Treasurer and/or ED will make surprise counts of the petty cash funds.
5. At no time will the petty cash fund exceed one hundred fifty dollars (\$150.00).

### **BANK RECONCILIATIONS**

1. The accounting staff shall maintain a daily record of all bank transactions, listing all checks disbursed and all receipts deposited. This "Bank Book" shall show the current bank balance for all bank accounts.
2. The accounting staff will resolve all discrepancies and report the resolution of the discrepancies to the Treasurer.
3. The accounting staff will adjust the Bank Book as needed.
4. The accounting staff will reconcile the Bank Book to the general ledger cash accounts on a monthly basis.

## **BILLINGS AND RECEIVABLES**

1. Accounting staff receives the time sheets and reviews; the previously designated person compares the time sheets to the scheduling book/program and enters the time, mileage and/or parking; the accounting staff then reviews said entries, calculates the appropriate amounts of each, and prints invoices. If there is a discrepancy or problem as determined by the accounting staff, the accounting staff shall present those matters to the Treasurer and Finance Chair before payment is disbursed.
2. Accounting staff prepares invoices based on time summaries kept by employees and contract labor invoices turned in at the end of each month by contract labor interpreters.
3. Accounting staff and designated person review time summaries and invoices for accuracy and compare them to appointment books kept by KCD. Accounting staff or designated person enters the information into the Computer Accounting System and generates invoices.
4. Accounting staff maintains client receivable amounts on the Computer Accounting System. At the end of each month, the accounting staff review these for accuracy and determine whether any client receivable should be deemed uncollectable.
5. The accounting staff, or their designee, records the billing/invoice in the accounts receivable ledger on a timely basis.
6. The accounting staff posts the accounts receivable ledger to the general ledger on a timely basis utilizing the billing/invoice copies.
7. The accounting staff reconciles the accounts receivable ledger to the general ledger on a monthly basis.
8. All receivables records are maintained in a locked file at KCD.
9. At year-end, auditors shall adjust receivable balance to actual.

## **ACCOUNTS PAYABLE**

1. The invoices are submitted to accounting staff who prepare the requested checks. The invoices are approved at the time the checks are signed by the ED, the Treasurer, or an authorized Board member.
2. Once a check is prepared, the accounting staff will record the invoice in the accounts payable ledger.
3. The accounting staff shall reconcile the accounts payable ledger with the general ledger on a quarterly basis.
4. The accounts payable listing is compiled by accounting staff at year-end using the following month's check register.
5. Auditors will adjust the accounts payable listing to actual at year-end.
6. Accruals are made and/or adjusted by the auditors.

## **DESIGNATED FUNDS AND EXPENSES**

1. The identity of designated funds shall be maintained separately from general operating funds.
2. Designated funds may not be disbursed except to its intended designated group.
3. Expenses for a group which is the intended target of designated funds shall be paid only from the designated funds so assigned to that group.
4. The ED and the accounting staff are responsible for maintaining the designated restrictions on these funds and the expenses incident thereto pursuant to financial policies specifically covering designated funds.

## **ASSET PROTECTION**

1. The Board shall approve all additions to property.
2. Accounting staff shall be responsible for maintaining a record of fixed assets with purchase price over \$100 and above in accounting records as capital assets.
3. Accounting staff shall maintain the insurance against theft and casualty losses to the organization. The ED shall plan and carry out suitable protection and maintenance of KCD's property, building and equipment in coordination with the Building Committee.
4. The ED shall avoid actions which would expose the organization, its Board or staff to claims of liability.
5. The ED shall protect intellectual property, information and files from unauthorized access, tampering, loss or significant damage.
6. Monthly entries for depreciation are made based on the estimate prepared by accounting staff. Depreciation of capital assets will not exceed five (5) years for furniture and equipment or three (3) years for computer and other technology equipment.
7. The Board shall approve all retirements.