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(Client X)

**SAMPLE ACCOUNTING POLICIES AND
PROCEDURES MANUAL**

Adopted May 20XX

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1.00 BACKGROUND INFORMATION

1.01 Tax Status & Purpose

The following manual is a description of the accounting system and responsibilities for the accountant of (Client X). (Client X) is a not-for-profit organization incorporated as a 501(c)(3) organization. (Client X) is registered with the Secretary of State in Wisconsin with a calendar year end. (Client X) is also registered with the Wisconsin Department of Regulation and Licensing to raise funds from the general public. The articles of incorporation state that the purpose of the (Client X) shall include:

- 1) To provide quality, low income housing to a diverse community of low-income elderly individuals, and
- 2) To provide social and educational services to create a stable, supportive, and safe community living environment for low income elderly individuals.

In accordance with IRS Code section 501(c)(3) the (Client X) is organized and operates exclusively for the exempt purpose as described in Form 1023, the application for exemption. In compliance with the restrictions on organizations qualifying under the 501(c)3 code:

- No part of the net earnings of the organization may inure to the benefit of any private shareholder or individual.
- No substantial part of the activities of the organization may consist of the carrying on of propaganda or of attempting to influence legislation (lobbying).
- The organization may not participate in, or intervene in, any political campaign on behalf of any candidate for public office.

(Client X) is organized as a public charity under Section 509(a)(2) of the Internal Revenue Code as an organization that normally receives:

- 1) no more than 1/3 of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975, and
- 2) more than 1/3 of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc. functions.

1.02 Service Area

The primary service areas includes the surrounding Neighborhood Community.

2.00 CHART OF ACCOUNTS

2.01 Assets

Assets	1####
Cash Accounts	10###
Receivable Accounts	11###
Prepaid Accounts	12###
Land & Building	15###
Furniture & Equipment	16###
Other Assets	18###

2.02 Liabilities

Liabilities	2####
Current Accounts Payable....	20###
Accrued Payroll & Payroll	
Taxes Payable	21###
Accrued Liabilities	23###
Deferred Revenue	24###
Mortgages and Notes	
Payable	25###

2.03 Net Assets (Fund Balance)

Net Assets	3####
------------------	-------

2.04 Revenues

Revenues	4####
Rental Revenue	40###
Contributed Revenue	41###
Program Revenue	42###
Other Revenue	43###

2.05 Expenses

Expenses	5####
Personnel Expenses	50###
Office Expenses	51###
Building Expenses	52###
*repairs & maintenance	
*garbage & snow removal	
*equipment expenses	
Program Expenses	53###
Administration Expenses	53###
Printing & Promotion	54###
Other Expenses	55###

2.06 Cost Centers

Administration	01
Fundraising	02
Building	03
Program Services	04
Grant A	05
Grant B	06

(Note: Description should be provided for each account.)

3.00 ACCOUNTING PRINCIPLES & PROCEDURES

3.10 Policies

The accounting principles of (Client X) will be consistent with all applicable laws. These include: Generally Accepted Accounting Principles, Statements of Financial Accounting Standards Numbers 93, 116 and 117, SOP 87-2 on Joint Costs, SOP 94-2 on the applicability of the accounting rules to nonprofits, and SOP 98-3 on accounting for federal awards.

Certain procedures resulting from these accounting pronouncements and releases are discussed below.

3.20 Procedures

3.21 Revenue Recognition

Contributions will be recorded as revenue in the period received or the period in which a pledge is received. Any pledges receivable will be closely reviewed each month to determine whether the amount is still collectible and whether the balance of the pledges receivable is adequately reserved with the allowance for doubtful pledges.

Rents will be recognized in the period for which the rent is paid. Any rents receivable will be reviewed monthly to determine if the amounts are collectible and to review what collection actions are being taken.

Grants which are classified as exchange transactions with the grantor will be recognized as revenue when the grant money is earned. This will generally be determined by the costs reportable to the grantor. Each restricted grant will be set up as a separate cost center to allow for accurate and consistent recording of the expenses of each grant.

3.22 Matching of Revenues and Expenses

In order to present accurate and consistent financial statements, the revenues and expenses attributable to each period will be reflected in that period to the degree possible. The Chapters on month and year end procedures review this in greater detail. Generally, all entries required to accurately reflect the revenues and expenses of each period will be made in that period.

The organization records transactions on the accrual basis of accounting.

3.23 Fixed Assets and Depreciation

The general capitalization policy is that all equipment and other fixed assets costing in excess of \$1,000 will be recorded as an asset. To determine if a repair or improvement will need to be capitalized, the following additional factor needs to be considered: does the expenditure extend the useful life of the asset repaired or improved? For example painting would not be capitalized, but replacing the boiler or repairing the roof would be capitalized, if the dollar value was in excess of \$1,000.

All capital assets will be depreciated over their estimated useful lives. The straight line basis will be used, with depreciation charged beginning in the month that the asset is placed in service. Some sample estimated lives are:

Computers and related equipment	-- 3 years	
Office furniture	-- 5 years	
Building and building improvements	--	40 years
Parking lot and landscaping	-- 10 years	

All capital assets purchased with grant or other restricted funds will be cataloged.

See Section 21 for property and equipment inventory and management.

3.24 Donated Materials and Services

Generally donated materials, assets and services will not be recorded in the accounting records.

In order to comply with the rules of SFAS 116, certain services would be recorded as revenues and expenses. Such services would be those professional services which we would otherwise have paid for which were provided by a person whose work would normally include providing those services.

Any donated assets which would meet the definition to be capitalized, outlined in Section 3.23, will be recorded as revenue and as a fixed asset.

3.25 Data Cutoff

In order to meet the deadlines for producing reports discussed in Section 7 & 8, the gathering of information to use in making the month end entries must be cutoff by a certain date.

The monthly financial statements are due to the Board by three weeks after the month end. For these reports a cutoff of two weeks will be used. Any payables or other information not available by two weeks after a month end will be classified in the next period. The Accountant may need to use estimates if final information is not available on a significant additional transaction.

The year end financial statements are due to the Board six weeks after year end. For these reports a cutoff of four weeks will be used. Since the year end is the most important period cutoff, the general ledger will continue to be held open for additional material transactions through the conclusion of the financial audit fieldwork.

4.00 CASH DISBURSEMENTS

4.10 Policies

The positions authorized to sign checks are; Executive Director, Board President, Board Vice-President and Board Treasurer. Only one signature will be required on checks. Anyone signing a check must review and initial the supporting invoice or other documentation. Individuals may not sign a check payable to themselves.

The Accountant will maintain the accounts payable system. Prior to payment, the Accountant will code each invoice, prepare the checks and organize the documentation.

The Accountant will determine payroll amounts based on timesheets and authorized rates. The Accountant will prepare the payroll checks.

4.20 Procedures

4.21 Capital Acquisitions

Three bids are required for the purchase of budgeted capital assets in excess of \$2,000, if practical. The Executive Director selects a bidder. Board approval is required if the low bidder is not selected, or if bidding was not deemed practical by the Executive Director. Any capital assets not budgeted by the Board must be approved by the Board prior to soliciting bids.

4.22 Supplies, Services, and Other Invoices

Purchase requisitions may be generated by anyone in the office. The requisitions are turned in to the Executive Director for approval and given to the office assistant for order placement. The approved purchase requisitions are given to the Accountant and filed in the open order file.

When the goods or services are received, the Accountant pulls the purchase requisition and compares the order received to the packing slip and the purchase requisition for accuracy. The packing slip is attached to the purchase requisition and returned to the open order file until the invoice is received.

Mail is received and opened by the office assistant. All invoices are routed to the Accountant, who matches the invoice to the approved purchase requisition and the packing slip and determines an account coding for the transaction. The Accountant gives the invoice and support documentation to the Executive Director for approval to pay. The Executive Director initials the invoice indicating approval to pay, and approving the expense account coding proposed by Accountant. The Accountant enters the approved invoice into the A/P computer module and files all documents in the open invoice file until they are paid.

4.23 Invoice Payment Procedures

Invoices are paid on the 1st and the 15th of each month. Prior to generating checks, a pre-check report is generated which lists all outstanding payables with the due dates and amounts. The Accountant will indicate which invoices need to be paid. This pre-check report will be reviewed and approved by the Executive Director. Based on the approved pre-check report, the checks are printed from the A/P computer module, attached to the approved support documentation from the open invoice file, and given to the Executive Director for signature. The checks are sealed in envelopes by the check signer and the support documents are returned to the Accountant to be filed alphabetically by vendor.

4.24 Payroll Procedures

Payroll is processed semi-monthly and is run and distributed by the 19th and 4th of each month. The Executive Director forwards approved timesheets to the Accountant at the end of each period. Each timesheet must be signed by the employee and by the Executive Director. The Accountant totals up the timesheets and enters the totals into the computer payroll module. The checks are printed and presented to the Executive Director for review and signature. The pay rates used to prepare payroll will be based on signed memos from the Executive Director. The salary for the Executive Director will be based on a signed memo from the Board President.

5.00 CASH RECEIPTS

5.10 Policies

The Office Assistant will receive and open the mail in the presence of program person A in order to maintain dual control over receipts.

The Office Assistant will restrictively endorse all checks when received.

The bank deposit will be made daily by the Office Assistant.

If the Office Assistant is unavailable to perform these duties, the Executive Director will assign an employee other than the Accountant to carry them out.

Pre-numbered receipts will be used for any monies received directly from an individual.

5.20 Procedures

All checks are restrictively endorsed, photocopied and entered onto a daily cash receipts log when the mail is opened.

Both the Office Assistant and program person A will sign the cash receipts log verifying its accuracy.

Payments made in person will be added to the cash receipts log. A photocopy of these checks and a copy of the pre-numbered receipt will be attached to the daily cash receipts log. The cash receipts log is totaled by the Office Assistant. A copy of the log is given with the check copies to the Accountant. A copy of the log is also given to program person B, for updating the property management software.

The Executive Director will use the original of the cash receipts log for review and to assist in their duty of reviewing the bank statements (see Section 6).

The Accountant will use the copy of the cash receipts log and the check copies to determine account coding and to enter the cash receipts into the computer.

6.00 BANK RECONCILIATION

6.10 Policies

The bank statements are forwarded to the Executive Director unopened.

Upon opening the statements, the Executive Director reviews the checks for unusual items or changes. The Executive Director compares selected deposits on the bank statement to the copy of cash receipts logs and reviews any account transfers.

The bank statements are to be reconciled by the Accountant on a monthly basis no more than one week after receipt of the statement. The general ledger and the reconciled bank statements will be adjusted to agree monthly.

6.20 Procedures

Upon receiving the bank statement from the Executive Director, the Accountant prepares the monthly bank reconciliation. See Section 18 for the form used to prepare the bank reconciliation. The bank reconciliations will reconcile the bank balance to the general ledger balance. A journal entry will need to be posted each month for items on the bank statements which are not already recorded in the general ledger. These reconciling items may include: interest earned, service charges, NSF checks, direct deposits and other debit or credit memos.

After the general ledger is reconciled to the bank statement, the monthly bank statement and cancelled checks and other forms and the actual reconciliation form are filed in the bank reconciliation file.

7.00 END OF MONTH ACCOUNTING PROCEDURES

7.10 Policies

The Accountant prepares the monthly financial statements

The Executive Director approves the financial statements before being sent to the Board of Directors. The financial statements should be to the Executive Director at least two days prior to the mailing of Board packets in order to facilitate this review.

The Board of Directors approves the monthly financial statements.

7.20 Procedures

The cutoff for information in the monthly statements is two weeks after the month end.

Upon completion of the monthly bank reconciliations, the Accountant will formulate the monthly journal entries. There are two types of monthly journal entries, those that remain consistent from month to month (recurring) and those that are specific to that month. The recurring journal entries (Section 18) are determined after the annual audit with the help of the CPA firm. These include depreciation and expensing of prepaid insurance. The specific journal entries include recording of principal/interest breakdown for the mortgage payment, interest and dividend income, bank transfers, NSF checks, bank charges, accrued wages and payroll taxes, receivables, etc.

The Accountant will maintain a file for each month which includes workpapers which document the balance of each balance sheet account. The file will also include copies of the grant billings. All balance sheet accounts will be reconciled monthly to help ensure that accurate statements are provided to management and the Board.

Once the final general journal entries are posted, the monthly financial statement is printed along with a copy of the general ledger for that month as well as the general journal entries posted.

The adjusted financial statements are to be delivered to the Board of Directors within three weeks after the end of the month.

The Accountant prepares a budget to actual expense report for the Executive Director and the Board of Directors to be included with the monthly financial statements.

The year end financial statements will be delayed for additional procedures (see Section 8.0).

8.00 END OF YEAR ACCOUNTING PROCEDURES

8.10 Policies

The Accountant prepares the year end financial statements.

The Accountant is responsible for preparing for the annual financial audit and for working with the outside accountants to complete the audit.

The Executive Director approves the financial statements before being sent to the Board of Directors. The financial statements should be to the Executive Director at least one week prior to the mailing of the Board packet in order to facilitate this review.

The Board of Directors approves the year end financial statements.

The Accountant will arrange to move all records from the year which is closing to storage.

8.20 Procedures

The cutoff for December financial statements is extended to four weeks after year end.

Upon completion of the December financial statements, the preliminary year end report is run by the Accountant and given to the Executive Director for review.

The Accountant calculates the recurring entries (with the help of the CPA firm if needed) for the new year.

8.21 Financial Audit

The Accountant will contact the independent accountants as soon as the Executive Director signs the audit engagement letter to begin planning the scheduling and work needed to complete the audit. The Accountant will ensure that adequate space is provided for the independent accountants to work in our offices. This would include one or more large tables, space to keep our records provided to the independent accountants, light and electrical outlets.

The Accountant will work with the independent accountants to determine what confirmations will be required. This process will be completed as soon after year end as possible. The Accountant will oversee typing the confirmations. The Executive Director will sign the confirmations. The Accountant will mail the confirmations to the independent auditors.

The Accountant will be responsible for preparing as many of the schedules which the auditors will use as possible. The completed monthly reconciliations for December will partially fulfill this requirement.

Some of the information which needs to be organized and made available includes: the complete general ledger for the year, a chart of accounts, all bank statements and cancelled checks, all paid invoices, all cash receipts logs, all payroll records, including timesheets, payroll summaries for each pay period, 941s, UC-101s and W-2s, Board minutes for the year under audit through the most recent minutes available, grant contract files, printouts of the donor database, including all restricted donations, lease agreements, insurance policies, documentation for fixed assets capitalized and documentation for donated services or donated assets recorded in the general ledger.

The Accountant will be available at all times throughout the audit to facilitate the work of the independent accountants. The Executive Director will schedule some time to meet with the independent accountants as needed during the audit. The Office Assistant will also be available for any work which the Accountant may delegate to them.

The Accountant and Executive Director will plan a meeting with the independent accountants at the end of the audit to discuss any issues raised, review the audit journal entries, evaluate the audit process and plan improvements for the following year.

9.00 COST ALLOCATIONS

9.10 Policies

(Client X) is required to follow various guidelines for allocating costs which benefit more than one program or grant. A cost allocation plan will be adopted each year which satisfies the requirements of all grants for that year. This cost allocation plan will need to be modified any time a new program is started or at the end or beginning of any fiscal year grants. Due to the frequent modifications to the cost allocation plan, it will be maintained outside of this accounting procedures manual (see Exhibit A).

10.00 INVESTMENTS

10.10 Policies

Cash not needed for immediate working capital will be transferred to interest bearing investments, unless the funds are designated for a particular account.

(Client X) will maintain collateralization of the total at any one bank in excess of the FDIC coverage. If this is not deemed to be practical or cost effective, a second bank will be used.

The Board of Directors must approve any investments beyond the options listed below.

10.20 Procedures

(Client X) will maintain a money market account at the same bank where the checking account is maintained. Certificates of deposit may also be used to invest excess cash. The Executive Director will initiate the transfer of funds or setting up new certificates of deposit based on the projected cash flow requirements and budgets of (Client X). The Accountant will prepare the projected cash flow requirements as requested by the Executive Director.

The operating reserve fund and any cash designated by the Board will be maintained in a money market account or certificate of deposit. The Board will specify the investment method for the operating reserve and for each designated fund, so that the timeline of the investment will match the timeline of the reserve or designation.

11.00 DEBT

11.10 Policies

Board approval is required for incurring any debt of (Client X) other than operating trade payables and budgeted payroll payables. The Executive Director will be authorized to negotiate such debt as needed by the Board of Directors.

Any loan covenants and restrictions will be reported to the Board when the debt is authorized. The Accountant will periodically review these covenants and report to the Executive Director if there are any violations or potential violations of the covenants.

11.20 Procedures

The Executive Director and Board President or Treasurer will sign any debt agreements after receiving full Board approval.

The Accountant will reconcile the general ledger debt balances to statements or amortization schedules each month. In addition, accrued interest will be recorded in the general ledger as needed.

12.00 RESERVES AND DESIGNATED FUNDS

12.10 Policies

(Client X) will build and maintain an operating reserve to assist in maintaining financial stability. The target for the operating reserve will be six months of general operating expenses. This will be a cash reserve held separately from other funds of (Client X). The reserve may be invested consistent with the investment policy of (Client X). Any income of the reserve fund will stay in the reserve fund.

The Board of Directors may designate portions of the net assets of (Client X) for specific purposes.

12.20 Procedures

During the annual budget preparation, the Board will review the operating reserve and set a target for funds to be set aside that year. The Executive Director will establish and maintain the operating reserve bank account as directed by the Board.

Designation of net assets will be made by resolution of the Board. A purpose and timeline must be specified for each designated fund. The designation may also specify whether a separate cash fund is to be used.

13.00 INTERNAL CONTROLS AND FINANCIAL AUDIT

13.10 Policies

The review of internal controls and the annual audit are two of the most important procedures the Board has for fulfilling its fiduciary responsibilities to (Client X).

Internal controls pertaining to the accounting records are established by the Executive Director and Board Treasurer in consultation with the Accountant.

The Board of Directors selects the public accounting firm which will perform the year end financial audit. The financial audit report is presented to the Board of Directors who has the authority to approve the audit.

13.20 Procedures

Whenever there is a change in administrative personnel or a change in the operating structure of the organization, the Treasurer and Executive Director will meet to determine that the internal control system continues to meet the needs of (Client X). If appropriate, the changes will be reflected in this accounting procedures manual.

The key features of the internal control system are that the Accountant and program person B, who maintains the property management software, are not involved in handling checks and cash received, signing checks, transferring money or establishing cash accounts or investments and do not receive the unopened bank statement. The other aspect of this is that the Accountant reviews the transactions of the other employees and is responsible for noting any problems to the Executive Director or directly to the Board Treasurer or President.

The Board of Directors will approve, as part of the budget process, the public accounting firm to perform the annual audit.

The Board Treasurer will attend the audit exit conference at the conclusion of the audit. The public accounting firm will present the audit to the Board each year. The Board will review and approve the financial audit.

The Accountant and Executive Director will be responsible for scheduling the audit, preparing the information needed by the auditors and answering questions during the audit.

14.00 COMPLIANCE

14.10 Policies

In order to continue receiving government grants and restricted donations, (Client X) must have systems in place to ensure compliance with the restrictions imposed by those grants and restricted donations.

The Accountant is designated as (Client X) 's compliance officer and will be responsible for overseeing the compliance with all applicable grant restrictions.

The Executive Director will be responsible for communicating the nature of all donor restrictions to the Accountant. This information will be used to ensure that the General Ledger restricted donations account will reflect the restricted donations and the spending of those restricted amounts, as appropriate.

14.20 Procedures

14.21 Compliance Committee

A compliance committee will be chaired by the Accountant and consist of the Executive Director and primary program personnel. The Accountant will be responsible for discussing new compliance requirements in the grants which fund the programs with the committee. The Accountant will be responsible for preparing a report documenting how WH, is ensuring compliance with grant rules in each grant program. The Accountant will also produce a similar report for overall compliance procedures of the agency. These reports, plus any correspondence with granting agencies regarding compliance issues, will be kept in a central compliance file.

The compliance committee will also oversee the maintenance of grant files. The grant files will contain the final signed copy of the grant, any addenda, and correspondence.

14.22 Restricted Donations

The Executive Director will maintain a record of all restricted donations in the donor database so that periodic reports of the year's cumulative restricted donations can be produced. When a restriction has been satisfied, that will be noted in the database. If appropriate, the Executive Director will be responsible for communicating the satisfaction of the restriction to the donor.

The Executive Director will forward copies of each month's new and outstanding restricted donations to the Accountant. The Accountant will create a journal entry each month to ensure that the restricted donations are correctly presented in the financial statements.

15.00 BUDGETING

15.10 Policies

The Board of Directors is responsible for guiding the budget process and for approval of the annual budget.

The Executive Director and Accountant will be responsible for preparing the proposed budget.

15.20 Procedures

The budgeting process will begin in September for the following fiscal year. This will allow for eight months of results to be used in planning the budget.

All budget documents will be submitted to the Accountant by September 30 for consolidation into an overall agency budget. The Executive Director and Accountant will then review this to determine if there are any obvious areas which may need to be reworked. The collated budget will be submitted to the Finance Committee by October 15 for review and feedback. Any further revisions will be made and the budget presented to the Board by November 15.

The responsibility for each area of the budget is as follows:

Executive Director -- Program revenues and expenses, fundraising revenues and expenses, donations revenue, operations expenses, and capital budget.

Accountant -- Accounting expenses, investment income, projected balance sheet.

Board Treasurer -- Board and committee expenses.

After completion and approval of the budget by the Board of Directors, the budget will not be modified for subsequent activities.

16.00 COMPUTER AUTHORIZATION AND BACKUP

16.10 Policies

The accounting computer and software will have access controlled by passwords. The Executive Director will control the master password. The Accountant will be given a complete system password and will control which other personnel will be given passwords.

The accounting computer will be backed up regularly. The Accountant is responsible for carrying out this backup.

The Accountant is responsible for maintaining the disaster recovery plan for the accounting software and for periodically testing the plan.

16.20 Procedures

16.21 Passwords

The Accountant will maintain a record of all authorized users and the level of password access each user has. Passwords will be changed once each year in June.

16.22 Backup

The back up procedures are designed to maintain records of various periods until that period is closed.

An annual tape backup will be maintained of the accounting data prior to the close. This tape will be maintained until the subsequent year accounting data is backed up and closed.

A monthly tape backup will be maintained of the accounting data for each month until that month is again backed up the subsequent year.

A weekly tape backup will be maintained of the accounting data for each week, as of Friday evening until that week is backed up the subsequent month.

A daily tape backup will be maintained of the accounting data for each day that work is performed until that day is backed up the following week.

A copy of all tapes will be kept in a fireproof tape safe in the office. A copy of the annual and monthly tapes will be taken home by the Accountant for storage. The Executive Director and the Accountant will have keys to the fireproof safe.

The Accountant will ensure that the appropriate backups are made at the end of each day.

16.23 Disaster Recovery

In the event of the serious damage to the offices of (Client X) arrangements have been made to process certain accounting records at the offices of ABC Nonprofit located across town. Since the disasters we are anticipating would be localized in nature, such as fire or tornado damage, we have not set up recovery plans with other agencies in another part of the State.

ABC Nonprofit has agreed to provide us with one workstation and desk with access to their printers. In exchange we have agreed to provide them with the same services in the event of disaster at their offices. We are required to provide one business day's notice so that they may arrange the items we will need to use.

17.00 ACCESS TO RECORDS AND RECORD RETENTION

17.10 Policies

The records of (Client X) are generally open to public inspection due to IRS rules, open records laws and the spirit of public service. However, certain information is not open to public examination and may only be released with the permission of the Executive Director. Questions in this area are to be resolved by the Executive Director. If the answer to a request is unclear the Executive Director may contact (Client X) 's attorney for a consultation.

Record retention is governed by various rules, statutes of limitations and common sense. Certain documents must be retained indefinitely, while others may have little use after a year.

17.20 Procedures

17.21 IRS Forms

Payroll tax forms are not public information and will not be released.

IRS Forms 990 and 990A, the exempt organization information returns, must be made available to anyone upon request. The specific rules are outlined in the instructions for form 990. All pages, schedules and attachments, except the detailed schedule of contributors must be made available. The prior three years of 990s and 990As must be available upon request for free review in our office. If the requestor wishes to have a copy, that will be provided immediately or may be mailed to the person. We ask that the person pay the legally allowed fee of \$1 for the first page and 15 cents for each additional page, plus actual postage, if applicable.

The application for exempt status, Form 1023, and the IRS determination letter are also available to anyone upon request for a free review in our office. Copying charges are the same as for the 990 if the person wishes to take a copy. The specific rules are outlined in the instructions for the form 990.

The Accountant is responsible for furnishing copies of these documents to the receptionist in a form suitable for public release. The receptionist will keep a copy of each form and make photocopies if requested.

17.22 Wisconsin Annual Charitable Organization Report

Although public disclosure by our organization is not required, the Wisconsin report is available to the public from the State Department of Regulation and Licensing. For this reason, we will make this return available with the forms 990 and 990A.

17.23 Personnel Records

All requests for personnel records, job references and credit inquiries will be referred to the Executive Director.

17.24 Financial Information

Financial statements and other financial information is regularly distributed to (Client X) employees and the Board. This information is not to be made available to persons who are not regularly authorized to receive that particular report. Any such requests for information must be approved by the Executive Director.

17.25 Records Retention

A schedule of record retention follows. Any discarding of records should follow this schedule. However, prior to discarding of records, the permission of the Executive Director and the Accountant are required to ensure that they have no reason that an exception should be made to the policy. All discarded documents are to be shredded or sent to our recycling company, which has a confidentiality agreement with us.

For tax purposes, records should be maintained until the expiration of the statute of limitations. Generally, that period expires three years after the later of the due date of the return or the date filed. While there are a few exceptions to this rule, the three-year period normally should be adequate.

For non-tax purposes, records should be maintained only as long as they serve a business purpose or until all legal requirements are met. Unfortunately, there are not specific standards that will cover all situations. The following are some of the factors that should be considered:

- Federal, state, and local statutes and regulations
- Industry requirements or standards
- Potential claims or litigation
- Contract requirements

RECORD RETENTION SCHEDULE

Type of Retention Period Record (Years)

Accident reports & claims.....	7*
Appraisals.....	P
Articles of incorporation, by laws.....	P
Assets records.....	7*
Bank statements, reconciliations.....	4
Bills of sale-assets.....	7*
Budgets & projections.....	2
Cancelled checks – general.....	4**
Capital stock & bond records.....	P
Charts of accounts.....	P
Check vouchers, stubs.....	4
Contracts & agreements.....	7*
Correspondence	
Credit and collection.....	7
Routine with customers or vendors	1
Other.....	4***
Credit memos.....	4
Damage and theft reports.....	7
Deeds.....	P
Deposit slips.....	4
Depreciation schedules.....	7*
Employee records	
Contracts.....	7*
Disability, unemployment claims ...	7
Employment applications.....	4
Expense reports.....	4
Personnel files.....	7*
Time reports, earnings records.....	4
Withholding & exemption certificates (W-2, W-4, etc.).....	4*
Financial reports	
Annual, audited.....	P
Interim.....	4
Freight bills, bills of lading.....	4
Insurance policies & records.....	4
Internal reports, memos, work orders, etc.....	2
Inventory records.....	4
Invoices	
Fixed assets.....	7
Sales & general expenses.....	4

Leases	7*
Ledgers & journals	
Cash receipts & disbursements....	P
General ledger, journal entries	P
Payroll journal	4
Purchases & sales	7
Subsidiary ledgers (receivables, payables, etc.)	7
Licenses	4*
Minute books	P
Mortgages.....	7*
Notes	7*
Pension & profitsharing records	P
Petty cash records	4
Purchase orders, invoices.....	4
Receiving reports	4
Repair & maintenance records.....	4
Sales records & cash register tapes.....	4
Shipping reports.....	4
Tax returns and related records	
Income	P
Payroll.....	4
Sales and use	4
Union contracts.....	P

P means records should be kept permanently

* Retention period begins with settlement of claims, disposal of asset, termination of contract, etc.

** Some should be kept longer, e.g. checks for tax payments should be kept with the tax returns, checks for asset acquisitions should be kept with bill of sale, etc.

*** Legal and important correspondence should be kept as long as the documents to which they relate.

18.00 SAMPLE ACCOUNTING FORMS

The organization's accounting forms and a brief explanation of their use should be included here.

19.00 MAINTENANCE OF ACCOUNTING POLICIES AND PROCEDURES MANUAL

19.10 Policies

The accounting policies and procedures manual is critical to the accounting function of (Client X).

The Accountant is responsible for maintaining the manual.

All proposed changes must be approved by the Accountant and by the Executive Director.

The policies and procedure manual will be dated with the date of each approved revision.

19.20 Procedures

Each year the Accountant will review the manual and formulate proposed changes. This update will be completed no later than October of each year. All changes must be approved in writing by the Executive Director. If the Accountant has no proposed changes, a memo to that effect must be approved by the Executive Director.

Whenever changes to the accounting procedures are made, a review of the accounting policies and procedures manual will be made by the Accountant to determine if a revision is required. Any minor revisions to the manual which are not reflected in the manual immediately should be kept on file to incorporate into the formal annual update.

The revised manual will be distributed to the Accountant, Executive Director and Board Treasurer.

20.00 PREPARATION OF INFORMATIONAL RETURNS

20.10 Policies

(Client X) is required to file IRS forms 990, Return of Organization Exempt from Income Tax and 990 Schedule A, Organization Exempt Under Section 501(c)(3), and Wisconsin Department of Regulation and Licensing form 1952, Charitable Organization Annual Report.

The preparation of these reports will generally be contracted out to the independent accountants.

The Accountant will be responsible for providing the information needed to prepare the report.

The Accountant and Executive Director will review the reports prior to filing them to ensure that they are accurate and do not indicate any potential problems with the tax status or fundraising license of (Client X).

20.20 Procedures

The IRS forms are due May 15 (four and one-half months after year end). If the forms are not ready, an extension may be requested for an additional 3 months using form 2758.

The Wisconsin form must have the completed 990 and 990A attached and is due June 30. No extensions are granted on this filing. If donations from the general public, including federated fundraising and foundation grants, exceed \$100,000, the annual audit will need to be included with the Wisconsin form.

These forms will be prepared primarily from the final audited financial statements. Additional information which is required includes a current list of the Board of Directors, the salary and benefits amounts of the Executive Director, a list of all donations of \$5,000 or more from individuals, corporations and foundations, and a report on the nature and dollar value of any lobbying during the year. The Accountant will be responsible for gathering this information and providing it to the independent accountants.

The Accountant and Executive Director will review the activity of the prior year to determine if there was any unrelated business income. Such income would include newsletter advertising, sales of the mailing list, sales of items not related to our exempt purposes and debt-financed rental income not received as part of performing our exempt purposes. The unrelated business income tax form is 990T for the IRS and 4T for Wisconsin. Gross unrelated business income in excess of \$1,000 requires that a return be prepared, even though the activity is not netting any money. Generally, the 990T and 4T will be prepared by the independent accountants. The due date for these returns is May 15, with an automatic extension of 6 months using form 7004.

21. PROPERTY AND EQUIPMENT INVENTORY

21.10 Policies

An inventory of all property and equipment will be maintained. The inventory document will contain sufficient information for insurance and grant requirements.

21.20 Procedures

The Accountant will maintain a database of all property and equipment owned by (Client X). The database will include: tag number, description, serial number, acquisition date, cost, vendor, location and any grant or other restrictions.

All equipment will have a tag affixed with a unique identifying number.

The property and equipment database will be consulted prior to sale of any item to determine if there are restrictions. Grant purchased equipment may generally not be sold without the grantor's permission.

An annual inventory will be taken to verify the existence of the property and equipment listed in the database.

Equipment will be included in the database using the definitions for capitalization in Section 3.

22.00 GRANTS AND CONTRACTS

22.10 Policies

Grant and contract billings will be prepared and filed timely. Adequate documentation will be maintained to support all billings.

Complete grant and contract files will be maintained.

22.20 Procedures

Grant and contract billings will be prepared monthly or as needed. Billing will be done according to funding source requirements based on reimbursements of expenses, units of service or equal installment as required.

Documentation of billings will be prepared and maintained. For billings based on a reimbursement of expenses, a copy of the program expenses from the software and any reconciliations to the billing will be maintained. For billings based on units of service, a copy of the detailed units of service will be maintained.

The Accountant, Program Manager and Executive Director will each approve billings prior to issuance.

Billings will be recorded as accounts receivable in the appropriate accounting period.

Grant and contract files will contain at least the following documents: signed copy of contract, application and budget, correspondence, periodic billings and the documentation supporting the billings.