**XYZ, INC.**

**POLICIES AND PROCEDURES**

***Section III.***

**FINANCIAL**

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***Section A.***

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**EFFECTIVE SYSTEM OF INTERNAL CONTROLS**

**Statement of Policy:**

Leadership feels that an effective system of internal controls is required to ensure integrity over the receipt and use of God's financial resources and the safeguarding of Ministry assets which were provided primarily through the members of XYZ, Inc.

*"Whoever can be trusted with very little can also be trusted with much, and whoever is dishonest with very little will also be dishonest with much. So if you have not been trustworthy in handling worldly wealth, who will trust you with true riches?" Luke 16:10*

*"But everything shall be done in a decent and orderly manner."*

*1 Corinthians 14:40*

**Procedures:**

**1.0** **REASONS FOR INTERNAL CONTROLS**

.01 As part of its fiduciary responsibility, the Board of Directors has delegated to the Administration office the responsibility of seeing that an adequate internal control system is effectively functioning over the financial operations of XYZ, Inc.

.02 Internal control is a system of policies and procedures intended to provide reasonable assurance that the objectives/goals/values of XYZ, Inc will be achieved.

**1.1 Primary Objectives for Strong Internal Controls at Teen Challenge**

.01 XYZ, Inc., as an organization, is led by a collaboration of directors, some of whom have limited management, financial or legal operational experience.

.02 In many instances, our staff personnel also have limited management, financial or legal backgrounds, and are sometimes too few in number to provide appropriate levels of segregation of duties.

.03 Our ministry operations contain a mixture of employees and volunteers. Persons involved with XYZ, Inc. programs and activities are more likely to become frustrated with what they view as burdensome control procedures and ignore or circumvent the procedures.

.04 The manner in which responsibility and authority are delegated could vary among ministry departments. This may affect control over such important areas as financial transactions, particularly with respect to authorization.

**2.0** **KEY INTERNAL FINANCIAL CONTROLS**

Following, are several key internal financial controls which will be established and continually monitored in the various financial operations and systems of XYZ, Inc.:

.01 Prepare annual budgets and promptly investigate variances from actual to budget estimates for each account line item.

.02 Require adequate documentation for all transactions.

.03 Review all transactions and determine their validity. Appropriate approvals and the comparison to underlying supporting documentation will accomplish this.

.04 Check mathematical accuracy on all documents supporting the transaction. The person performing these checks shall initial or sign the document to show completion of task.

.05 Check completeness of financial journals and registers by matching to established numerical controls.

.06 Periodically investigate incomplete or unprocessed transactions.

.07 Segregate financial functions and responsibilities so that no one individual performs an important function without someone else reviewing the transaction or being aware of the action.

.08 Cross train and rotate duties of employees working in the Administration Office. This will help management place administrative employees in appropriate positions for their background and also ensure that tasks will be completed correctly if an employee is out of the office.

.09 Perform monthly reconciliations between general ledger in the accounting system and bank accounts to ensure correct postings.

.10 Investigate any noted differences on a timely basis.

.11 Make regular reports to leadership and Ministry members concerning incoming funds to show fiscal integrity and build confidence in how gifts are received and receipted.

.12 Require an external financial audit annually.

.13 Safeguard and ensure the privacy of financial records by maintaining them in a place where they will not be destroyed or altered.

**3.0** **INTEGRATED AUXILIARY MINISTRIES**

.01 All integrated auxiliary ministries will be accounted for through the general operating bank account and their own separate bank accounts and reported in the monthly financial statements of XYZ, Inc. Integrated auxiliary ministries at Teen Challenge include each center and the Administration office, as well as related ministries at each center.

.02 It is important to remember that the individual centers fall under the corporate status of XYZ, Inc. and are not separately established entities. Thus, it is important for the Executive Directors of these centers to understand that their center must follow all fiscal oversight, operational policies and procedures, and systems of internal controls of XYZ, Inc. as a whole.

***Section B.***

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**RELEASE OF FINANCIAL INFORMATION**

**Statement of Policy:**

The release of financial information must be in accordance with standards established by XYZ, Inc. and under the approval of the CFO. The Human Resources Manager will evaluate all personnel-related requests.

XYZ, Inc. leadership believes in and practices "full disclosure" of its finances as an established corporation. However, certain financial information may be considered confidential.

*"But I tell you that men will have to give account on the day of judgment for every careless word they have spoken." Matthew 12:36*

*"For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of men." 2 Corinthians 8:21*

**Procedures:**

**1.0** **STANDARD FINANCIAL DISCLOSURES**

.01 The financial policies and procedures, as found in this section of the Policies and Procedures Manual, will set forth the acceptable financial disclosure practices relating to the applicable area being covered.

**2.0** **REQUESTS FROM EXECUTIVE DIRECTORS**

.01 Annual budgets and monthly financial statements will be provided by the Financial Reporting Department to all center and executive directors of XYZ, Inc. monthly. Other financial requests shall be forwarded to CFO, Accounting Manager, or the Financial Reporting Department. Every effort will be made to meet the request if the request is reasonable and appropriate under the circumstance.

.02 The CFO will forward all requests regarding personnel matters (i.e. salaries, benefits, evaluations, etc.) to the Human Resources Manager.

***Section C.***

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**GENERAL ACCOUNTING SYSTEM**

**Statement of Policy:**

It is the desire of XYZ, Inc. leadership to maintain an accounting system and subsequent procedures which are simple enough to be understood by directors and staff, who might not have had formal or professional training, but adequate enough to provide detailed information to compile meaningful reports on a timely basis. Efficient record-keeping procedures provide assurances that Teen Challenge funds are being used in accordance with the will of the contributor. The financial records must also provide a historical record of the organization’s fiscal transactions which allows evaluation of XYZ, Inc.’s financial status. The records shall aid in anticipating cash-flow problems and ensure that the organization is in compliance with governmental regulations.

Therefore, a General Accounting System will be maintained to record all financial transactions of XYZ, Inc. This system will be the primary internal control for maintaining integrity over the financial operations of our centers.

The Financial Reporting Department is responsible for the proper posting of journals and entries to the general ledger of the accounting system and for maintenance of the system to ensure accuracy, validity and reliability of financial records.

*"Everything was accounted for by number and weight, and the entire weight was recorded at that time." Ezra 8:34*

*"The Lord abhors dishonest scales, but accurate weights are his delight." Proverbs 11:1*

**Procedures:**

.01 The (add name of system) Accounting System is used to maintain the general ledger and various ledgers for each center, including all operation and project accounts that Teen Challenge oversees.

**1.0** **RECORDKEEPING REQUIREMENTS**

.01 All tax-exempt organizations, including ministry and religious organizations are required to maintain books of accounting and other records necessary to justify their claim for exemption in the event of an audit. Tax-exempt organizations are also required to maintain books and records that are necessary to accurately file any Federal tax and information returns that may be required.

.02 There is no specific format for keeping accounting records. However, the types of required records frequently include general ledgers, receipts and disbursements journals, payroll records, banking records, contribution records and property records. The extent of the records necessary generally varies according to the type, size and complexity of the organization’s activities.

**2.0** **COMPUTER USE IN FINANCIAL RECORD KEEPING**

.01 The XYZ, Inc. Administration office uses (add name of system) Accounting System’s as its main accounting system. This computer system greatly speeds bookkeeping tasks and helps to ensure accuracy and completeness. Computer users however, must still have some knowledge of accounting procedures and shall be trained in the use of the financial software package.

.02 The Administration Office will maintain back-up copies of all electronic accounting data files.

**3.0** **BASICS OF ACCOUNTING**

.01 There are three primary bases for accounting of financial transactions. They are the:

• Cash Basis

• Accrual Basis

• Modified Accrual Basis

.02 "Cash basis" accounting reflects only the transactions that have been completed within a given time period (for instance, one month or one year). Only cash actually received and deposits made during the month and only expenditures actually disbursed during the month are recorded. No attempt is made to record outstanding bills or accounts receivable. The month-end reports will reflect only the cash received and disbursed for that month.

.03 "Accrual basis" accounting provides a more accurate and more complex picture of the Ministry's financial status. This method takes into account bills left outstanding at the end of the month and receivables due but uncollected.

.04 The "modified accrual basis" of accounting, in effect, combines the two methods mentioned above. Under this method the Ministry's books would be kept on a cash basis, but month-end financial reports would reflect all amounts outstanding (accrual basis).

.05 XYZ, Inc. has elected to record its financial transactions under the accrual basis of accounting.

**4.0** **ACCOUNTING BY FUNDS**

.01 Fund accounting is a system of recording resources whose use may be limited by donors. To keep records of these limitations for internal purposes, XYZ, Inc. maintains separate funds for specific purposes. Each fund consists of a self‑balancing set of asset, liability, and net asset (fund balance) accounts. The Net Asset balance will be classified on the monthly financial statements as unrestricted or temporarily restricted based on the existence and type of donor‑imposed gift restrictions. Following, are the three basic accounting funds for XYZ, Inc.:

**4.1 General Operating (Unrestricted) Fund**

.01 This is the primary fund which will be used by the ministry to meet its objectives and goals. Gifts to this fund are considered unrestricted in nature. Deposits into this fund will be used to support the numerous general operating budget programs and support activities of the center. Each center will have a separate unrestricted bank account for which the center director is completely responsible. Directors must ensure that their particular center account has available funds to cover all expenses for the center at all times. The Accounting Department is responsible for all payments and transfers from these accounts.

.02 XYZ, Inc. also has an operating disbursement account. This disbursement account has no funds of its own; rather, it is a central processing account for the center accounts. Insurance and any other vendors requiring consolidated payments are drawn upon this account, and then the individual centers have funds transferred into the disbursement account to cover the payments.

.03 The project designation of unrestricted funds is the center name with “unrestricted operations” following. For example, “AdmUOps” indicates *Administration Unrestricted Operations*. Other unrestricted projects may be created with approval of the CFO or Accounting Manager. The CFO or Accounting Manager will be responsible for setting up the project codes in the Blackbaud accounting system.

.04 The Blackbaud accounting system indicates the Unrestricted Fund as **01**.

.05 All designated unrestricted funds will be properly noted and so classified as unrestricted net assets in the monthly Statement of Financial Position.

**4.2 Restricted Fund**

.01 The principal sources of restricted gifts are contributions from donors where the donor has stipulated the specific purposes for which the resources are to be used. The contributions must be used for the specific purpose for which the donor has specified.

.02 Gifts to these funds will be in addition to gifts given to the unrestricted fund. Expenditure of these funds will only be made for the fulfillment of the specific donor restricted purpose.

.03 The portion of the fund balances, if any, that represents amounts contributed with donor‑imposed restrictions, will be classified as restricted net assets.

.04 The project designation of the restricted fund will be the center name with “restricted” following, and the name of the project at the end. For example, “AdmRGen” indicates *Administration Restricted General*.

.05 The Blackbaud accounting system indicates the Restricted Fund as **02**.

.06 The restricted fund is divided into separate projects for each center. Deposits into this account must be designated for a certain project.

**5.0** **FUNCTIONAL REPORTING OF EXPENSES**

.01 General Accepted Accounting Principles require the reporting of expenditures by functional classification, such as major classes of program services and supporting activities.

.02 Program services are defined in paragraph 27 of FASB Statement No. 117 as "the activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purposes or mission for which the organization exists. Those services are the major purpose for, and the major output of, the organization and often relate to several major programs."

.03 Supporting services are defined in paragraph 28 of FASB Statement No. 117 as "all activities of a not‑for‑profit organization other than program services. Generally, they include management and general, fund‑raising, and membership development activities." Management and general activities are those that are not identifiable with a single program or fund‑raising activity. They are indispensable to the conduct of those activities and to the organization’s existence. They include oversight, business management, general recordkeeping, budgeting, financing, and all management and administration except for direct conduct of program services or fund‑raising activities. The two primary supporting services of Teen Challenge are as follows:

• Management and General Administration

• Fund Raising

**6.0** **ALLOCATION OF EXPENSES RELATING TO MORE THAN ONE MINISTRY PROJECT OR CENTER**

.01 Some expenses are directly related to, and can be assigned to, a single major center or program. Other expenses relate to more than one center or to a combination of different centers’ projects. Examples include worker’s compensation insurance premiums or health insurance premiums.

.02 In these cases, the expense is to be distributed among the appropriate projects when the invoice is entered by the Accounts Payable Department of the Administration office. Therefore, invoices that apply to more than one project must clearly state the allocation of amounts to the applicable projects.

**7.0** **GENERAL LEDGER CHART OF ACCOUNTS**

.01 The General Ledger Chart of Accounts contains a listing of all the account numbers and descriptions being used in recording financial transactions of XYZ, Inc.

**7.1 Establishment of Accounts**

.01 Each established account will consist of a two-digit fund designation, a dash, an assigned account code number and a descriptive title. Following, are examples of such accounts:

01 – Unrestricted Fund

02 – Restricted Fund

• 01-1020 Admin - Operations

• 01-4310 Induction Fees

• 01-5110 Salaries and Wages

• 02-5815 Buildings

.02 The chart of accounts will list established accounts in a sequence that follows the Ministry's financial statement format. The last four digits of the total account number indicate the account code. Account codes indicate the type of account. Asset accounts will be listed first, followed by liability accounts, net assets accounts, revenue accounts, expense accounts, capitalization accounts and transfer accounts. Following is the general account number scheme:

1000 – Asset Accounts

2000 – Liability Accounts

3000 – Net Asset Accounts

4000 – Revenue Accounts

5000 – Expense Accounts

7000 – Transfer Accounts

.03 The account code scheme allows for the recording of revenue and expenses for each fund and detailed programs within that center.

.04 While assigning account numbers, consideration must be given for leaving adequate spacing of unassigned numbers between account subgroupings for future use. The system allows for unlimited subdivision and adding new accounts without revising the entire chart of accounts.

**8.0** **POSTING TRANSACTIONS AND JOURNALS**

.01 Journal Entries are transactions that provide the input into the general ledger accounting system are transactions that are coded directly to general ledger accounts and general transactions that are created mechanically by other applications.

**9.0** **TRIAL BALANCE AND DETAILED GENERAL LEDGER**

.01 A trial balance will be printed after all journals and adjusting entries have been posted in the general ledger. A trial balance is a printout of all account balances in the detailed general ledger. This trial balance will be reviewed by the Financial Reporting Department to make sure the detailed general ledger is in balance.

.02 All transactions and resulting balances for the current month are printed, as are year-to-date and inception-to-date, beginning and ending balances.

**10.0** **RECONCILIATION OF BANK ACCOUNTS**

.01 On a monthly basis, a reconciliation shall be performed between all bank accounts and the general ledger in the accounting system. These reconciliations are performed to help ensure the accuracy of the detailed records and the control account located in the general ledger.

**11.0** **FISCAL YEAR**

.01 XYZ, Inc. shall operate on a calendar fiscal year that begins on January 1 and ends on December 31.

***Section D.***

***Date Approved/Revised:***

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**BUDGETING**

**Statement of Policy:**

Budgets will be prepared for the purpose of estimating the cost of all significant plans, programs and projects of XYZ, Inc. All prepared budgets will be monitored with significant variances between actual and budget estimates promptly investigated.

*"Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it? For if he lays the foundation and is not able to finish it, everyone who sees it will ridicule him." Luke 14:28-30*

*"The plans of the diligent lead to profit as surely as haste leads to poverty." Proverbs 21:5*

**Procedures:**

**1.0** **ANNUAL GENERAL OPERATING BUDGET PROCESS**

.01 A budget is one of the most important internal controls when it is effectively prepared and occasionally compared to actual results on a monthly basis. If management of XYZ, Inc. carefully monitors variances from the budget, the likelihood of a large misstatement or misappropriation taking place, without being detected quickly, is reduced considerably. This type of overall review of the budgeted financial statements of XYZ, Inc. is very important. Each relevant employee and director shall feel free to ask any questions regarding any items which appear to be significantly out of line, either with the budget or with what he/she would have expected the actual figures to have been.

**1.1 Determining Next Year's Objectives and Goals**

.01 The annual general operating budget process begins well before the new budget year begins. The CFO will provide to every center director a statement with comparative current year amounts for each line item. The directors must fill in projected amounts for each line item for the next year, taking into account inflation, growth and other factors. The directors may use these projection factors in the manner they choose fit. The director will be held accountable, however, for each line item amount, so vigilance and careful planning is necessary in this budget plan. Simply allowing tradition to reign, by adding a few percent to each line item may not be the best method, as good stewards will review their future goals and visions and plan for the next year in a systematic, precise manner.

.02 The CFO will take the completed budget projections and hold several meetings with the directors. These meetings can be informal or formal. The objective of each meeting is to counsel the directors in their financial decisions and projections of the next year. Also, the meetings may be used for revision and validation of budgeted amounts.

**2.0** **BUDGET REVISIONS**

.01 Desiring to remain sensitive to the leadership of the Holy Spirit, certain originally budgeted line items might need to be revised during the year to more effectively and efficiently minister to the needs of the students and centers.

.02 Therefore, the CFO or the Accounting Manager will have the authority to allow line item budget revisions throughout the year. The revisions must be purposeful and the result of an unknown condition or factor.

***Section E.***

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**CONTRIBUTION SERVICES**

**Statement of Policy:**

Contributions received as gifts and offerings from members of the community, work service program, as well as student tuition payments, will be the primary sources of support for XYZ, Inc. These contributions will be collected, deposited and accounted for in an accurate, timely and confidential manner.

Donations to the Ministry will be accepted for unrestricted use or for any one of the special projects that have been established.

To ensure that all gifts accepted by the organization further the mission or goals of XYZ, Inc., do not conflict with our ethical values and principles, and are accepted in accordance with sound business and fiscal practices, the center directors, the CFO, and the Contribution Services Department will collectively oversee contributions to the ministry.

*"What is more, he was chosen by the Churches to accompany us as we carry the offering, which we administer in order to honor the Lord."*

*2 Corinthians 8:19*

*"The silver and gold are a freewill offering to the Lord, the God of your fathers. Guard them carefully until you weigh them out in the chambers of the house of the Lord..." Ezra 8:28-29*

**Procedures:**

**1.0** **GENERAL INTERNAL CONTROLS**

.01 For the protection of both the contributions collected and the reputations of those who handle such funds, care will be taken to assure that cash collections are always under the control of at least two unrelated trustworthy individuals.

.02 All gifts received in the mail at the Administration Office and at each of the centers must be listed on an accounting form by those responsible for collecting the mail and preparing the monies received for deposit.

**2.0** **SOLICITATION OF CONTRIBUTIONS**

.01 Solicitations of contributions from individual donors, businesses, foundations and other sources of funds will be made in accordance with scriptural guidelines and ethical business and fund raising practices. All fund raising appeals at XYZ, Inc. must be made in accordance with the following standards:

• Clearly identified as to the purpose and program to which the donation will be applied.

• Presented in a manner where they do not create an unrealistic donor expectation.

• Presented in a manner where they do not force the donor to make a gift under pressure.

.02 Appeals to vendors and businesses with the potential for having a future commercial relationship with the institution will always be made in the spirit of philanthropy with no overt or implied promise of future business or threat of withdrawal of business. Purchasing and fund raising activities within XYZ, Inc. will remain completely separate. XYZ, Inc. will not enter into an agreement with any individual, agency, company, or organization on any matter — whether it be ministry, financial, leadership, or other interest — which would knowingly jeopardize or compromise a donor’s interests.

.03 At no time shall an employee, director or volunteer make a promise to a prospective donor or expect any favors in return from a donor as a result of a solicitation or contribution.

.04 Ministry employees, directors and volunteers shall avoid the opportunity to solicit for a gift when an individual is under emotional or physical distress, such as that resulting from a death of a loved one or serious illness.

.05 Under no circumstances shall an employee, director or volunteer of XYZ, Inc. make representation to a prospective donor that they are extending professional tax or planned giving advice. Prospective donors shall be instructed to obtain their own personal counsel from a competent professional advisor regarding tax laws.

.06 No XYZ, Inc. insider shall use his or her position, or knowledge gained there from, in such a manner that a conflict between the interest of the organization or any of its integrated auxiliaries and his or her personal interest arises. Please refer to the [Conflict-of-Interest](file:///C:\From%20Adobe\PPLDRMGT.doc#LConfofInt) policy as documented in the Leadership and Management Section of this Policies and Procedures Manual for additional information.

.07 All forms of solicitation must be registered with each state in which XYZ, Inc. desires to raise funds or send appeals to donors. The CFO or one of their designees will be responsible for ensuring that the organization is registered as a valid solicitor in each state in which XYZ, Inc. solicits contributions.

**2.1** **Donor Bill of Rights**

.01 To assure that philanthropy merits the respect and trust of our donors and the general public as a whole, and that donors and prospective donors can have full confidence in XYZ, Inc.’s ministry causes they are asked to support, we declare that all donors are entitled to the following rights:

1. To be informed of the XYZ, Inc. mission, of the way XYZ, Inc. intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.
2. To be informed of the identity of those serving on XYZ, Inc.’s Board of Directors, and to expect the Board to exercise prudent judgment in its decisions and responsibilities.
3. To be assured their gifts will be used for the purposes for which they were given.
4. To receive appropriate acknowledgment and recognition of their gifts.
5. To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.
6. To expect that all relationships with individuals representing XYZ, Inc. will be professional in nature.
7. To have the opportunity for their names to be deleted from mailing lists that XYZ, Inc. compiles.
8. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

**2.2 Solicitations from Corporations**

.01 At no time shall a gift be solicited from an existing vendor of XYZ, Inc. where a promise of continued service is given or implied. Furthermore, new vendors shall not be selected based on a stated or implied promise to make a contribution to the organization. XYZ, Inc. will always strive to hold its business practices to the highest ethical standards.

**2.3 Applications For Grants**

.01 XYZ, Inc. considers funding sources from governmental agencies and organizations that provide grants, so long as the purpose of the grant is to enhance the mission and/or purpose statement of XYZ, Inc.

**3.0** **TAX-DEDUCTIBLE CHARITABLE CONTRIBUTIONS**

.01 The term contribution is synonymous with the term gift, and accordingly, a contribution is not deductible unless it constitutes as a valid gift. Such as:

• When the donor absolutely and irrevocably diverts himself of title, dominion, and control over the item gifted **(unconditional)**, and

• As a gratuitous transfer of property **without consideration or benefit to the donor** other than the feeling of satisfaction that it inspires. The contribution must "proceed from detached and disinterested generosity; out of affection, respect, admiration, charity or like impulses; contain no proprietary selfish interest."

.02 Section 170 of the Internal Revenue Code stipulates that a charitable contribution generally must satisfy the following six requirements to be deductible by the donor:

• Gift of cash or personal property

• Made before the close of the tax year for which the gift is claimed

• Unconditional and without personal benefit to the contributor

• Made "to or for the use of" a qualified organization

• Not in excess of the amounts allowed by law

• Properly substantiated

.03 Contributions to XYZ, Inc. will be considered deductible (for income tax purposes) if they are given, with respect, to or for the use of XYZ, Inc., including centers and special projects.

.04 The Ministry in no way will allow contributions to be diverted or funneled by a donor through the Ministry for a tax-deductible contribution. For example, if an individual desires to give money to a needy relative or friend, he cannot run those funds through the Ministry.

**3.1 Gifts That Are Not Tax-Deductible**

.01 Following, are various forms of gifts which will not be treated as a tax-deductible contribution to XYZ, Inc. since they do not meet the Internal Revenue Code requirements as noted above:

**3.1.1 Gifts of Personal Services**

.01 No charitable contribution deduction is allowed for the value of personal services rendered for the benefit of the organization (i.e. services from painters, plumbers, carpenters, accountants, attorneys, doctors, etc.).

**3.1.2 Gifts of Partial Interest**

.01 Contributions of less than the donor's entire interest in the property ordinarily cannot be claimed as a charitable contribution (exceptions relate to irrevocable arrangements). For example, the value of rent-free building space made available to XYZ, Inc. cannot be claimed as a charitable contribution since that gift is viewed as a partial interest by the IRC (Internal Revenue Code). This same principle would also apply to rent-free use of office equipment.

**3.1.3 Contingencies**

.01 If a contribution will not be effective until the occurrence of a certain event, a tax-deductible contribution generally will not be allowed until the occurrence of the event.

**3.1.4 Pledges**

.01 Pledges are not considered charitable contributions since the donor receives nothing in exchange for his promise to make a future contribution. Pledge commitments from donors will not be considered charitable contributions until actual cash or property is received by XYZ, Inc.

**3.1.5 Strings Attached**

.01 A gift must generally be complete and irrevocable to qualify as a charitable contribution. If a donor leaves "strings attached" that can be pulled later to bring the gift back to the donor or remove it from the control of the Ministry, such gifts will not be received nor a charitable receipt issued.

**3.1.6 Discounts From Vendors**

.01 A charitable discount will not be considered as a tax-deductible contribution. XYZ, Inc. will appropriately word a thank you letter to the vendor but no formal gift receipt or acknowledgement will be issued.

**3.1.7 Services Received in Return (Tuition)**

.01 Tuition payments made by a parent on behalf of a child attending the XYZ, Inc. will not be recorded as a deductible contribution. These payments are nothing more than tuition payments.

**3.1.8 Gifts for the Benefit of Specific Individuals (Student Support)**

.01 A gift that is made with the condition that the proceeds will be spent by XYZ, Inc. for the personal benefit of a named individual or individuals will be considered tax deductible or not based upon the relationship of the donor to the individual. XYZ, Inc. classifies these donations as student support contributions. A donation made by a parent that will be used solely by, or for the benefit of, their child is not tax deductible. A donation made by an individual that will be used solely by, or for the benefit of, their spouse is not tax deductible. However, an individual or business making a donation to be solely used by, or for the benefit of, a student in the XYZ, Inc. program with which they have no familiar or legal relationship will be considered tax deductible.

**4.0** **TYPES OF CONTRIBUTIONS**

**4.1 Cash and Non-cash Gifts**

.01 XYZ, Inc. will receive most any kind of cash (coins, cash, checks, traveler checks, money orders, etc.) or non-cash (furniture, vehicles, coin collections, stocks, etc.) gifts from a donor for the furtherance of its ministry purposes and programs.

.02 A contribution charged to a bank credit card will be considered as a cash gift by the donor in the year the charge is processed, even if the donor is not directly billed for the credit card charge until the next year. These types of gifts will be processed by the Executive Director, their designee or a designee of the Administration office. .

.03 In no case will XYZ, Inc. knowingly cooperate in the reporting, or crediting of, inflated gift values.

**4.1.1 Valuation of Non-Cash Gifts**

.01 The amount a donor is allowed to deduct for non-cash gifts such as clothing, furniture, appliances, or other household goods is the fair market value of the item. The IRS defines fair market value as the price that property would sell for on the open market.

.02 The best way for a donor to establish the amount to be deducted is to determine the actual price you would pay for similar items in used-clothing stores, thrift shops, or flea markets in your area. It is best to visit such a store or shop to make note of prices being paid. The following factors shall be considered:

• the age of the item

• the condition of the item

• the quality of the item as purchased new

.03 The fair market value of items such as clothing, furniture, appliances, and other household goods is usually much less than the original cost.

.04 If the donor thinks an item they have donated has a fair market value significantly greater than similar items found in a used-goods store, they may want to make note of the way they arrived at the value, and keep that information with their tax records.

.05 Even though a charitable organization will gladly furnish a receipt for donated goods, it is the donors responsibility to determine the value. An overstatement of the value of a non-cash donation can result in a tax penalty.

.06 If a quoted market price is not available, fair value can also be estimated based on one of the following:

• the asset's replacement cost

• independent appraisals of the asset's fair value

• other valuation techniques, such as discounting the estimated future cash flows

**4.1.2 Unrestricted Contributions**

.01 Unrestricted contributions include those cash and non-cash gifts whose use is not restricted by the donor.

**4.1.3 Restricted (Donor Designated) Contributions**

.01 XYZ, Inc. encourages the contributions of its members and friends of the community. Therefore, the organization allows its donors to determine where their contribution will go, if they choose. A restricted (donor designated) contribution is one where the donor has specifically stipulated a purpose for which the gift can be used. Gifts of cash and other assets are reported as restricted support when they are received with donor stipulations that limit the use of the donated amounts.

.02 Donor designated gifts must specify the designation at the time the gift is made.

**4.1.4 Gifts of Securities**

.01 Gifts of securities (i.e. stocks, bonds, etc.) will be accomplished by receiving a security certificate or by the transfer of the security into a XYZ, Inc. brokerage account. A security certificate must be in XYZ, Inc.’s name and received by a XYZ, Inc. representative, or the transfer must be in the brokerage account before the contribution is recognized.

.02 Since security gifts are considered non-cash gifts, the proceeds from the sale of these gifts will not be posted to the donor's cash contribution records. The CFO or Accounting Manager will send the donor a letter acknowledging their gift of stock, giving a full description of the gift (i.e. number of stocks, name of company, etc.). Security values as of the date of the gift are to be determined by the donor and will not appear on the donation receipt.

**4.2 Guidelines for Acceptance of Tangible Property**

.01 No tangible property gift or device should be accepted if there is a reasonable belief that the gift or device will not yield sufficient monies when sold to cover all expenses incurred by XYZ, Inc. in the ownership and sale of the property, to include at least a one-year holding period.

**4.2.1 Real Property**

.01 All forms of real property gifts must be approved by the Board of Directors before the gift is accepted from the donor.

.02 A legal review of the real property must be made before the Board approves its acceptance. This review must consist of at least the following procedures:

• A title search/review made to determine clear title

• A UCC-1 report must be requested to determine if any liens exist on the property

1. Current survey
2. Title Insurance Commitment or Certificate of Title
3. Mortgagee Estoppel Letter(s)
4. Lessee Estoppel Letter(s)
5. Evidence of paid taxes
6. Review of covenants, conditions and restrictions or declarations of condominium (if any) to determine: homeowner’s association dues, maintenance fee/condo fees or other expenses.
7. Make an estimate of all costs (recording, documentary tax, etc.) incurred in accepting the gift or device and disposing of the gift or device, including estimate of realtor fees.

• Obtain a Phase One Environmental Audit or Assessment to determine the extent, if any, of any environmental problems or hazards on the property, if required.

1. Other legal matters the retained legal counsel is aware of or deem important to consider.

.03 A monetary review of the real property value must be made by the CFO in cooperation with retained legal counsel. This review must consist of at least the following procedures:

• Obtain from the donor (at donor's expense) and review the current appraisal on the property. This appraisal must be from an independent and qualified appraiser. The primary purposes for the appraisal are to establish a fair market value for the property and to provide a reasonable value for recording the gift, if accepted, on the organization's books.

1. Structures or buildings that are offered shall be inspected by appropriate experts to determine whether the structure or building has asbestos components, sick building syndrome, or other environmentally unsatisfactory conditions. Inspection by an expert who specializes in environmental health shall be considered. The inspection shall also include, but not be limited to, evidence of termite infestation; the condition of the roof, structural components, mechanical, electrical, heating, cooling and plumbing systems; and whether the structure or building meets the standards of all applicable state and local codes. Inspection by an expert who specializes in compliance with the Americans with Disabilities Act shall be considered, if appropriate and required by law. The cost of correcting any deficiencies shall be estimated and determined.
2. If residential property, determine if the property is in compliance with the Residential Lead-Based Paint Hazard Reduction Act.
3. Determine whether the property conforms to current zoning requirements and the Future Land Use Map of the County’s Growth Management Plan.

• If a mortgage on the property is required or assumed, request a payoff statement if a mortgage exists on the property. Review interest rate on mortgage as to how it compares to current rates. Determine if mortgage is assumable and monthly payments the Ministry would be assuming.

• Determine amount of annual property taxes.

• Determine if the property has a monthly maintenance fee, homeowner's fee, etc.

1. Determine what insurance costs will be assessed.

• Determine if any additional costs would be required to be paid or assumed by the organization if such property is accepted.

• Determine a reasonable value of other closing costs that would be required to be paid by the organization once the property sells.

.04 If there is a need for urgency in making the gift, such as approaching year end and needs for the gift to be made immediately for tax purposes, then acceptance of the gift shall be conditional. This condition will be resolved before April 15 of the year following the year of the gift. There must be a clear understanding reached between the donor and XYZ, Inc. management that if the ministry, after its review of the factors set out above and other pertinent factors, determines that the gift is not acceptable, then the organization will have the absolute right to reconvey the gift to the donor and the donor agrees to accept the reconveyance and to pay all costs associated with the conveyance and reconveyance. The donor shall also obtain personal tax advice to determine if the gift would in fact be deductible because of the condition that was placed on it at year-end.

.05 In no event, and irrespective of the time element, shall a gift of real property be accepted by XYZ, Inc. unless retained legal counsel for XYZ, Inc. has reviewed the documentation for the conveyance, and has ensured that appropriate IRS reporting forms and affidavits regarding status of the donor have been obtained.

.06 Numerous special considerations must be made regarding the acceptance of gifts of commercial properties, churches and businesses. Issues which would need to be reviewed, but not limited to, would be: property tax issues, zoning, business permits, mortgage liability, Unrelated Business Income, state and local requirements, etc.

.07 If real property is accepted by the Board of Directors, an acknowledgement letter will be sent to the donor stating the acceptance of the property gift and confirm the donor's intended designation.

.08 If it is determined that the Ministry has no use for the property, it will be listed with a real estate broker in the area for sale at the appraised value. The property will remain on the market for a reasonable period of time.

**4.2.2 Personal Property**

.01 All personal property gifts received by XYZ, Inc. must be approved before the gift is accepted from the donor.

.02 A UCC-1 Search, if appropriate, shall be made.

.03 Evidence that personal property taxes have been paid, if applicable, shall be obtained.

.04 For personal property in which a title is required, such as motor vehicles, boats and aircraft, determine that title is proper and determine if any liens exist. There must be a proper execution by the donor of the title certificate which transfers title to XYZ, Inc.

.05 If the personal property is accepted, an acknowledgment letter will be sent to the donor, stating acceptance of the gift and confirming the donor's intended designation.

**4.2.3 Disposal of Property Accepted by Teen Challenge**

.01 If no known buyer is available for the appraised or market value, then the property shall be listed with a realtor who specializes in the type of property that is to be marketed.

.02 Conveyances of real property by the organization will generally only be made by Special Warranty Deed or by Quit Claim Deed and not by General Warranty Deed.

.03 Tangible property sales shall always be attempted to be made for cash only. Mortgage or note receivables can be considered only with the approval of the COO or CEO .

.04 A Bill of Sale must be prepared by the organization and given to the purchaser of personal property. This documents the transaction and further states that the property is being sold "as is" and without any implied warranties.

.05 The Ministry is required to notify the IRS of the sale price of any property gift, when valued at more than $5,000 on date of receipt, that is sold within two years of the date of the gift.

.06 It may be determined by the CFO that certain gifted personal property shall not be sold, but instead kept by the Ministry and used in its ministry. Examples of such items would be: furniture, fixtures and equipment, ground maintenance vehicle, etc. If the ministry maintains such gifts, the property shall be capitalized as an asset on the XYZ, Inc. books at its fair market value on date of gift.

**4.3 Donations Made by Credit Card**

.01 Over the past several years, XYZ, Inc. has received an increasing number of requests from donors to make contributions by the use of personal credit cards.

.02 XYZ, Inc. has established several avenues for making donations or program service fee payments to the ministry by the use of personal credit cards. These avenues are offered as a convenience to those donors. Following are procedures for credit card contributions:

1. Centers with credit card machines are to process credit card donations no less than once a month. Donations will be deposited directly into the center’s operations account.
2. Centers that do not have a credit card machine, must send donor’s name, billing address, expiration date, amount of donation, frequency of donation and center designation must be written by the center director and sent to the Administration office, attention Operations Manager or their designee. The Credit Card Donation Form must be used for credit card payments or donations. This form must be sent to the Operations Manager or their designee for processing.
3. Credit cards can be used for donations or for tuition payments, induction fees, and other program service fees.
4. The Operations Manager or their designee will process credit card donations on a monthly basis.
5. Confirmation numbers will be recorded for each credit card transaction.
6. The credit card donations will be directly deposited into the disbursement account and transferred accordingly to the appropriate center’s bank account.
7. If the donation is restricted in nature, the Administration office will prepare an Accounts Payable request to transfer the funds to the restricted project account.

**4.4 Donations Made by Electronic Funds Transfers**

.01 An Electronic Funds Transfer (EFT) is the transmission of an electronic message to a financial institution instructing it to make an electronic entry reflecting the transfer of ownership of funds from one depositor to another.

.02 Electronic Fund Transfers are received by XYZ, Inc. generally from the America’s Charities organization and other donors. All Electronic Funds Transfers must be conveyed using an Electronic Funds Transfer Processing Form and forwarded to the Operations Manager or their designee.

.03 Electronic Fund Transfers are to be transferred into the XYZ, Inc. disbursement bank account. The Financial Reporting office will prepare transfers from the disbursement account into the respective center bank accounts.

**5.0** **GENERAL RECORD KEEPING FOR CONTRIBUTIONS AND DONORS**

.01 All cash gifts will be posted to XYZ, Inc.’s automated contribution computer system. This contribution system consists of an accurate database of all donors of the ministry. This donor information will be maintained on a strict confidential basis. When a donor makes a contribution that is tax deductible, the Contribution Services Department of the Administration office will send the donor a receipt letter, which discloses each gift received by its date, purpose and amount. Donors are encouraged to contact the Ministry if any discrepancy is noted on the statement.

.02 All non-cash gifts (securities, tangible personal property, real estate, trusts, insurance policies, and other gifts-in-kind) shall be recorded on the organization’s books in an asset account, at their fair market value on date of receipt. A Journal Entry will be used to record such transactions. Additionally, a letter of acknowledgement for the non-cash gift shall be mailed to each non-cash donor. The CFO or their designee will prepare such acknowledgements under his signature.

.03 Donor information is to be maintained on a strict confidential basis. Requests from outside organizations who wish to obtain or offer to purchase or rent XYZ, Inc.’s donor database is strictly prohibited. Additionally, no employee, director or volunteer is allowed to obtain or use donor information for personal or profit making purposes.

.04 XYZ, Inc. adheres to the professional standards of the Financial Accounting Standards Board as they relate to accounting for contributions. Generally Accepted Accounting Principles state that revenue will be recognized when earned and support when contributions are made, which may be when cash is received or ownership of other assets is transferred.

**6.0** **RECORDING OF CONTRIBUTIONS**

.01 The recording of donor contributions is one of accuracy matched with timeliness teamed with the safeguarding of XYZ, Inc. funds. The contribution must be entered into the proper donor account to be accurate. Also, the Ministry must report to its contributors the amount given, therefore, timeliness must be present in the process.

**6.1 Procedures for Deposits Made by Center Directors**

.01 All deposits made by center directors or their designees at the local branch of the bank holding the XYZ, Inc. accounts are to be made in a timely manner.

.02 All checks received by a XYZ, Inc. center must each be recorded on a Daily Cash Receipts Log and totaled each day.

.03 Checks received at the center should be deposited in a timely manner. Checks should never be held for longer than a month past the date indicated by the donor on the check.

.04 Every check deposited must be copied twice. One copy is for the center’s records, and the second copy is to be sent to the Administration office. These copies must be legible, accurate and coded correctly as to the fund to which the donation applies.

.05 Copies of all checks that make up a deposit must be kept in the center’s office.

.06 Second copies of all checks deposited must be stapled behind a Deposit Cover Sheet. The Deposit Cover Sheet must be completely filled out by the center director or his designee. The appropriate project code must be noted, along with the name of the person preparing the sheet, the total amount of the deposit, and the breakdown of the deposit into cash and checks. This Deposit Cover Sheet will now be known as the Deposit Batch. The Deposit Batch is to be submitted immediately to the Administration Office along with the bank’s deposit confirmation receipt.

.07 Check copies must be carefully copied and the person preparing the Deposit Cover Sheet must look over all copies to ensure that all the checks were properly copied. Half copies of checks and missing copies cannot be entered by the Contribution Services Departments and will therefore not be credited as revenue for the center, nor will the donor be receipted.

.08 Deposits made in the current month will be credited towards revenue for that month if the Deposit Cover Sheet arrives at the Administration Office in that month. If the Deposit Cover Sheet arrives in the next month, the revenue will be credited to the next month. Deposits at the end of the year will be extended into January as allowed and decided upon by the Operations Manager

.09 All cash deposited must be noted on the Deposit Cover Sheet. The preparer must indicate for which fund the cash was collected. If the donor desires a receipt, the name and address of all cash donors must be written on a sheet of paper placed behind the Deposit Cover Sheet. If the names and addresses of cash donors are not noted, the donation will be entered as Anonymous and the donor will not receive a receipt.

.10 If the check copies accompanying the Deposit Cover Sheet are not legible or readable, the entire Deposit Cover Sheet with copies will be sent back to the center with a request for more readable copies. If the center’s copies are not legible either, the deposit preparer must either fill in the correct names, addresses, amounts and any memos on his donors’ checks or request check copies from the local branch of XYZ, Inc.’s bank. The Administration Office must receive the updated Deposit Cover Sheet and copies within the month of deposit (or two weeks into the next month if the deposit was made at the end of the prior month) or the deposited amount will not appear as revenue on the center’s financial statements. The deposit will be recorded as deposits in transit until the updated Deposit Cover Sheet and all check copies arrive at the Administration Office.

.12 If the check copies are not coded correctly as to the fund to which the check applies (i.e. Individual Contribution, Tuition, Car Detailing, etc.) the procedure listed in .06 applies. The deposit preparer must fill in the funds for each check before the revenue will be credited for his center. The Contribution Services Department of the Administration Office is more than willing to answer any and all questions regarding fund coding.

.13 Center directors must list the donor’s first and last name, address and fund code for the donation on the check copy sent to the Administration Office for any and all money orders or cashier’s checks deposited. If the money order or cashier’s check does not have this information, the donation may be entered as Anonymous and the donor will not be credited or receipted for the donation. In other words, money orders and cashier’s checks must have the same information as would a check.

.14 If, for any reason, the center director or his designee did not make copies of deposited checks, he must request check copies at the local branch of the bank. The Administration Office will not request check copies from the bank for any reason. The local branches can prepare copies within a few days.

.15 If the center director has his employees copying checks to be deposited and/or depositing checks, he still has sole responsibility in ensuring that the Administration Office has legible, complete and coded copies of all checks.

.16 The Financial Reporting Department and the Contribution Services Department have the responsibility for notifying center directors of incomplete or illegible check copies. Even though the center directors are responsible for submitting correct Deposit Cover Sheets, the Administration Office realizes mistakes and errors occur at times. They must make an honest effort to notify the directors and ask for revisions.

.17 Deposits that clear any XYZ, Inc. bank account but are not entered in that month by the Contribution Services Department because of incomplete check copies or non-submission of a Deposit Cover Sheet will be entered using a Journal Entry by the Financial Reporting Department as Deposits in Transit. A deposit may remain a Deposit in Transit for no more than two months. If, after two months, the Administration Office has not received a complete Deposit Cover Sheet for the deposit, and the Contribution Services and Financial Reporting Departments have made full-faith efforts in securing correct copies from the center director, the deposit will be entered as a corporate deposit. The revenue will not appear on the center’s financial statement until the Deposit Cover Sheet is complete with legible and coded check copies.

**7.0** **GIFTS MADE FOR AUCTION**

.01 Occasionally, XYZ, Inc. centers have fund raising events where they receive donated tangible property gifts, which they later sell at a special XYZ, Inc.-sponsored auction. Following are the tax implications relating to both the donor and the purchaser.

**7.1 Donors of Items to be Sold at Auction**

.01 Donors of items will receive a receipt that describes the gift. The receipt shall also state, “XYZ, Inc. confirms that no goods or services have been provided in return for your gift.” Donations will be considered a Gift-in-kind. Filing IRS Form 8283 might be applicable for some donations. Items must be sold or converted to cash within a specified time in order to be tax-deductible and be considered a gift.

.02 If an individual donates appreciated tangible personal property for sale at auction, the donated item, when sold, will be considered to be put to an unrelated use. The donor’s federal income tax charitable deduction for the donation will be limited to his or her basis in the donated item.

**7.2 Purchaser of Item at Auction**

.01 The purchaser can take a charitable deduction for the excess of the amount he or she pays over the fair market value of the purchased item if the purchaser pays an amount over a good faith estimate of its fair market value.

**8.0** **VALUE OF CONTRIBUTED PERSONAL TIME AND SERVICES**

.01 Occasionally, XYZ, Inc. will receive certain personal time and services (i.e. painters, plumbers, carpenters, accountants, attorneys, doctors, etc.) which were rendered for the benefit of the organization where the service provider asks for a charitable contribution receipt. The values of personal time or services contributed by an individual or organization to XYZ, Inc. are not tax-deductible contributions as stipulated in the tax code. Therefore, the organization will not value such personal time and services nor post such to the donor's record of contribution. If the donor requests an acknowledgement letter for the work performed, the CFO will authorize one of the following procedures:

• Request that the service provider bill XYZ, Inc. for the actual services rendered, and then have XYZ, Inc. directly pay for these billed services. The service provider would then contribute the amount of this check back to XYZ, Inc. as a cash contribution.

• If the service provider does not want to follow the above procedure, and persists on obtaining a receipt from XYZ, Inc. for the services provided, the Administration Office may issue a receipt documenting the hours of labor that were donated, but the acknowledgement shall make no representation of a dollar amount that is deductible as a contribution, since it is not.

**9.0** **CONFIDENTIALITY OF GIVING RECORDS**

.01 Records shall be password protected and/or inaccessible when not being used during the normal course of Ministry operations. Those who have access to these records are the Operations Manager and the Contribution Services Department employees.

**10.0** **PLEDGES AND PROMISES TO GIVE**

.01 Pledges are promises to make contributions of cash or other assets to an organization at a future date.

.02 The pledged amount of donation will not be realized and therefore not included in the book value of revenue for the center until the amount is deposited into the XYZ, Inc. center bank account and the Administration Office has received a correct Deposit Cover Sheet from the center.

**11.0** **ISSUING OF CONTRIBUTION STATEMENTS AND RECEIPTS**

.01 XYZ, Inc. and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and its underlying regulations. To comply with those rules, XYZ, Inc. shall adhere to the following guidelines with respect to contributions received by the ministry.

**11.1 Cash and Non-Cash Contributions**

.01 For any separate contribution that is tax deductible and received by XYZ, Inc., it shall provide a receipt to the donor. The Contribution Services Department shall generate the receipt. All receipts shall include the following information.

1. The name of XYZ, Inc.;

* The date(s) of the actual receipt of the gift(s) by XYZ, Inc.;

1. The amount of cash received and/or a description of any non-cash property received;
2. A statement of whether XYZ, Inc. provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received by XYZ, Inc. from the donor;
3. If any goods or services were provided to the donor by XYZ, Inc., a description and good faith estimate of the value of those goods or services.

**11.2 Mailing of Donor Statements and Receipts**

.01 It is the general practice of XYZ, Inc. to issue updated charitable contribution statements to donors each time they donate. This record is mailed to all donors of tax deductible gifts no matter how much was given to XYZ, Inc.

**11.3 Acknowledgement of Gifts Made Through Payroll Deductions**

.01 When a donor makes a single contribution of $250 or more by payroll deduction, the donor may use both of the following documents as the written acknowledgement obtained from the organization:

1. A pay stub, Form W-2, or other document furnished by the employer that sets forth the amount withheld by the employer and paid to a charitable organization, and
2. A pledge card that includes a statement to the effect that the organization does not provide goods or services in consideration for contributions to the organization by payroll deduction.

**11.4 Discrepancies on Donor Statements or Acknowledgements**

01. Whenever a discrepancy is noted by a donor on his/her statement or acknowledgement, such discrepancies shall be forwarded directly to the Contribution Services Department of the Administration Office for research and resolution.

***Section F.***

***Date Approved/Revised:***

***Approved By:***

**ACCOUNTS PAYABLE PROCEDURES AND OTHER FINANCIAL CONCERNS**

**Statement of Policy:**

The expenditure XYZ, Inc.’s contributions will be kept under careful control. All purchases must directly relate to fulfilling the ministry purposes of XYZ, Inc. Such purchasing guidelines will assist authorized XYZ, Inc. directors and employees in monitoring actual spending and effectively managing cash flow. All center directors and employees will be responsible for using good purchasing methods for optimizing price savings, quality or value of goods, vendor selection and working relationships, and for assuring proper inventory control and inspections as required by Ministry policies and vendor requirements.

These policies and the following procedures relate to not only purchases made by XYZ, Inc. check, but also expenditures made on credit cards and items paid with personal funds that will be reimbursed.

*"In the house of the wise are stores of choice food and oil, but the foolish man devours all he has." Proverbs 21:20*

**Procedures:**

**1.0 VENDOR INVOICES TO BE PAID**

.01 When a center director or his designee receives a vendor invoice at their center, he or she shall forward the invoice to the Accounts Payable Department of the Administration Office, in a timely manner. The Accounts Payable Department employees are responsible for inputting these invoices regularly as they come in the mail.

.02 Do not attach an Accounts Payable Request to an any invoices for vendors to be paid unless special instructions are necessary, i.e. mailing an invoice to a different address, or returning the payment to the center. All invoices must be stamped and approved by the Center Director or his designee.

.03 Invoices sent from the vendor directly to the Administration Office will be forwarded to the Center for approval.

.04 Any invoice that needs to have a check disbursed on a certain day must be received no later than 12:00 pm of that day. After that time, no more invoices will be entered and no additional checks will be issued. A late invoice would be paid the next business day.

.05 All invoices must be stamped, approved by the Director or his designee, have the project identification code and general ledger account code.

.06 In the event there are not sufficient funds available in the center’s bank account, there may be a delay in making the invoice payment until the appropriate funds are available in the center’s bank account.

.07 Expenditures for vendor invoices will be compared and monitored against the monthly budgets that were submitted to the Administration Office by each center director, as with regular invoices submitted. Cumulative monthly budgets will be reviewed to determine if requested expenditures are within the permitted spending level as discussed above.

**2.0** **ACCOUNTS PAYABLE REQUESTS**

.01 If a center director or his designee anticipates a future payment, needs a vendor paid with a XYZ, Inc. check, but does not have an invoice for that payment, an Accounts Payable Request must be completely filled out and submitted to the Accounts Payable Department of the Administration Office. This is considered an advance (See 3.0 Advance Payment Requests). Accounts Payable Request forms are as follows:

• Accounts Payable Requests – Operations

• Accounts Payable Requests – Project

.02 Accounts Payable Requests generally are submitted for reimbursements to employees or directors, or for a payment for which the director does not have an invoice. Accounts Payable Requests should include any back-up relevant to the request (e-mailed confirmations, receipts from purchases made by employees, etc.) An Accounts Payable Request would also be submitted for travel expenses, and other such reimbursements.

.03 The Accounts Payable Request must be written on the official form and include the following information: payee (to whom the check will be written), address of payee (if a new vendor), date submitted, date needed, amount of check, brief description or purpose of check, project identification code, the general ledger account code, and any special handling instructions, such as whether to send the check to the vendor or to the center. The Accounts Payable Request must be signed by the center director.

.04 Any Accounts Payable Request for a check to be disbursed on a certain day must be received no later than 12:00 pm of that day. After that time, no more Accounts Payable Requests will be entered and no additional checks will be issued. A late invoice would be paid the next business day. This time requirement does not relate to emergency check requests.

.05 Emergency check requests shall be held to a minimum. Emergency check requests shall only happen in true emergencies. Events that are scheduled days, weeks and months ahead shall be appropriately planned so that all Accounts Payable Requests are submitted for processing during the Administration Office’s normal check issuing procedures and business hours.

.06 The Accounts Payable Requests will be subsequently forwarded and approved by the CFO or their designee so they are made aware of the request for the center’s funds.

.07 In the event there are not sufficient funds available in the center’s bank account, the CFO or their designee may delay the request for a check to be written until the appropriate funds are available in the center’s bank account.

.08 Expenditures using Accounts Payable Requests will be compared and monitored against the monthly budgets that were submitted to the Administration Office by each center director, as with regular invoices submitted. Cumulative monthly budgets will be reviewed to determine if requested expenditures are within the permitted spending level as discussed above.

**3.0** **ADVANCE PAYMENT REQUESTS**

.01 Many times, a center director or his employees will need to make purchases or payments to further the mission of his center to his students and to the community. These purchases must be paid at the time of purchase or of service; therefore, a simple Accounts Payable Request might not be appropriate. In these cases, an Advance Payment Request shall be submitted to the Accounts Payable Department of the Administration Office.

.02 The Advance Request must be completed on the official form and completed with the following information: payee (to whom the check will be written), address of payee (if a new vendor), date submitted, date needed, amount of check, brief description of purpose of check, project identification code, the general ledger account code, and any special handling instructions, such as whether to send the check to the vendor or to the center. The Advance Payment Request form must be signed by the center director.

.03 A receipt for all payments for which the advance payment is spent must be obtained by the center director or his designee. He is responsible for obtaining and keeping all advance receipts. All receipts must be submitted back to the Accounts Payable Department of the Administration Office within 15 days of the check issue date.

.04 Any money left over from the advance payment (total advance minus receipts totals) must be deposited into the center’s bank account. The director must complete a Deposit Cover Sheet and send it to the Administration Office along with an explanation of the monies spent and to which general ledger account it pertains (should be coded as a reduction to the G/L account out of which the funds were originally drafted). A careful reconciliation indicating total advance amount, each receipted amount and leftover monies will provide proof that the advance payment was to further the mission of the center.

**4.0** **PETTY CASH REIMBURSEMENTS**

.01 Center directors and designated employees at those centers will be issued petty cash reserves. Petty cash is to be used to pay for unforeseen expenses with cash for typically small amounts. For example, a center would use petty cash to buy special meals while away from the center, tolls, office lunches, etc.

.02 Each director and designated employee will be given a “credit line” for their petty cash reserves. The director or employee cannot exceed their limit for purchases. Between receipts and cash, the director or employee must always have the limit amount in their petty cash reserves.

.03 A Petty Cash Reimbursement Form will be given to each authorized employee or director with a petty cash allowance. Each form will specify the person’s name and petty cash credit line.

.04 In order for a director or employee with petty cash reserves to trade in their receipts for a reimbursement of cash into their petty cash reserves, a Petty Cash Reimbursement Request must be submitted to the Accounts Payable Department of the Administration Office.

.05 The Petty Cash Reimbursement Request must indicate the date of preparation. The total of all amounts is to be indicated in the top, right-hand box. For the preparer’s information, there is a general ledger account list at the bottom of the form. Each general ledger account code referenced by the receipts must be listed in the left column, with their corresponding amounts in the right column.

.06 Each Petty Cash Reimbursement Request must be accompanied by all receipts for purchases made with petty cash. If a receipt is missing, the director or employee’s petty cash cannot be reimbursed for that amount.

.07 The receipts accompanying the Petty Cash Reimbursement Request must be cash receipts only – meaning the purchases were paid for with petty cash only. Purchases made with personal credit cards or checks need to be submitted on an Accounts Payable Request.

.08 Petty Cash Reimbursement Requests must be faxed to the Administration Office. Petty Cash Reimbursement Requests will be processed as a normal invoice request.

.09 Food expenses for meals eaten at the center need to be coded to GL Account #5360 (Students and Centers). A Meals Log is not required for these food expenses. Meals eaten away from the center must be coded to 5331 (Meals. Meals Logs must be attached to any Petty Cash Reimbursement Request indicating these accounts.

.10 Petty Cash Audits will be performed on a quarterly basis. The forms must be submitted to the Accounts Payable Department within ten (10) days.

**5.0** **CHECK SIGNING AUTHORITY AND SAFE PROCEDURES**

**5.1 Authorized Check Signers**

.01 The CFO is responsible for approving check signers on all XYZ, Inc. bank accounts. Check signers shall never be related to each other by blood or marriage.

.02 All check signers must be diligent in exercising their fiduciary responsibilities by examining the invoices and supporting documentation as furnished to them before signing a check.

.03 All checks with total payment amounts equaling more than two thousand dollars ($2,000.00) must be signed by two check signers.

.04 Two check signature stamps are stored in the Administration Office safe. These stamps are to be used only when no approved check signers are present in the office that day or when only one is present and the check is for a total amount of more than $2,000.00. The stamps may be used only by an authorized employee of the Administration Office under the allowance and supervision of the CFO or their designee. The stamper cannot be a check signer. The stamp must be checked out and in each time the stamp is used.

.05 Authorized check signers shall never:

• pre-sign blank checks for future use

• sign checks payable to "bearer" or "cash"

• alter checks in any way

**5.4 Mailing of Signed Checks**

.01 After signing, all checks shall be forwarded directly to the vendor unless specified on an Accounts Payable Request.

.02 If an Accounts Payable Request specifies a check to be mailed back to the center, that center has the responsibility to ensure the vendor or payee receives the check.

**6.0** **PROCESSING OF PAYROLL**

.01 The Human Resources Manager is responsible for all personnel records and procedures.

**6.1 Personnel Issues and Records**

.01 The Human Resources Manager is responsible for the oversight of all personnel matters as outlined in the Personnel Section of this Policies and Procedures Manual.

**6.2 Payroll Processing**

.01 The Payroll Coordinator will receive all timesheets from each center director according to the procedures outlined in the Compensation section of the Personnel Policies and Procedures. The Center Director or his designee is responsible to review each timecard for completeness, accuracy, and investigate any erasures or corrections.

.02 Once the payroll checks processed, the Human Resources Manager will verify each check for accuracy. The payroll processing printouts will be reviewed to supporting information originally submitted. Totals will be compared to the payroll processing printouts. Any noted variations will be properly investigated.

**6.3 Payroll Check Distribution**

.01 Payroll checks shall be delivered on the Friday following the biweekly time reporting for hourly employees and delivered on the 15th and the 30th/31st of the month for salaried employees.

.02 More information regarding payroll checks can be found in the Employee Handbook and in the Personnel section of this Policies and Procedures Manual.

***Section G.***

***Date Approved/Revised:***

***Approved By:***

**FIXED ASSETS**

**Statement of Policy:**

All fixed asset purchases and disposals of XYZ, Inc. will be properly authorized. Proper procedures will be established and adequate records will be maintained to account for the acquisition and disposal of all fixed assets. Deprecation methods and life of such assets will be consistently applied. An accurate perpetual inventory will be maintained for all Ministry fixed assets. Capital furniture, fixtures and equipment of XYZ, Inc. are the property of the organization as a whole and not a specific center.

*"You will know that your tent is secure; you will take stock of your property and find nothing missing." Job 5:24*

**Procedures:**

**1.0** **GENERAL OVERSIGHT**

.01 The CFO and the Accounting Manager will be primarily responsible for the oversight of fixed assets and the establishment and monitoring of proper internal controls. The various center directors will be responsible for the use and control of furniture, fixtures and equipment and any other assets which are located in their respective centers.

**2.0** **DEPRECIATION**

.01 The cost (less salvage value) of all capitalizable assets will be depreciated over the estimated useful life in a generally accepted method consistent with that type of asset.

.03 The CFO or Accounting Manager is responsible for compiling depreciation schedules for all fixed capital assets on an annual basis.

***Section H.***

***Date Approved/Revised:***

***Approved By:***

**NET ASSETS**

**Statement of Policy:**

The net assets financial statement line item is the difference between the XYZ, Inc.’s assets and liabilities. Net assets are increased or decreased by financial operations, other financial events, and circumstances affecting the organization. To ensure the accurate reporting of assets, liabilities and thus net assets, adequate internal controls will be established for the various financial systems of XYZ, Inc.

XYZ, Inc. will not commingle restricted and unrestricted gifts. Such gifts will be accounted for in separate bank accounts.

*"This food shall be held in reserve for the country, to be used during the seven years of famine that will come upon Egypt, so that the country may not be ruined by the famine." Genesis 41:36*

**Procedures:**

**1.0** **CLASSES OF NET ASSETS (AND REVENUES)**

.01 The financial statements of XYZ, Inc. report amounts separately by class of net assets:

• "Unrestricted" amounts are those currently available for use in XYZ, Inc. centers under the direction of the CFO, the Accounting Manager, center directors, and those resources invested in land, buildings, and equipment.

• "Expendable temporarily restricted" amounts are those which are restricted by donors for specific operating purposes or for the acquisition of land, buildings, and equipment.

• "Nonexpendable temporarily restricted" amounts are those not currently available for use in the Ministry's ministries until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased.

.02 All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

***Section I.***

***Date Approved/Revised:***

***Approved By:***

**FINANCIAL REPORTING**

**Statement of Policy:**

The purpose of financial reporting is to provide relevant information to meet the common interest of XYZ, Inc. directors, creditors, management and employees of XYZ, Inc.

XYZ, Inc. leadership will make regular reports of the ministry's financial status to the directors. The complexity and detail of the reports will be determined by the intended audience.

Full financial disclosure means not just *full* reporting, but *meaningful* reporting. Therefore, the following six characteristics shall be present in any set of financial statements issued by the Accounting Manager and the Financial Reporting Department of the Administration Office:

1. They shall be easily comprehensible so that any person studying them will understand the financial picture.

2. They shall be concise so the reader does not get lost in detail.

3. They shall be all-inclusive in scope, reflect all financial activities of the ministry and/or center and list all of the funds maintained by XYZ, Inc.

4. A focal point will be provided for comparison purposes, such as the budget requirements, year-to-date totals, and comparison to the previous year.

5. They must be prepared on a timely basis. Monthly reports will be the primary basis for timely reporting. The Financial Reporting Department of the Administration Office has the responsibility to ensure that each center director is e-mailed an appropriate set of monthly financial statements by the 20th of each month.

6. The report must be prepared on the basis of Generally Accepted Accounting Principles. This means that the format is similar to that used by corporations and ministries.

The Financial Reporting Department will prepare and maintain proper and adequate documentation to support the amounts reported in the various fiscal reports of XYZ, Inc. These reports serve as the vehicle of disclosure to the directors regarding the integrity of XYZ, Inc.’s finances.

*"Everything was accounted for by number and weight, and the entire weight was recorded at that time." Ezra 8:34*

*"For God is not a God of disorder..." 1 Corinthians 14:33*

**Procedures:**

**1.0** **MONTHLY FINANCIAL STATEMENTS**

.01 The Financial Reporting Department of the Administration Office will prepare an Income and Expense Statement for each director of Teen Challenge on a monthly basis.

.02 These financial statements will be distributed according to the following procedures:

• Full sets of all Income and Expense Statements for all active unrestricted and restricted projects, corporate projects, and XYZ, Inc. cumulatively will be delivered by the Accounting Manager to the Chief Financial Officer.

• Division directors will receive their own center’s Income and Expense Statements for each of their unrestricted and restricted projects, as well as all the Income and Expense Statements for each of the centers over which they review. • Other center directors will receive their own center’s Income and Expense Statements for each of their unrestricted and restricted projects.

*Section J.*

***Date Approved/Revised:***

***Approved By:***

**YEAR-END CLOSING**

**Statement of Policy:**

A detailed review will be made at year-end, before final closing, of all asset, liabilities and net asset account balances. This review is to determine the reasonableness and propriety of each account before carrying them over into the new fiscal year. Revenue and expense account balances will also be reviewed for reasonableness. Appropriate adjustments and reclassifications will be made before the books are closed.

The final closed general ledger will serve as the primary accounting resource which the Internal Auditor will use to perform their internal financial reviews and the external auditors will use in performing their independent audit of XYZ, Inc.

*"You will know that your tent is secure; you will take stock of your property and find nothing missing." Job 5:24*

**Procedures:**

**1.0** **GENERAL OVERVIEW**

.01 The CFO and Accounting Manger are responsible for updating and establishing new procedures for an effective year-end closing. He/she will delegate these procedures to the Administration Office staff and review the completion of each task.

.02 In addition to this checklist, the following procedures will be performed to review the reasonableness and propriety of account balances:

**2.0** **ASSETS**

**2.1 Cash and Cash Equivalents**

.01 Verify all cash in checking accounts to properly completed bank reconciliation.

**2.2 Fixed Assets**

.01 Compare each asset category account balance and corresponding accumulated depreciation amount to the Fixed Asset account balances.

**3.0** **LIABILITIES**

**3.1 Accounts Payable**

.01 Compare vendor accounts payable balance to Open Payables account balance.

.02 Verify information necessary for any 1099 Information Returns for vendors.

**3.4 Long-Term Debt**

.01 Compare each balance to the lending institution's year-end statement.

**4.0** **NET ASSETS**

.01 Ensure proper classifications for restricted and unrestricted net assets.

.02 Tie project balances to detailed Income and Expense statements for each project balance.

**5.0** **CONTRIBUTIONS AND OTHER REVENUES**

**5.1 Contributions**

.01 The CFO will set a day on which no more Deposit Batches made in the prior year may be received for credit for the previous year. After that day, all received Deposit Cover Sheets will be entered as posting in the current year. The day should be late enough to ensure that the amount of revenue journaled as Deposits in Transit be minimal, if not zero.

.02 Any Deposit Batch received after this cut-off date will be posted to the current month’s general ledger.

.03 Any contribution check that was written in the previous year, but was not deposited until the new year will receive a receipt from the Contribution Services Department for the year in which the check was written. This will occur until a second cut-off day, set by the CFO. He/she will set the two cut-off days by the beginning of December of the previous year and notify each director of those dates.

**6.0** **EXPENSES**

.01 Invoices dated on or before December 31 of the previous year will be posted to the previous year’s general ledger. Invoices with a January invoice date will be posted to January’s general ledger.

**7.0** **YEAR-END FILING AND STORAGE**

.01 After the New Year, the Administration Office will move the previous year’s files to an auxiliary room at the office to be perused during the annual audit.