PHFH Financial Policy and Procedures

It shall be the policy of Palouse Habitat for Humanity to follow Generally Accepted Accounting Principles (GAAP) for all financial dealings. The affiliate's accounting policies shall be in accordance with HFHI's *AOM: Financial Policies and Procedures*.

Board Member Responsibilities:

1. Board members shall keep themselves well informed of the affiliate's finances.

2. The board of directors shall approve a detailed annual budget, using a fiscal year of July 1st through June 30th.

3. Budget revisions should be made if major changes of income or expenditure occur during the year that would significantly alter the annual plan. The board of directors shall approve the new budget, with the revision(s) being noted in the meeting minutes.

4. Quarterly financial statements comparing revenue and expenditures, including a balance sheet, should be provided to the board, with significant variances identified and explained. A monthly income & expense report, including a detailed summary of mortgages paid, will be presented to the board.

5. The board shall secure insurance to adequately protect the affiliate from losses due to theft or dishonesty by staff or board members.

6. The board, as part of the capital budget, should approve fixed asset purchases prior to actual purchase. Fixed assets are defined as items with a value over $1000 and a useful life of more than three years.

7. Sale, retirement or abandonment of fixed assets is subject to board approval. It is expected that PHFH will use the fixed assets until they are no longer useful, and therefore would not have much of a resale value. Consideration will be given to each asset when retired to determine if any resale value exists.

8. A board-approved policy and procedure is in place to ensure that loan funds are properly recorded and repaid when due. Authorization, recording and collection functions should be clearly segregated. See Home Pricing, Mortgage Servicing and Mortgage Sale Policy,

9. A board-approved homeowner delinquency policy and procedure has been established and is enforced.

10. A board-approved policy to value in-kind materials for accounting and job cost purposes should be in place and implemented. The fair market value of in-kind donations will be accounted for job costs purposes as well as to reflect an accurate financial pictures. For items that are less than $10,000 in value, the donor's estimated value, replacement cost or comparable sales can be used to estimate FMV. Items worth more than $10,000 should be estimated by an independent appraisal.

11. The Palouse Habitat for Humanity board will pass a resolution following annual elections authorizing the members of the Executive Committee members and other key members of the organization to sign legal documents behalf of Palouse Habitat for Humanity. Copies of that resolution will be kept in the office.

Cash Handling / Bank Statements

1. Cash and checks should be deposited in the bank twice a month or more often if the amount and volume so dictates.

2. Bank statements will be reconciled on a monthly basis by the Treasurer or other Board appointed volunteer. This is a fundamental internal control procedure which emphasizes separation of accounting duties.

3. We will keep a record of all receipts, disbursements and transfers of money, and will never rely solely on bank statements for record keeping.

4. All checks received shall be restrictively endorsed with the stamp "Pay to the Order of Banner Bank # 323371076 for deposit only to Palouse Habitat for Humanity" immediately upon receipt. Checks will be kept in a secure location within the office until time of deposit. Every effort will be made to process and deposit donations the day they are received.

5. For all bank checks written over $2,500, two authorized affiliate account signers will be required to sign.

6. Executive Committee members shall be named on Palouse HFH bank accounts as signators, The Executive Director, Surplus Sale Manager, and a member of the Construction Committee shall also have cards for budgeted purchases, with limits of up to $5000. Receipts for budgeted purchases must be submitted to the PHFH bookkeeper before the bill is paid.

7. If the amount and volume so dictate, the total amount of all cash and checks received and deposited shall be compared by two people (the preparer and an observer) before being deposited.

8. The person in charge of maintaining the affiliate financial records shall not be the same person responsible for reconciling the bank statements.

9. Copies of all checks received should be attached to the respective deposit ticket and filed with respective bank statement.

10. Palouse HFH maintains a business credit account with Staples and with Home Depot. The Executive Director will ensure the Staples card is kept in a secure location in the office, and that it is used for budgeted purchases. Construction team members with

copies of the Home Depot Card will keep them in a secure place and ensure that it is used for budgeted purposes. Receipts for budgeted purchases must be submitted to the PHFH bookkeeper before the bill is paid.

11. Palouse HFH maintains a business account with Moscow Building Supply, Early Bird Supply, and Hahn Rental. The Construction Supervisor, Project Manager, Committee Chair, the Surplus Sale Manager, and the Executive Director are authorized to charge budgeted items to the appropriate account. Receipts must be submitted to the bookkeeper before the bill is paid.

12. Certain GAAP accrual adjustments are allowed to be made at fiscal year end including receivables, accruals and mortgage discounting.

Other General Accounting Items

1. We use Quickbooks 2020 Non-Profit edition with Payroll. Records will be backed up monthly and the copy stored in a secure location off site.

2. All unused checks shall be kept in a secure, locked location managed by a staff member who does not have access to Quickbooks. Checks shall be pre-numbered and accounted for each month.

3. For cash that is not likely to be needed for periods longer than six months, consider alternatives such as certificates of deposit or a money market account to generate short-term income.

4. PHFH maintains an account with DA Davidson, #66526593 to receive gifts of stock. PHFH also maintains a checking account with Umpqua, #9876103608, for use with the Palouse Habitat Surplus Sale, and a savings account for emergency reserves.

5. Opening or closing a Palouse Habitat for Humanity bank account requires approval by the President and Treasurer.

6. Require approval for delivered materials/services before invoice payment Approval should be by a knowledgeable paid employee rather than the purchaser.

7. The Construction Supervisor, Project Manager and ED will develop the budget for each home build in advance of the start of construction. It will be submitted to the BOD for approval, and a report will be made to the BOD at regular board meetings with costs to date.

8. Homeowner payments should be by check or money order only—not cash, except in the case of small monthly payments from Home Repair partners. These cash payments will receive a receipt from the carbon copy receipt book, including a note of who took the receipt. A copy of the receipt will be entered with the deposit record, and the amount paid noted in the homeowner's records.

9. Original mortgage documents must be kept in a safe place such as a bank safe deposit box or fireproof file cabinet.

10. The use of a petty cash fund should be discouraged. If a petty cash fund is absolutely necessary, procedures should be in place to ensure it is disbursed only for proper purposes and to ensure that it is adequately safeguarded and transactions are properly recorded.

11. Copies of all donation checks should be provided to appropriate individuals for acknowledgment (that is, Thank-You notes) and donor database management.

12. Gifts of securities should be sold immediately upon receipt, unless restricted by the donor.

13. Inventory items should be promptly recorded in inventory records; quantity records of more important items should be accurately maintained. Construction tools are to be recorded in inventory records at the end of each week at the build site and stored in a secured location between working hours. Any leftover construction materials are to be recorded in inventory records for use in future home builds as well as considering adjusting the total cost of the build. Purchasing of materials should be expected to be used in one build instead of multiple builds. Tools at the Surplus Sale will be inventoried and stored in a secure location.

14. Periodically, someone other than the inventory custodian should take physical inventory.

15. Fixed asset records should include description, location, identification number, date of acquisition and cost of item and any warranty information.

16. Grants, gifts and bequests should be properly recorded and monitored and should be in compliance with the stated terms.

17. Pledges should be promptly recorded and collection promptly initiated.

18. Employees will be paid on a monthly basis. Hourly employees are required to complete and submit signed timecards that are approved by their supervisor. If paychecks are direct deposited, the Executive Director will review the prepared payroll before it has been submitted by the bookkeeper. New positions requiring new budget outlay must be approved by the board before advertising and hiring the new position.

19. Financial team will abide by the PHFH record retention policy.

<u>Contracts</u>

1. Contracts for amounts up to $4,000 should require the written approval of the treasurer or president. A copy of the executed contract should be kept on file at the affiliate’s office.

2.Contracts in excess of $4,000 should require board of director approval. A copy of the executed contract should be kept on file at the affiliate’s office.

3. As part of the Intent to Partner document, Palouse HFH future homeowners sign an agreement to make monthly payments to save a total of $1000 towards closing costs. Palouse HFH records monthly payments, and deposits them into a separate account, Wells Fargo Account #124103799. Should the partnership be terminated for any reason, Palouse HFH will refund payments made in a timely manner.

4. The Home Repair Coordinator will assess the expected cost of materials for each project with the homeowner, and agree to a reasonable payment schedule over no more than 2 years with a 10% down payment.

Staff Safeguards

1. An experienced independent payroll service company should handle payroll and withholding tax payments. If that is not economically feasible, a user-friendly, commercially available accounting software program with payroll abilities is acceptable.

2. Expense reimbursement requests must be submitted on the appropriate form, require supporting documentation and supervisor or check signer approval.

3. If a corporate credit card must be utilized, monthly statements should be submitted to an independent person who does not have access to the credit card for review with invoices and credit card receipts attached prior to payment by affiliate.

Reporting

1. Upon completion, the Board Treasurer will submit a copy of the Palouse HFH IRS 990 via electronic email to FS_990@habitat.org or send a hard copy to Habitat for Humanity International Finance Department, 285 Peachtree Center Ave NE, Suite 2700 Atlanta, GA 30303-1220

2. Surplus Sale Manager will submit monthly sales reports to the BOD, and an annual ReStore sales report to HFHI, including sales, income and cost of sales using the HFHI template provided.

3. Construction costs recorded under Construction in Progress (CIP) will include direct construction costs only. Indirect construction costs will be recorded in program services expense account when incurred. Indirect costs and an allocation of overhead expenses will be considered when calculating the total construction cost upon sale of the house in a separate excel spreadsheet. Home builds will be tracked and identified by the address of the build.

Adopted by the Board of Directors (12/6/11)

Updated 5/7/13

Updated 2/2/21

Supporting Resource:
HFHI’s *AOM: Financial Policies and Procedures*