

Statement of Purpose

The purpose of the Financial and Accounting Policies Manual (FAPM) is to ensure proper financial internal controls and accounting policies are followed and maintained by Ronald McDonald House Charities of Madison, Inc. (RMHC).

Statement of Responsibility

RMHC-Madison Board of Directors and the Management Team recognize that it is their duty to protect the assets of the charity and manage those assets in the most judicious manner possible.

It is the responsibility of the RMHC-Madison Board of Directors to ensure proper financial internal control and accounting policies exist and implementation of those policies are properly monitored.

It is the responsibility of RMHC-Madison Management to steward financial resources with fiduciary care and provide the public with accurate and public accounting of the organizations financials, enabling it to withstand public scrutiny and inspiring public confidence.

RMHC-Madison understands the importance of internal accounting and administrative control systems in establishing accountability to contributors and other grantor agencies. Management's perceptions of its responsibilities for the internal control environment are: (a) maintaining an attitude of internal control consciousness throughout the organization and (b) ensuring adherence to the policies detailed in this manual.

Introduction

The accounting policies manual has two major objectives: provision of a logical approach to the execution of policies related to recording financial transactions and ensuring that adequate internal controls are maintained in the organization and monitored by the Board of Directors.

Accounting Policies

Provide consistent recording and reporting of financial transactions.

Internal Control

An organization's internal control plan, methods, and procedures are adopted by management to ensure that:

- a. Resource use is consistent with laws, regulations, and organizational policy,
- b. Resources are safeguarded against loss and misuse, and
- c. Reliable accounting and operating data are obtained and fairly disclosed to the public.

The internal control and structure of an organization consists of a control environment, an accounting system, and control procedures. Control features are built into the organizational and personnel practices, financial and budgetary reporting, fiscal monitoring, and the design of the accounting system. Adequate separation of duties is critical to strong internal controls.

General Policies

Fiscal Year

The fiscal year of Ronald McDonald House Charities of Madison, Inc. is the twelve-month period beginning January 1 and ending December 31.

Revenue Recognition

Contributions are recognized as revenue when the gift is both reasonably assured of being received and when the amount to be received is determinable. A gift will be recognized as revenue when the donor makes payment or when the donor notifies RMHC of the amount of the gift in writing.

Expenditures

Expenditures are recorded on an accrual basis.

Capital Assets Purchased

Capital items purchased for a value of \$2,500.00 or more are capitalized and depreciated over the estimated useful life of the asset. RMHC uses straight line depreciation over 3 – 40 Years depending on the asset. The depreciation schedule is prepared by the auditors. Depreciation is allocated to programs per the uniform depreciation options provided by RMHC-Global, square foot allocation is typically the most appropriate.

Tax Status

Ronald McDonald House Charities of Madison, Inc. is registered as a nonprofit Wisconsin Corporation and has obtained 501 (c) (3) status. IRS Form 990 must be filed with the IRS before the fifteenth day of the fifth month (May 15th) following the end of the fiscal year. Extensions will be permitted with approval by the Executive Committee.

Control Environment

Organization and Personnel Practices

RMHC has an organizational chart that defines the composition and structure of the governing body, the executive personnel, and the staff. The organizational structure has been developed in such a manner that it facilitates planning, directing and controlling operations.

The authority and responsibility within the organization is appropriately assigned.

The members are appointed to the Board and any related committees on the basis of the by-laws.

As specified by the by-laws, meetings of the Governing Board and/or committees are conducted on a periodic basis.

Financial and Budgetary Reporting

Budgeting

Budgets should be sufficiently detailed to provide meaningful comparison with actual results. Budgeting income and expenses for the upcoming fiscal year will be done by analyzing current and prior year's actual costs, projecting costs for the new year, and strategically realigned based on goals, priorities and objectives set by the Board of Directors.

The annual Operating Budget will be comprised of:

- Major Program Activities
- Fundraising
- Administration
- Capital Expenditures

Budgets are prepared by the Executive Director, the Business Manager, and other staff department leaders. The budgeting process begins October 1st and will be submitted to the Executive Committee in draft in November. The Board can delegate the draft budgetary reviews to a Committee of the Board. Final approval by the full Board will be completed no later than January 31st each year.

Periodic review and comparison of budgeted expenditures versus actual is performed by the Board and can be assigned to a Committee of the Board.

The management staff has the responsibility to investigate significant differences and report to the Board. Any potential significant overruns of budget line items or the total budget should be reviewed.

Financial Statements

RMHC maintains a self-balancing, double entry, accounting system which records all assets, liabilities, fund balances, revenues and expenses, and meets all current generally accepted accounting principles.

Within twenty (20) business days after the close of the month, the following statements are generated:

- Balance Sheet
- Statement of Revenues and Expenses
- Statement of Cashflow

Monthly financial statements are reviewed by the Board Treasurer and the Executive Director. Financial statements are provided to the Board of Directors prior to each scheduled board meeting. The Business Manager retains all financial statement documentation for audit purposes.

Annual Financial Audit and Preparation of IRS Form 990

An independent financial audit will be performed every year, and the audited financial statements will be available for public inspection at the physical location and on RMHC's website.

The auditing CPA firm will supply RMHC with a PBC (prepared by client) list of all documents and schedules needed for the field work. The Business Manager will complete all items on the PBC list prior to field work.

The initial draft financial statements will be reviewed by the Executive Director, the Business Manager, and the Investment & Finance Committee. The CPA firm will forward the final draft as well as the management letter to the Investment & Finance Committee for a final vote of approval.

The final Audited Financial Statements will be forwarded to the Executive Committee for approval, then reviewed by the Board of Directors at the next Board meeting.

The IRS Form 990 information will be gathered by the Business Manager and given to the CPA firm. The Executive Director and Business Manager will fill out any questionnaires received from the CPA firm. The CPA firm will complete the Form 990.

The initial draft of the Form 990 will be reviewed for approval by the Executive Director, the Business Manager, the Board Treasurer and the Executive Committee.

Accounting Systems

General Matters

RMHC accounting records are maintained on its premises by the Business Manager.

All cash receipts and disbursements are centralized. The major components of the accounts and records are the:

1. General Ledger
2. Cash Receipts
3. Support, Contributions, Donations, and Grants
4. Accounts Receivable
5. Investments
6. Payroll
7. Fixed Assets
8. Accounts Payable
9. Debt

For Fiscal management purposes, the following filing system is maintained.

1. All supporting documentation for disbursements is filed by vendor name.
Documentation support includes:
 - (a) Payment request authorization (if applicable)
 - (b) Vendor invoice
 - (c) A copy of the check stub
 - (d) Packing slip for merchandise received (if applicable)
2. An accounts payable file is maintained for vendor invoices and claims pending payment.

Electronic Data Processing (EDP) Controls

The following control procedures are used to ensure the greatest level of security for the data maintained on RMHC's network:

- Utilize password for access to the system.
- Utilize backup procedures each time any contribution or financial information is input in the system.
- The server system is backed up daily. The most recent backup is taken off premises.
- Maintain a contingency plan with all passwords in the event of an emergency.

System back-up is managed by an external third-party provider who backs-up key systems to an off-site server daily. Access to the files stored in the computer system operations are restricted by prescribed policies and procedures detailed in the organization's Financial and Accounting Procedures Manual.

Revenue

Cash Receipts

All incoming mail that looks like a check may be included are opened in the presence of two people. Additionally, if a walk-in provides a donation, it should be received in the presence of two people.

If a check is received, it is recorded in the Mail/Walk-in log book and copied for tracking purposes. A Receipt Form is then generated and validated by the second person.

The checks, copies and Receipt Form are then forwarded to the Business Manager who enters the donations into the contribution software and completes the deposit slip. The Business Manager will initial the deposit slip to confirm the Receipt Form and the contribution batch total. Once gifts are entered into the contribution software and matched with the deposit slip, the Business Manager enters the deposit into the financial software.

RMHC uses a Park Bank automatic scanner to deposit checks. The deposit report from the scanning software is reconciled back to the daily log and Receipt Form daily.

If cash is received from guests for room donations or merchandise is purchased, the transactions are run through the Square System at the front desk. All monies are recorded in the Mail/Walk-in log book and the Square System. The balance between the two is verified daily by the Night Supervisor or Guest Services Manager. The Square System contains a locked cash register with limited access. For separation of duties, the Administrative Assistant will monitor the cash in the Square System box and periodically reduce the funds back down to \$200 by depositing the receipts. The Administrative Assistant verifies the cash balance, prepares the deposits, copies the deposit slip and checks, and records the cash receipts in the financial software.

In the event that check deposits are transported to the bank, they would be transported by a volunteer or staff member, other than the Business Manager or the Administrative Assistant, in a locked bank bag. The deposit receipts from the bank are verified and attached to the deposit backup.

Executive Director will review the Mail/Walk-in log book, Receipt Form, and deposit detail reconciliation monthly through the Cash Reconciliation process described below to ensure this process completion.

No expenses can be paid nor disbursements given from cash that is being processed or in transit to the bank. Disbursements are made through petty cash or by check requests only.

Electronic Receipts may be in the form of Credit Card payments, Electronic Fund Transfers, or other approved electronic accounts as needed, and will be recorded by the Business Manager and reconciled during the cash bank reconciliation process. Credit card information will be kept strictly confidential and kept in a locked file.

Coke Machine

The Guest Services Manager will receive the currency from the machines in the presence of another staff member or volunteer. The money is recorded on a receipt and added to the deposit for the day. The Administrative Assistant will then follow the deposit procedures as described above.

Accounts Receivable

RMHC will send invoices for receivables, including but not limited to third party room sponsors, eventsponsorships, special contributions and expense reimbursements. An invoice is prepared and sent by the Administrative Assistant, as requested by the Executive Director, the House Director, or the Business Manager. Receivables are recorded in the financial software and are reviewed once a month.

Petty Cash

A petty cash fund of \$300 is maintained by RMHC Madison for the purpose of making change for guests. Petty cash is kept in a secured locked. Petty cash disbursements require completion of a Petty Cash Disbursement Form to be signed and supplemented with receipts, if available. Petty cash funds are replenished as needed and/or at the end of the fiscal year. The replenishment check is made out to "Petty Cash" and is cashed by a volunteer and returned immediately to RMHC. Petty cash will be monitored by the Administrative Assistant. At all times the cash and receipts will equal \$220.

Bank Reconciliations ("Cash Reconciliations")

Bank statements will be reconciled monthly by the Business Manager, using the reconciliation function in the financial software. All deposits will be verified as received on the statement. Checks outstanding for longer than three months will be investigated by the Business Manager. The Executive Director will review the Cash Reconciliation for completion and accuracy.

Quarterly the Board Treasurer will receive cash reconciliation and check images for review. Board Treasurer will have access to the account for their own viewing.

Investment Reconciliation

Investment statements will be reconciled monthly using an Excel. Interest, dividends, fees, realized and unrealized gains will be recorded in the General Ledger through journal entries prepared by the Business Manager.

Disbursements & Payables

Cash Disbursements and Procurement

Purchasing is done by the Executive Director and staff. All invoices received will be initialed by the ordering department manager confirming receipt of goods/services and accuracy of the invoice to approve payment. Executive Director will review department approvals and provide executive approval for payment via initials.

The receipts for invoices which are billed on a monthly basis (i.e. Costco, Pick N Save, etc.), will be matched up to the statement when it comes and allocated to appropriate accounts. Food for the Augie's Lunch Program is tracked separately from House Food.

Expenses related to individual fundraising campaigns will be charged to those campaigns, e.g.

travel or printing for the Annual Campaign or individual Golf Outings will be coded to those campaigns, rather than the administrative accounts for travel or printing.

Most disbursements are made by check from the general operating account. Unused checks will be maintained in a locked area in the Business Manager's office. Checks are pre-numbered and used in numerical sequence.

Checks are prepared from vendor invoices and check request forms, not from statements. Spoiled checks (i.e. torn checks, checks written incorrectly, misprinted checks) will be marked VOID and the check retained in a file. Blank checks (those signed without a dollar amount) are strictly prohibited.

Disbursements are made semi-monthly, with allowance for an occasional emergency check.

Checks and all supporting documentation are forwarded to the Executive Director for signature. Authorized signers are the Executive Director and Board Officers (President, Vice-President, Treasurer and Secretary). Checks \$5,000 or larger must be signed by a Board Officer. Checks written to any of the above-mentioned individuals must be signed by another designated signer other than the check recipient.

A small number of recurring invoices, such as utilities and 403(b) payments, are set up to be paid electronically. Electronic payments will be kept to a minimum, and a confirmation page will be printed and retained with other types of bill payment documentation. Electronic payments will be completed and recorded by the Business Manager, with Executive Director approval.

Expense Reimbursements

RMHC will reimburse staff and volunteer for work related expenses, including travel expenses, incurred personally in conjunction with the operations of the organization. All expenses more than \$500 need preapproval by an immediate supervisor.

Receipts for expenses are returned to the employee's supervisor and attached to an expense reimbursement form for approval. The approved form and receipts are then forwarded on to the Administrative Assistant for reimbursement.

Documentation of the expense must be submitted when the reimbursement request is made.

For out-of town travel, staff is expected to travel in the most reasonable and cost-effective manner.

Mileage reimbursement is at the current IRS rate.

Credit Cards

It is the policy of RMHC to issue company credit cards to the Executive Director, House Director, Development Director, Marketing & Communications Director Family Room Manager and Guest Services Manager to be used on an "as-needed" basis for purposes of budgeted company business over the internet or when immediate payment is required. The credit limit for RMHC is set by the Executive Director and shall not exceed \$10,000 per card or \$25,000 total.

Staff are required to obtain receipts for credit card purchases, and to forward those receipts to the Business Manager for reconciliation of the credit card statement. Credit card statements are totaled by expense account and forwarded with receipts to the Executive Director for approval. Credit card statements are paid in a timely manner to avoid any finance charges.

The Board Treasurer will review the Executive Director's credit card statements quarterly.

Expense Allocations

Expenses are allocated based on the department and use of the expense. When an expense is recorded, the purpose of the expense is examined as well as the user to determine the general ledger account. Expenses are sometimes allocated on a % basis, or other standard distribution method, to more than one department.

If any expense is questionable as to the correct department, the staff member initiating the expense and/or the Executive Director are consulted to determine the correct department allocation.

Payroll and Fringe Benefits

Time Sheets (used by hourly employees) specify the date and actual hours worked. All time sheets must be signed by employees and the employee's supervisor to indicate supervisory approval. Email approval of the time sheet is acceptable. Overtime is to be pre-authorized by the employee's supervisor.

The Executive Director reviews the approved time sheets, prepares payroll for the automated payroll service, and transmits it to the third-party payroll processing company. All payroll processing is done on the 15th and last day of the month, or earlier, if these days fall on a weekend or holiday. Payroll deliveries shall be delivered unopened to the Business Manager for disbursement. The full name of individuals and companies (i.e. not initials) will be used on all checks.

The Business Manager distributes payroll checks to the appropriate staff member, calculates 403(b) contributions, and records the corresponding journal entries.

Any change in the salary or rate of pay that is outside of the approved annual budget shall be approved by the Executive Committee.

Benefit Tracking is used by salaried employees to track time away from work and use of benefits (sick, vacation, etc.) The Executive Director monitors this file and reconciles with the independent third party.

Other Policies

Fixed Assets

Capitalized assets, including but not limited to property and equipment, are defined as any item valued at \$2,500 or more at the time of acquisition and either having a life of its own or extending the life of a previously owned capitalized asset. RMHC shall safeguard equipment against loss, damage, or theft by providing adequate facilities, security, and insurance coverage.

A list of Fixed Assets will be reviewed and updated each year by the House Director and the Business Manager.

The Business Manager books depreciation and building amortization monthly based on the depreciation schedule provided by the auditing CPA firm.

Journal Entries

Standard recurring journal entries are saved as Memorized Transactions in the financial software and are recorded after verification.

During the monthly review of the financial statements, correcting, reclassifying or adjusting entries may be necessary. Documentation for all manual journal entries will be retained by the Business Manager.

Revenue Write-offs

It is the policy of RMHC to evaluate receivables on an individual basis to determine the appropriate course of action. Write-offs include items such as returned checks or uncollectible pledges. Write-offs must be approved by the Executive Director.

Write-Off of Old Checks

The Business Manager will initiate contact with the payee of checks over three months old to determine the status of the check in question. If the Payee wishes to have the check reissued, a stop payment is placed on the initial check and a replacement check is disbursed per RMHC's Check Disbursement procedures. If contact is not successful or if the payee does not intend to cash the check, the check is voided, and adjustment is made in the General Ledger by journal entry.

In-Kind Contributions Policy

Written acknowledgment for all in-kind donations of goods or services is provided to the donor. It is also our policy to record the estimated market value of contributed goods and services in our financial statements.

At the time of the donation, an in-kind form is completed which includes the mailing address of the individual or entity making the donation, along with a description of the donation. If the donor knows the value or estimated value of the donation, it should be noted on the form and verified. If no verification exists from the donor, research should be done to confirm the value recorded. In-Kind donations with an estimated value less than \$250 may be acknowledged with assistance from a volunteer. In-Kind donations with an estimated value of \$250 or more are acknowledged by the Executive Director. Unless the donation has supporting documentation of value, no value is given in the acknowledgement letter.

Windfall Gifts

Any windfall gifts greater or equal to \$100,000 (excluding annual gifts that total or exceed this amount over multiple years) are reviewed by the Board, or can be assigned to a Committee for review and to make a recommendation to the Board regarding the use of the funds. Any windfall gifts under this amount may be used for general operations.

Contract Signature Policy

It is the policy of RMHC to authorize the Executive Director or the Business Manager, under the direction of the Executive Director, to sign contracts as long as the financial implications of the contract are included in the annual budget or board-approved expenditures. Contracts for unbudgeted expenditures, as well as financial contracts for investments and/or loans, above the \$5,000 threshold require appropriate approval and signatures of at least two of the following: Executive Director, Board President, Board Vice-President, Board Secretary or Board Treasurer.

Document Requests from the Public

The most current Audited Financial Statements and IRS Form 990 are available online at www.rmhcmadison.org and are available to the public upon request. This includes the bylaws, Audited Financial Statements, and the IRS Form 990.

Document Retention

Unless otherwise required by law, documents can be retained electronically.

The following documents are retained for at least 2 years:

- Correspondence – General, Customer and Vendor
- Duplicate Deposit Slips

The following documents are retained for at least 3 years:

- Bank Statements
- Employment Applications
- Insurance Policies (expired)
- Internal Audit Reports

The following documents are retained for at least 7 years:

- Accounts Payable
- Accounts Receivable
- Board Minutes, By-Laws and Charter
- Business Integrity Records
- Contracts, Mortgages, Notes and Leases (expired)
- Electronic Versions of Bank Transactions
- Expense Reports
- Inventory Records
- Invoices and Expense Analyses
- Payroll Records
- Personnel Files (terminated employees)
- Sales records

The following documents are retained permanently:

- Audit Reports
- Checks for Important Payments and Purchases
- Construction records
- Contracts (still in effect)
- Correspondence – Legal and Important Matters
- Deeds, Mortgages, Bills of Sale
- Depreciation schedules
- Financial Statements – Year-End
- Fixed asset purchases
- General ledger
- Insurance Records (Accident Reports, Claims, etc.)
- Real estate purchases
- Retirement and Pension Records
- Tax Returns and Worksheets