



Financial Accounting  
Policies and Procedures  
Manual for

**THE INTERNATIONAL  
COLLABORATIVE  
LEADERSHIP INSTITUTE**

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**NOT FOR DISTRIBUTION**



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## **INTRODUCTION**

This manual is for use by management of the International Collaborative Leadership Institute of Naples, Florida as of July, 2016.

It provides basic accounting procedures and controls for a system of internal accounting controls. Also provided in this manual, are examples of the key documentation materials which will be required in order to achieve internal controls.

This manual is intended to be used a series of policies and procedures, but should not be considered a replacement for management involvement and effort in developing a secure internal control environment.

This manual is intended to address the Institute's needs during its start-up and launch phases and during the first few years of operations with a relatively simple accounting system that will provide sufficient detail for IRS and General Accounting purposes.

As the Institute grows, we expect it will need expanded internal controls which transcend the scope of this document. Management must, therefore, be continuously aware of the growing control needs of the company and update the control environment as necessary. When it becomes necessary to go beyond the scope of this manual, we will contract with a reputable accounting firm to ensure that all controls needed are properly implemented.

Joseph Scali – Chief Financial Officer  
July, 2016

Robert Porter Lynch -- Chairman

## **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 The Leadership Institute.

The Leadership Institute is a not-for-profit organization incorporated as a 501(c)(3) organization. The Leadership Institute is registered with the Secretary of State in Florida with a calendar year end.

The Leadership Institute is also registered with the Florida Department of Regulation and Licensing to raise funds from the general public.

The articles of incorporation state that the purpose of the Leadership Institute shall include:

- A. to qualify and operate as a domestic nonprofit corporation under the Florida Nonprofit Corporation Law (Chapter 617);
- B. to qualify and operate exclusively for charitable, educational, and scientific purposes as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), or the corresponding section of any future federal tax code;
- C. to qualify and operate as a tax-exempt organization, contributions to which are deductible under Section 170(c)(2) of the Code or the corresponding section of any future federal tax code;
- D. to act primarily as an educational institution through the provision of seminars, classes, and programs at high schools and conference, to provide education and instruction in matters necessary and advantageous to the development of collaborative leadership, teamwork, entrepreneurial capability, and innovation knowledge, thinking, and action, to create practical, real world, hands-on and knowledge based learning experiences, to provide such learning in a trust and values-based, ethical environment, to provide the training to effectuate and expand participants' contributions to their organizations and communities, and to create an ongoing educational network that supports long-term leadership, entrepreneurial, and innovation progress, growth and development, which shall be provided to participants and students of all ethnic and economic backgrounds; and
- E. to do everything reasonably necessary or appropriate for the accomplishment of the foregoing purposes.

In accordance with IRS Code section 501(c)(3) the Leadership Institute is organized and operates exclusively for the exempt purpose. 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.

### **1.02 Service Area**

The Institute's service areas include the U.S. and International activities.

## 2.00 CHART OF ACCOUNTS

### 2.01 Assets

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Cash Accounts .....	10###
Receivable Accounts.....	11###
Prepaid Accounts .....	12###
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Contributed Revenue .....	41###	
Program Revenue .....	42###	
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Office Expenses .....	51###
Building Expenses.....	52###
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*garbage & snow removal	
*equipment expenses	
Program Expenses.....	53###
Administration Expenses.....	53###
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Building.....	03
Program Services.....	04
Grant A .....	05
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**Note: Description should be provided for each account.)**

### **3.00 ACCOUNTING PRINCIPLES & PROCEDURES**

#### **3.10 Policies**

The accounting principles of The Leadership Institute 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: Chairman/CEO and Executive Director/President. Other members may be designated at a later date, including: 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 \$5,000, 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 on any expenses over \$10,000. Any capital assets over \$10,000 not budgeted by the Board must be approved by the Board prior to soliciting bids. Low bid shall only be one criteria for selection; value and trustworthiness shall also be considered.

#### **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 and 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. All invoices will be processed in 30 days or less to maintain cash-flow for suppliers.

#### **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 the fiscal year-end financial statements is extended to four weeks after year-end.

Upon completion of the fiscal year-end 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 fiscal 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**

The Leadership Institute 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.

The Leadership Institute 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**

The Leadership Institute 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 The Leadership Institute. 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 The Leadership Institute 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**

The Leadership Institute 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 The Leadership Institute. The reserve may be invested consistent with the investment policy of The Leadership Institute. Any income of the reserve fund will stay in the reserve fund.

The Board of Directors may designate portions of the net assets of The Leadership Institute 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 The Leadership Institute.

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 The Leadership Institute. 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, The Leadership Institute must have systems in place to ensure compliance with the restrictions imposed by those grants and restricted donations.

The Accountant is designated as The Leadership Institute'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 the Institute, 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.

#### **16.22 Backup**

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

An annual backup will be maintained of the accounting data prior to the close. This backup 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 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 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 backups will be kept in disaster-proof resistant storage (or as custom practice online in a disaster recovery system) in the office. A copy of the annual and monthly backups may be taken home by the Accountant for storage (or as custom practice today uploaded to a disaster proof system, i.e. 'the cloud'). The Executive Director and the Accountant will have keys to the disaster proof storage (password protected online storage).

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 The Leadership Institute arrangements have been made to conduct the accounting at the offices of its bookkeeping services (an independent CPA firm) located across town. It is anticipated the actual accounting data will be stored and processed via online services. Thus any damage to physical storage from potential local disasters is mitigated.

## **17.00 ACCESS TO RECORDS AND RECORD RETENTION**

### **17.10 Policies**

The records of The Leadership Institute 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 The Leadership Institute'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 Florida Annual Charitable Organization Report**

Although public disclosure by our organization is not required, the Florida 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 The Leadership Institute 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*	Time reports, earnings records.....	4
Appraisals .....	P	Withholding & exemption	
Articles of incorporation, by laws .....	P	certificates (W-2, W-4, etc.) .....	4*
Assets records .....	7*	Financial reports	
Bank statements, reconciliations .....	4	Annual, audited.....	P
Bills of sale-assets .....	7*	Interim .....	4
Budgets & projections .....	2	Freight bills, bills of lading.....	4
Cancelled checks – general.....	4**	Insurance policies & records.....	4
Capital stock & bond records .....	P	Internal reports, memos, work	
Charts of accounts .....	P	orders, etc. ....	2
Check vouchers, stubs.....	4	Inventory records .....	4
Contracts & agreements .....	7*	Invoices	
Correspondence		Fixed assets.....	7
Credit and collection.....	7	Sales & general expenses .....	4
Routine with customers or vendors.....	1	Leases .....	7*
Other .....	4***	Ledgers & journals	
Credit memos.....	4	Cash receipts & disbursements.....	P
Damage and theft reports .....	7	General ledger, journal entries .....	P
Deeds .....	P	Payroll journal .....	4
Deposit slips.....	4	Purchases & sales .....	7
Depreciation schedules.....	7*	Subsidiary ledgers (receivables,	
Employee records		payables, etc.).....	7
Contracts.....	7*	Licenses.....	4*
Disability, unemployment claims.....	7	Minute books.....	P
Employment applications .....	4	Mortgages .....	7*
Expense reports .....	4	Notes.....	7*
Personnel files.....	7*	Pension & profitsharing records.....	P

Petty cash records .....	4	Tax returns and related records	
Purchase orders, invoices.....	4	Income .....	P
Receiving reports .....	4	Payroll .....	4
Repair & maintenance records .....	4	Sales and use .....	4
Sales records & cash register tapes ....	4	Union contracts .....	P
Shipping reports .....	4		

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.

See Exhibits A through R

Note the exhibits are representational and not the final (or only) documents that may be adopted.

**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 The Leadership Institute.

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**

The Leadership Institute 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 Florida 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 The Leadership Institute.

### **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 Florida 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 Florida 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 Florida. 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 The Leadership Institute. 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, CONTRACTS & CONTRACT MANAGEMENT**

### **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 Contract Management Policy**

We create contracts to formalize the requirements and standards, to set standards, and to define terms & conditions of payment. All contracts are intended to be fair, even-handed, and reasonable. Excessive legal jargon and onerous stipulations are not to pervade our contracts. All contracts shall be fair to both sides. The Institute is as obliged to meet (or exceed) the terms and conditions of the contract, as is the other side.

Most importantly, our word, trustworthiness, and good intention are all more important than a piece of paper. We shall abide by our commitments set forth in any contracts. In the event we violate contractual terms, either by intention or negligence or mistake, we shall make every endeavor to take immediate corrective action. Violations of contracts on behalf of the Institute are not to be taken lightly, and shall be reported immediately to the Executive Director for review.

Contracts with faculty shall not use the word "vendor" because faculty are not vendors – they are our strategic suppliers; they deliver the value we provide to our students.

All faculty shall be paid in 14 days *or less* from the time the invoice is submitted.

## **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 reconciliation 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 when the amount exceeds a level set by policy.

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.

## **23.0 SOURCING, PROCUREMENT & ACCOUNTS PAYABLE**

### **23.10 Sourcing & Procurement Policies**

When we purchase goods and services, the use of the goods and services are important to the procurement process. The procurement decision should consider the Total Cost of Ownership in the decision – what it costs to source, negotiate, buy, use, and dispose. Additionally, the more *central* the service is to our *mission*, the more *value* is weighted over *price*, in the final buying decision.

### **23.20 Accounts Payable Policy & Procedures**

Suppliers who provide us goods and services are an important *source of value* to the Leadership Institute. Cash flow is the life blood of a business; thus late payments to suppliers is like cutting off their blood supply, and, invariably it wreaks havoc with their financial planning, and also creates a ripple effect in their supply chain. Our suppliers may have made commitments to pay their suppliers; and if we don't honour our commitments, it has a negative rippling effect down their payment chains.

Accounts Payable is the last step in a supplier's cycle of interaction with us, which often involves numerous contact points within the Institute. All the positive experiences provided by other members of the Institute can be negated by poor performance by Accounts Payable; the last experience in the cycle should be as good as the supplier's best experience in the cycle.

Every effort will be made to pay suppliers earlier than the 30 days stated in contracts for this reason: It is a well know fact that suppliers provide better response to customers who treat them well. Often there will be times when we will be asking suppliers to provide something outside the boundaries of a contract, or to be flexible, or faster, or to innovate for us when our needs change. They are far more likely to be responsive to these requests when they have been paid reliably.

Accounts Payable is entrusted with responsibility to do its part to help maintain the financial health of our suppliers, who are vital element to our long term success. Accounts Payable must care for our suppliers as much as Customer Service cares for our students.

Accounts Payable shall set up Electronic Funds Transfer capability for use where appropriate.

### **23.20 Faculty Relationships**

The Institute's faculty, especially at the beginning, will predominantly be independent, part-time contractors, not full time employees.

They are never to be thought of as "vendors" because they are *mission centric* to our purpose for existence. Any person or organization that is *central to the performance of our mission* is *strategic* to our business – they strongly impact our ability to deliver our mission to the world around us. They are more than suppliers; they are *partners*.

Accounts payable must never sever the psychological linkage between *performance of work* and *payment* by forestalling payment to faculty. For this reason, all faculty shall be paid in 14 days or less from the time the invoice is submitted, with a short note thanking them for their service. Any excessive deviation from prompt payment will be considered poor performance.

During conferences, Accounts Payable should have a check written and ready for presentation to the speakers at the end of their sessions as a sign of gratitude for their efforts (expenses can be paid at a later time after invoicing).

EXHIBIT A

**SUBSIDIARY LEDGER RECONCILIATION**

(Example)

Subsidiary Ledger Balance on \_\_\_\_\_

Additions: \_\_\_\_\_

Deductions: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Adjusted Subsidiary Ledger Balance \_\_\_\_\_  
\_\_\_\_\_\*

General Ledger Balance \_\_\_\_\_  
\_\_\_\_\_\*

\*Should equal each other

EXHIBIT B

***DAILY CASH RECEIPTS LOG***

(Example)

Date \_\_\_\_\_

Name of Payor	Check number	Amount of check
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
		_____
	Daily cash receipts total	=====

Prepared by \_\_\_\_\_

Verified by \_\_\_\_\_

EXHIBIT C

***CASH RECEIPTS JOURNAL***

(Example)

Date	Description	Cash	Discounts Allowed	Account Receivable	Customer Name	Acct.#	Misc. Cash
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Totals

EXHIBIT D

***CASH DISBURSEMENTS JOURNAL***

(Example)

Date	Check#	Payee	Invoice Amount	Discount	Net Amt.	G/L #
<hr/> <hr/>						
Totals	<hr/> <hr/>					

EXHIBIT E

**BANK STATEMENT RECONCILIATION**

(Example)

Bank Statement Balance on _____	_____
Additions:	
Deposits in Transit	_____
Other	_____
Deductions:	
Outstanding Checks	_____
Bank Entries	_____
Other	_____
Adjusted Bank Balance	=====*
General Ledger Balance	=====*

\* Should equal each other

EXHIBIT F

**PURCHASE ORDER**

(Example)

Date \_\_\_\_\_  
Vendor Number \_\_\_\_\_  
Vendor Name \_\_\_\_\_  
Address \_\_\_\_\_  
City/State/Zip \_\_\_\_\_  
Phone \_\_\_\_\_  
Vendor Contact \_\_\_\_\_  
Date Required \_\_\_\_\_  
Shipper Preference \_\_\_\_\_  
Shipping Terms \_\_\_\_\_  
Charge to A/C # \_\_\_\_\_

Quantity Ordered	Quantity Received	Part #	Description of Goods	Extended Unit Price	Cost
				Total ordered	_____
				Tax	_____
				TOTAL DUE	_____

IMPORTANT

Our purchase order number must appear on all invoices, packages, etc. Please notify us immediately if you are unable to ship complete order by date specified. Send three copies of your invoice with the original bill of lading attached.

\_\_\_\_\_  
Ordered by \_\_\_\_\_ Date \_\_\_\_\_  
Approved by \_\_\_\_\_ Date \_\_\_\_\_

EXHIBIT G  
**RECEIVING LOG**  
(Example)

Received By	Date Received	Time Received	Vendor Name	PO #	Description	Qty Received	Delivered By
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EXHIBIT H  
**VOUCHER STAMP**

(Example)

Date Received \_\_\_\_\_  
Due Date \_\_\_\_\_  
PO# \_\_\_\_\_  
Amount Due \_\_\_\_\_  
Discount Taken \_\_\_\_\_  
Invoice Total \_\_\_\_\_  
Approved By \_\_\_\_\_  
Vendor Number \_\_\_\_\_  
Invoice Number \_\_\_\_\_  
G/L Acct. # \_\_\_\_\_  
Entered By \_\_\_\_\_

Note – Information on the voucher stamp should be arranged in the same order in which you enter the information into your computer system.

EXHIBIT I

***CASH REQUIREMENTS FORECAST***

(Example)

Date	Purchase Order	Vendor Name	Inv. #	Invoice Amount	Pay By	Date Paid	Check No.	Discount Taken	Check Amount
<hr/> <hr/>									
Totals									

EXHIBIT J

***SUMMARY AGED TRIAL BALANCE OF ACCOUNTS RECEIVABLE***  
(Example)

Cust. No.	Cust. Name	Contact Phone No.	Date of Last Pmt.	Credit Limit	Total Balance	Current	Over 30	Over 60	Over 90	Over 120
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Totals

EXHIBIT K

**FIXED ASSET LOG**  
(Example)

Asset No.	Description Serial No.	Date Acq.	Check No.	Depreciation Method/Life	Dept.	Orig. Cost	Salvage Value	Net Deprec. Basis
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EXHIBIT L

**LEASE DATA FORM CONTINUED**

FOR DETERMINATION OF STATUS AS OPERATING OR CAPITAL LEASE

(To be completed for each new lease or lease modification)

(Example)

1. Property leased:

2. Location:

3. Type Property

Land only:

Real: Plant \_\_\_\_\_ Office \_\_\_\_\_ % Land \_\_\_\_\_

Equipment: Plant \_\_\_\_\_ Office \_\_\_\_\_

Other:

4. Lessor:

5. Terms of lease

Original: From \_\_\_\_\_ To \_\_\_\_\_

Renewal: From \_\_\_\_\_ To \_\_\_\_\_

Renewal: From \_\_\_\_\_ To \_\_\_\_\_

6. Deposit \_\_\_\_\_ Representing \_\_\_\_\_

7. Payment terms

Original: \$ \_\_\_\_\_ per \_\_\_\_\_ thru \_\_\_\_\_

Original: \$ \_\_\_\_\_ per \_\_\_\_\_ thru \_\_\_\_\_

Renewal: \$ \_\_\_\_\_ per \_\_\_\_\_ thru \_\_\_\_\_

Renewal: \$ \_\_\_\_\_ per \_\_\_\_\_ thru \_\_\_\_\_

8. Expenses

Paid by:	Lessor	Lessee	Estimated Amount
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Taxes:

Insurance:

Maintenance:

Other:

Other Special Features:

EXHIBIT L

LEASE DATA FORM CONTINUED

FOR DETERMINATION OF STATUS AS OPERATING  
OR CAPITAL LEASE

(To be completed for each new lease or lease modification)

(Example)

9. Contingent Rentals (explain) \_\_\_\_\_
10. Options to purchase (explain) \_\_\_\_\_
11. Interest rate at date lease was negotiated:  
Lessee's Incremental Borrowing Rate \_\_\_\_\_ %  
Lessor's Implicit Rate, if known \_\_\_\_\_ %
12. Fair Market Value of property at date of lease (estimate) \$ \_\_\_\_\_
13. Residual Value of property at the end of the lease term \$ \_\_\_\_\_
14. Estimated useful life of property: years \_\_\_\_\_ months \_\_\_\_\_  
Depreciable life of similar property: years \_\_\_\_\_ months \_\_\_\_\_
15. Estimated salvage value of property \$ \_\_\_\_\_ or \_\_\_\_\_ %
16. Does title transfer to you at end of lease (y/n) \_\_\_\_\_
17. Penalties for failure to renew \_\_\_\_\_
18. Sublease Information  
Sublessor:  
Date of sublease: From \_\_\_\_\_ To \_\_\_\_\_  
Payment terms: \$ \_\_\_\_\_ per \_\_\_\_\_ thru \_\_\_\_\_  
\$ \_\_\_\_\_ per \_\_\_\_\_ thru \_\_\_\_\_
19. Describe any unusual provisions of the lease not covered elsewhere on this form:
- Prepared by \_\_\_\_\_  
Date \_\_\_\_\_

## EXHIBIT M

### **GENERAL LEDGER CHART OF ACCOUNTS**

(Example)

Account #	Account Name	Account #	Account Name
1001	Cash – General Account	1625	Manufacturing Equipment
1010	Cash – Payroll Account	1630	R & D Equipment
1020	Cash – Money Market	1635	Leased Equipment
1030	Cash – Other	1640	Leasehold Improvements
1049	Petty Cash	1705	Accumulated Depreciation – Buildings
1050	Time Certificates of Deposit	1710	Accumulated Depreciation - Autos/Trucks
1060	Other Investments	1720	Accumulated Depreciation - Furniture & Fixtures
1101	Accounts Receivable – Trade	1725	Accumulated Depreciation - Manufacturing Equipment
1110	Accounts Receivable – Employee	1730	Accumulated Depreciation - Leased Equipment
1120	Allowance for Bad Debts	1735	Accumulated Depreciation - Leased Equipment
1201	Raw Materials	1740	Accumulated Amortization - Leasehold Improvements
1301	Work-In-Process	1800	Other Assets
1401	Finished Goods	1801	Organization Costs
1530	Advances to Employees	1805	Accumulated Amortization - Organization Costs
1570	Prepaid Insurance	2000	Notes Payable
1571	Prepaid Rent	2050	Trade Accounts Payable
1575	Prepaid Federal Taxes	2055	Other Accounts Payable
1576	Prepaid State Taxes		
1601	Land		
1605	Buildings		
1610	Autos/Trucks		
1620	Furniture & Fixtures		

**EXHIBIT M**  
**GENERAL LEDGER CHART OF ACCOUNTS**  
(Example)

Account #	Account Name	Account #	Account Name
2100	Accrued Payroll Expense	7305	Property Tax Expense
2110	Accrued Commissions	7350	Office Supplies
2130	Accrued Vacation	7360	Non-capitalized Tools and Equipment
2160	Accrued Federal Payroll Taxes	7370	Equipment Rental
2170	Accrued State Payroll Taxes	7380	Equipment Repair
2210	Accrued Legal and Accounting Fees	7405	Depreciation – Building
2220	Accrued Interest	7410	Depreciation – Autos/Trucks
2230	Accrued Other	7420	Depreciation – Furniture & Fixtures
2260	Accrued Sales Taxes	7425	Depreciation – Manufacturing Equipment
2510	Federal Income Taxes Payable	7430	Depreciation – R&D Equipment
2520	State Income Taxes Payable	7435	Depreciation – Leased Equipment
2901	Preferred Stock	7440	Amortization – Leasehold Improvements
2940	Common Stock	7500	Facilities Rent
2950	Retained Earnings	7510	Facilities Maintenance & Repair
3000	Sales	7530	Utilities
4000	Cost of Sales	7600	Recruiting & Relocation
4880	Obsolescence	7610	Dues & Subscriptions
4940	Warranty Expense	7620	Training & Seminars
7000	Payroll Expense	7700	Engineering Consulting
7010	Employer Payroll Tax Expense	7705	Other Consulting
7300	Insurance Expense		

EXHIBIT M  
GENERAL LEDGER CHART OF ACCOUNTS  
(Example)

Account #	Account Name
7710	Legal & Accounting
7800	Telephone Expense
7810	Postage
7820	Freight
7830	Travel & Entertainment – 50% limitation
7840	Travel & Entertainment – no Limitation
7870	Advertising
7880	Trade Shows
7890	Public Relations
7900	Licenses & Fees
7920	Bank Charges
7950	Miscellaneous
8500	Interest Income
8600	Interest Expense
9000	Provision for Federal Income Taxes
9010	Provision for State Income Taxes

**EXHIBIT N**  
***PHYSICAL INVENTORY PROCEDURE***  
 (Example)

The following procedures should be followed for the physical inventory on December 31, 19XX for the following locations:

- The North Store
- The South Store
- The Warehouse

Each location has been assigned a range of tag numbers to be used for this inventory. The location is responsible for ensuring all tags are returned in numeric sequence by tag number.

For this physical inventory you are responsible for counting ALL items in your store having ABC part numbers.

The stores should be broken up into areas and then individuals should be assigned to tag all inventory items in that area. Our auditors have also requested that a rough sketch of the store be done with notes of which tag numbers are used in which areas. Please do the sketch on 8 1/2 x 11" paper so that it can easily be included with our files. When distributing tags to the individual, the range of tags that are given to them should be noted on the sketch for tracking. This will become important when collecting inventory tags in the event a tag is missing.

As the individual counts an item in a specific area, they should fill out one inventory tag for each item number in that area. The tag should include the following information:

1. The part number of the item
2. The quantity counted
3. A brief description of the item
4. The initials of the counter

Please make sure that all four items are filled out for every tag used, and they are written in the appropriate boxes on the tag. Any calculations that might be required in filling out the tag should be written in the box immediately below the description. Any tags that are mistakes should have the word "VOID" written in large letters on the tag. NEVER THROW OUT AN INVENTORY TAG. Leave your voided tag with the next tag you use, this will assist you in retaining the tag sequence when collating tags. If you need to make any corrections on a tag that has been filled out, VOID the original tag and write a new one. This is critical to the validation of the counts.

When all items have been tagged, your observer will look around your location to ensure that all items have been tagged and spot check tags for accurate counts and individual inventory numbers. The observer will also be responsible for reviewing that the tags have been filled out properly and completely. When the observer is satisfied that all items are properly tagged, the process of picking up the tags may begin. NO tags are to be picked up until your observer has verified the count for your entire location.

Tags should be picked up in numeric sequence by the observer ensuring that there are no missing tags. The tags should be returned to their boxes, and the observer will bring them back to the office.

Please note that procedures for collecting tags may change at audited locations at the discretion of the PricewaterhouseCoopers representative.

Location	Date	Start Time	Observer
The North Store	12/31	8:00 a.m.	Russell
The South Store	12/31	10:00 a.m.	Sandy
The Warehouse	12/31	12:00 noon	Alice

EXHIBIT O  
**NEW HIRE FORM**  
(Example)

Start Date \_\_\_\_\_

Employee Name \_\_\_\_\_

Address \_\_\_\_\_

City/State/Zip \_\_\_\_\_

W4 Data Single/Married \_\_\_\_\_

Phone \_\_\_\_\_

Number of Exemptions \_\_\_\_\_

Department \_\_\_\_\_

Job Title \_\_\_\_\_

Job Description:

Wage Rate (Annually, monthly, hourly) \_\_\_\_\_ Exempt or nonexempt \_\_\_\_\_

Vacation time of \_\_\_\_\_ days per year. Sick time of \_\_\_\_\_ days per year.

Stock Options

Number of shares authorized \_\_\_\_\_

Date of authorization \_\_\_\_\_

Date(s) of exercise \_\_\_\_\_

Performance review to be given (annually, semi-annually) \_\_\_\_\_ Date of first performance review \_\_\_\_\_

Insurance (Has the employee completed the appropriate forms?)

Medical \_\_\_\_\_

Dental \_\_\_\_\_

Life \_\_\_\_\_

Disability \_\_\_\_\_

Legal & Ethical Standards \_\_\_\_\_

Emergency Information (names and numbers to call)

Name \_\_\_\_\_

Doctor's Name \_\_\_\_\_

Address \_\_\_\_\_

Address \_\_\_\_\_

City/State/Zip \_\_\_\_\_

City/State/Zip \_\_\_\_\_

Phone \_\_\_\_\_

Phone \_\_\_\_\_

Employee Signature \_\_\_\_\_

Date \_\_\_\_\_

EXHIBIT P  
***DISCIPLINARY ACTION FORM***

(Example)

Prepared by \_\_\_\_\_ Date \_\_\_\_\_

Approved by \_\_\_\_\_ Date \_\_\_\_\_

Date of meeting \_\_\_\_\_

Employee name \_\_\_\_\_

Department \_\_\_\_\_

Description of incident (list dates, times, number of occurrences, and a brief discussion of any conversations):

Recommendation for correction of disciplinary action:

Probationary period recommended (if any) \_\_\_\_\_

Date for follow-up meeting \_\_\_\_\_

Follow-up discussion:

Final outcome of the issue:

Signature of employee \_\_\_\_\_ Date \_\_\_\_\_

Signature of supervisor \_\_\_\_\_ Date \_\_\_\_\_

EXHIBIT Q

**EMPLOYEE REVIEW FORM**

(Example)

Review Date \_\_\_\_\_

Employee Name \_\_\_\_\_

Department \_\_\_\_\_

Job Title \_\_\_\_\_

Job Description:

Performance since last review or hire:

Significant accomplishments during review period:

Recommendations:

Wage Data:

Old salary \_\_\_\_\_ New Salary \_\_\_\_\_ Effective date of increase \_\_\_\_\_

Employee comments:

Date of next review \_\_\_\_\_

Employee signature \_\_\_\_\_ Date \_\_\_\_\_

Reviewer signature \_\_\_\_\_ Date \_\_\_\_\_

Authorized signature \_\_\_\_\_ Date \_\_\_\_\_

EXHIBIT R  
***EXIT INTERVIEW***  
(Example)

Termination date \_\_\_\_\_

Name \_\_\_\_\_

Department \_\_\_\_\_

Job Title \_\_\_\_\_

Reasons for termination/resignation (to be completed by exit interviewer):

If dismissal, cite past disciplinary action, dates, and events:

Employee comments (to be completed by employee):

Vacation pay due upon termination date \_\_\_\_\_

Pay due upon termination date \_\_\_\_\_

Pay authorized by \_\_\_\_\_

Employee signature \_\_\_\_\_

Date \_\_\_\_\_

Exit interviewer signature \_\_\_\_\_

Date \_\_\_\_\_