

ACCOUNTING & FINANCIAL POLICIES & PROCEDURES MANUAL

Functional Area: Finance and Revenue

Related Policies: Affinity Groups; Document Retention; Travel Grants and Recognition Awards; Committee Budget Requests
Effective Date: October 1, 2021
Approved by: Board of Directors
Responsible Body: Treasurer

PURPOSE OF THIS MANUAL

The policies and procedures discussed herein address the various accounting and financial policies, internal control policies, risk reduction policies and office administration policies FPMR undertakes relevant to the operations of NORDP. These written policies are designed to ensure financial accountability and transparency, eliminate misunderstandings, and protect the assets and viability of NORDP.

Key elements to achieving these objectives include:

- Sound fiscal policies and procedures.
- Sound internal control policies and procedures.
- Timely and accurate financial reports.

RESPONSIBILITIES

NORDP's contract association management company, First Point Management Resources (FPMR), is responsible for financial activities and reporting requirements of NORDP. It is the responsibility of FPMR's Director of Finance to ensure sound accounting practices and internal controls.

The accounting records of NORDP are audited annually by an independent CPA firm.

The NORDP Board of Directors leads the preparation of an annual budget along with the FPMR Account Manager and FPMR Accounting Department.

While every effort is made to keep this manual up to date, all items referenced herein are subject to modification, amendment, or deletion. All amendments are made by the Revenue and Finance Committee in consultation with the FPMR Director of Finance, and brought before NORDP's Board of Directors for recommendation and approval.

This manual is the property of NORDP. The Board of Directors is responsible for the distribution of this manual to FPMR, who, in turn, are responsible for safeguarding the materials and inserting approved changes.

These policies are reviewed annually by NORDP and FPMR.

SEGREGATION OF DUTIES

Effective internal controls mandate, when possible, an adequate segregation of duties to reduce the risk of dishonesty.

STATEMENT OF POLICY: It is the policy of NORDP to ensure an adequate segregation of responsibilities with regard to all aspects of the financial operations of NORDP to include but not limited

to cash receipts, bank deposits, bank statement reconciliations, invoice approval, check preparation, check signing, and expense reimbursement approvals. Additionally, NORDP consults with its independent auditor to review internal controls and recommend improvements in segregation of duties.

COMPREHENSIVE POLICY

STATEMENT OF POLICY: All accounting and financial policies contained within this manual are all inclusive and supersede any and all previously adopted accounting and financial policies. Furthermore, any exception to a policy must be clearly documented and will not in any way make the exception a policy without approval.

Any policy additions or changes to a policy are required to go through the established review and approval process. Once a policy or exception to a policy has been approved by NORDP Board of Directors, it is understood to constitute an effective policy.

CHAPTER 1 - GENERAL LEDGER ACTIVITY & FINANCIAL STATEMENT PRESENTATION

I. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

STATEMENT OF POLICY: It is the policy of NORDP to use the accrual basis of accounting that recognizes revenues when they are earned (and expected to be realized) and recognizes expenses when the related goods or services are used. The financial statements are prepared by FPMR following generally accepted accounting principles. Fees for continuing education courses, meetings, events and related direct costs are recognized as revenue and expense in the period in which the event is held.

II. CHART OF ACCOUNTS

The NORDP chart of accounts is divided into six major account groupings and then subdivided by Functions, Programs or Departments.

Account Classification Financial Statement

1. Assets: Statement of Financial Position
2. Liabilities: Statement of Financial Position
3. Net Assets/Members Equity: Statement of Financial Position
4. Revenues: Statement of Activities
5. Expenses: Statement of Activities
6. Functions, Programs or Departments: Statement of Activities

STATEMENT OF POLICY: It is the policy of NORDP to maintain a chart of accounts. The FPMR Account Manager, NORDP Board of Directors and FPMR Director of Finance have the authority to make changes to the NORDP chart of accounts. The FPMR Director of Finance has the authority to add or delete accounts for the NORDP chart of accounts. A current chart of accounts is necessary to ensure proper account coding and all FPMR employees involved with account coding responsibilities or budgetary responsibilities are issued copies of the chart of accounts.

III. JOURNAL TRANSACTIONS

STATEMENT OF POLICY: It is the policy of NORDP to record and post monthly all general journal ledger entries to the general ledger. All entries that do not originate from journals are supported by adequate documentation. Nonrecurring adjusting journal entries must be prepared to properly reflect account balances.

Nonrecurring adjusting journal entries include, but are not limited to, the following items:

- Recording of non-cash transactions
- Correction of posting errors
- Accrual of income and expense items.

All non-recurring or unusual adjusting journal entries must be authorized by someone who is not involved in the origination of the entry. The FPMR Account Manager or FPMR Director of Finance reviews and approves entries generated by the accounting department support staff.

IV. AMORTIZATION

Amortization is a method of recognizing expenditures over a period of time rather than in one accounting period.

STATEMENT OF POLICY: It is the policy of NORDP to amortize all maintenance and support agreements over the length of the contract.

V. PREPAID EXPENSES

STATEMENT OF POLICY: It is the policy of NORDP to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses on the financial records and to expense them in the proper period. Examples of prepaid expenses include, but are not limited to, insurance premiums, travel expenses for future events, room and catering deposits for future events, and payment of any expense that has a definite time-sensitive future benefit.

VI. ACCRUED EXPENSES

Expenses that have been incurred, but not yet paid are recognized on the financial statements. The relative materiality of the expenses that have been incurred must be addressed, because distribution of the financial statements should not be delayed in the interest of accruing immaterial expenses.

STATEMENT OF POLICY: It is the policy of NORDP to accrue unpaid expenses on its financial records.

CHAPTER 2 - CASH MANAGEMENT

VII. CHECK SIGNING AUTHORITY

Proper segregation of duties ensures adequate internal controls for check preparation. As such, the following three rules govern the selection of individuals to sign checks:

1. Individuals who prepare checks are never check signers.
2. Individuals who reconcile bank statements are never check signers.
3. Accounting personnel are never check signers.

STATEMENT OF POLICY: It is the policy of NORDP to give check-signing authority to the following positions:

- FPMR General Manager
- FPMR-Designated Account Manager
- NORDP Board President
- NORDP Treasurer

NORDP's banking resolutions require all checks to be approved by the NORDP Treasurer (or NORDP President in the Treasurer's absence, or when there is a conflict of interest.)

All checks issued for payment for NORDP clients require two authorized signatures. Generally, this will be the FPMR General Manager and the NORDP Treasurer.

In the absence of the FPMR General Manager, an FPMR-designated Account Manager will sign. In the absence of the NORDP Treasurer, the NORDP President will sign.

Checks issued for payment by NORDP in excess of \$5,000 require the signature of the NORDP Treasurer and the NORDP President. In accordance with the Bylaws, expenditures not anticipated on the annual budget can be authorized by the President up to \$5,000 per instance. Such expenditures are subsequently reported to the Board.

Individuals involved with check preparation and bank reconciliations are prohibited from having check-signing authority.

VIII. BANK RECONCILIATIONS

In the interest of proper internal controls:

1. The bank statement will be addressed to, opened by, and reviewed by an executive-level staff member who is not involved in the accounting or bank reconciliation process.
2. Bank reconciliations will be conducted in a timely manner by someone who is not an authorized check signer.
3. Voided checks will be documented and accounted for properly. (See Voided Checks Policy in this manual.)

STATEMENT OF POLICY: It is the policy of NORDP to address the NORDP bank statements to the FPMR Director of Finance for initial review of all clearings during the month. Within 24 hours, the FPMR Director of Finance will forward the bank statement to the FPMR Finance Report Associate for reconciliation.

The Director of Finance is responsible for review and approval of NORDP's bank reconciliations.

IX. ACCESS TO ONLINE FINANCIAL RECORDS

The purpose of this policy is to define how key personnel gain access to NORDP's online financial records. These standards are designed to minimize the potential exposure to NORDP from damages which may result from unauthorized use. Damages include the loss of sensitive or company confidential data, intellectual property and damage to public image, etc. Access to NORDP's online financial records can only be granted by an Account Administrator. The account administrator will establish a user profile and username for an approved new user. The approved user must create a unique password in accordance with the banking institution's password requirements in order to gain access to online financial records. Passwords are never to be shared with anyone.

STATEMENT OF POLICY: Access to NORDP's online financial activity and records is restricted to the below personnel:

- President – Account Administrator with full access to set up or amend any of the details within the account
- Treasurer– Account Administrator with full access set up or amend any of the details within the account
- Account Manager – Account Administrator with access to view current activity, retrieve statements and run reports
- Director of Finance – Account Administrator with access to view current activity, retrieve statements and run reports
- CPA Firm – View Only Access

CHAPTER 3 - ACCOUNTS PAYABLE

X. ACCOUNTS PAYABLE

Accounts payable checks shall be released at the latest acceptable time, without affecting relationships with vendors.

STATEMENT OF POLICY: It is the policy of NORDP to process and send checks disbursements based upon a predetermined schedule. Staff reimbursement requests are processed within 30 working days of receipt of the invoice by accounting.

To enhance internal controls and ensure a clear segregation of duties the following policies will be followed:

1. NORDP invoices are received by the FPMR Account Manager who approves them, codes them with the appropriate general ledger code and forwards them to the FPMR Accounts Payable Associate.
2. The FPMR Accounts Payable Associate will process invoices and print checks according to a predetermined schedule.
3. Checks will be assembled and delivered to the appropriate check signers.
4. Check signers will return checks and supporting paperwork to the FPMR Director of Finance for approval. Once approved the FPMR Director of Finance mails the checks and forwards the supporting paperwork to the FPMR Accounts Payable Associate for filing.
5. All returned mail will be received and opened by an individual not in the accounting department.

XI. CHECK DISBURSEMENTS

Because of the need for strong internal control and segregation of duties, these rules concerning check disbursements are followed:

1. Blank checks are completely blank. All company and bank account information is printed on the checks when cut. Checks are useless without access to the Accounting software.
2. The signing of blank checks is prohibited.

STATEMENT OF POLICY: It is the policy of NORDP to keep unused check supplies safeguarded under lock and key. The key will be maintained by the FPMR Director of Finance and FPMR Accounts Payable Associate.

All check disbursements will require approved invoices, expense vouchers, and a have completed Check Request Form attached. Signed checks that have not been mailed or distributed will be locked at the end of each day.

XII. VOIDED CHECKS

Checks are voided for many reasons, such as errors made in the course of preparing a check, duplicate payments made to vendors, stop payments issued on lost checks, and etc. Regardless of the situation, every voided check will be accounted for on a voided checks log. The voided checks log will be available for the annual audit.

STATEMENT OF POLICY: It is the policy of NORDP to maintain a Voided Checks Log and document every check that has been voided, regardless of reason. If voided checks are physically available, they will be stamped VOID and filed in the voided checks file. Following the annual audit all voided checks will be shredded.

XIII. WRITE-OFF OF OLD OR STALE-DATED CHECKS

STATEMENT OF POLICY: It is the policy of NORDP to make every attempt possible to contact the payees of outstanding checks that have failed to clear the bank. Checks that have been outstanding in excess of twelve months will be handled in accordance with applicable state unclaimed property laws. A log of checks that have been turned over to the state will be completed and made available for the annual audit.

CHAPTER 4 - ACCOUNTS RECEIVABLE

XIV. CONTROL OVER CHECKS, CASH AND CREDIT CARDS

All mail will be distributed to the appropriate department by at least two people who are rotated on an unpredictable basis. After the mail has been opened, credit card payments and checks will be separated. Checks will be endorsed, and all payments will be processed in the NORDP Membership Database and Accounting Software system. Batch Listing and deposit reports for checks and credit card payments received and processed that day will be generated by the individual processing the payments.

STATEMENT OF POLICY: It is the policy of NORDP that all incoming mail be distributed to the appropriate department. Mail will be opened and checks immediately endorsed with a “For Deposit Only” stamp. Payments will be recorded, processed and deposited as follows:

1. Checks received for NORDP will be given to the FPMR Accounts Payable Associate who will post the payments into the Accounting Software. These payments will be listed in a Transaction Posting Journal produced by the Accounting Software and the checks are delivered to the FPMR Accounts Receivable Specialist for deposit. The FPMR Accounts Receivable Specialist will scan the checks for deposit, reconcile the totals and file the deposit report in NORDP’s receivables reconciliation folder.
2. Checks and credit card payments received for NORDP through the Membership Database that are not renewals will be posted in the Membership Database by the FPMR Account Manager. These payments will be listed in a Daily Batch Report produced by the software and delivered to the FPMR Accounts Receivable Associate along with the checks for deposit.
3. Credit card payments received for NORDP that cannot be processed using the Membership Database will be given to the FPMR Accounts Receivable Associate and processed through the client’s gateway website. A Credit Card Detail Report will be generated by the website and then given to the FPMR Director of Finance for entry into the Accounting Software. Totals will be reconciled, and the Credit Card Detail Report and deposit report will be filed in the client’s receivables reconciliation folder.

These payments are processed through the NORDP gateway website. This ensures the security of all credit card holder data by avoiding transporting any hard copy credit card information. All clients using credit cards as a form of payment are made aware of this procedure in advance. Meticulous records are kept and the assets, less processing expenses, are distributed to NORDP monthly.

Credit card information except for the last 4 digits of the number is then removed from any document after it has been used to secure payment. The FPMR Accounts Receivable Associate will shred the scanned checks after 90 days.

XV. CHECK ENDORSEMENT/STAMP

STATEMENT OF POLICY: It is the policy of NORDP to endorse all checks with a “For Deposit Only” stamp upon receipt.

XVI. COLLECTIONS

STATEMENT OF POLICY: It is the policy of NORDP to collect all debts owed to NORDP. This policy defines a timeline by which Accounts Receivables (A/R) are collected and, designates the appropriate NORDP staff member responsible for collecting such debts. Procedure:

- A. FPMR Accounts Receivable Associate will notify the FPMR Account Manager if client becomes 30 days past due. It is the responsibility of the FPMR Account Manager to contact the party with the outstanding debt to establish payment arrangements.
- B. FPMR Accounts Receivable Associate will notify FPMR Account Manager and if client becomes 60 days past due. It is the responsibility of the FPMR Account Manager to contact the party with the outstanding debt to establish payment arrangements. The FPMR Account Manager will also notify NORDP Treasurer of the delinquency.
- C. FPMR Accounts Receivable Associate will notify FPMR Account Manager if client becomes 90 days past due. It is the responsibility of the FPMR Account Manager to contact the party with

the outstanding debt to establish payment arrangements. The FPMR Account Manager will also notify NORDP Treasurer and NORDP President of the delinquency. If NORDP Board determines the debt is uncollectable, a decision may be made to write off the debt.

XVII. ACCOUNTS RECEIVABLE WRITE-OFF PROCEDURES AND AUTHORITY

STATEMENT OF POLICY: It is the policy of NORDP to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. Write-offs are initiated by a completed Accounts Receivable Write-Off Request Form.

If a receivable is deemed uncollectible, it must be approved by the FPMR Director of Finance, FPMR Account Manager, and the NORDP Treasurer who is responsible for the revenue.

Once a write-off has been implemented, a credit hold is placed on the account and appropriate individuals in the appropriate department are advised to ensure that further credit is not allowed and to update the master list of bad accounts.

Those listed as poor credit risks will be extended future credit only if the bad debt is paid and the customer prepays for the current service.

If write-off procedures have been initiated, the following accounting treatment applies:

1. Invoices written off that are dated during the current year will be treated as a reduction of the appropriate revenue accounts.
2. Invoices written off that are dated prior to the current year will be treated as a bad debt.

The NORDP Treasurer will be responsible for reviewing the current year bad debt write-offs.

XVIII. NON-SUFFICIENT FUNDS CHECKS

STATEMENT OF POLICY: It is the policy of the NORDP to include checks returned by the bank because of non-sufficient funds in the returned checks account in the accounting records.

If the checks in question are eligible for redeposit, the subsequent deposit will reduce the returned checks account accordingly. If the checks are prohibited from redeposit, the NORDP Collections Policy will be implemented. A Non-sufficient Funds Check Log will be maintained and made available for the annual audit.

CHAPTER 5 - REIMBURSEMENT POLICIES

XIX. FPMR STAFF

STATEMENT OF POLICY: The NORDP Board of Directors must approve, in advance, all travel and speaking engagements of FPMR staff. By coordinating all such events, the NORDP Board of Directors can ensure the appropriate staffing levels and the most effective use of personnel to support NORDP programs, goals and objectives.

All travel arrangements are handled by designated FPMR staff in each department. Employees traveling on NORDP business will be reimbursed for the cost of transportation, meals, lodging expenses.

Employees submit requests for reimbursement for moneys expended for NORDP business on a FPMR Staff Travel Reimbursement Request Form. Employees must attach all supporting documentation, including the approved travel authorization form and support for any expenses. Acceptable documentation includes original receipts or invoices, or a scanned photocopy of the original receipt or invoice.

All reimbursement requests are reviewed and approved by the employee's direct supervisor, subject to policy limitations, and forwarded to the FPMR Accounts Payable Associate for payment.

1. Automobile Travel: If an employee uses his/her own automobile on NORDP business, the employee will be reimbursed at the NORDP mileage rate in effect, based upon actual mileage traveled.
2. Air Travel: If traveling by air, an employee will be reimbursed. Wherever possible, employees plan well in advance for trips involving air travel in order to benefit from the lowest reasonable fares possible.

CHAPTER 6 - TAXES/IRS FORMS

XX. IRS TAX FORM 990

NORDP's independent CPA Firm prepares all applicable tax returns. NORDP tax returns are reviewed by the NORDP Treasurer and NORDP President.

XXI. IRS TAX FORM 1099-MISC

IRS regulations require organizations to complete Form 1099-MISC for individuals who are not employees and who receive \$600 or more from NORDP.

STATEMENT OF POLICY: It is the policy of NORDP to complete IRS Form 1099-MISC for all individuals and vendors providing services (other than corporations) and receiving \$600 or more from NORDP. However, recipients of scholarships do not receive a Form 1099-MISC.

A record of vendor Federal Identification Numbers and independent contractor Social Security Numbers are maintained for audit purposes. (Form W-9).

CHAPTER 7 - BUDGETING AND YEAR-END PROJECTIONS

XXII. BUDGET PROCESS

STATEMENT OF POLICY: It is the policy of NORDP to prepare an annual budget in the third quarter of each year. With input from the FPMR Account Manager, Chairs of NORDP committees, and NORDP officers, the Revenue and Finance Committee prepares an annual budget, which includes the organization's operating budget, as well as a separate budget request for each Committee. The annual budget is approved by the Board prior to the start of the following fiscal year. NORDP's fiscal year begins October 1st and ends on September 30th.

The FPMR Account Manager prepares a monthly financial report for the Board reflecting actual-to-budget revenue and expenses, with Committees' budgets tracked individually. Committee Chairs have the approval to spend these funds in accordance with the budget, subject to a variance (such as 10% between categories) set at the time the budget is submitted for approval.

CHAPTER 8 - SARBANES-OXLEY NON-PROFIT BEST PRACTICES

XXIII. FINANCIAL STATEMENTS

STATEMENT OF POLICY: FPMR prepares all financial statements using the accrual method of accounting. This method is in conformity with generally accepted accounting principles (GAAP). FPMR uses a financial software package to prepare financial statements, including statements of financial position and statements of activities, conforming to generally accepted accounting principles (GAAP). Statements are then tailored structurally to the individual client's needs while maintaining the integrity of the information provided.

NORDP maintains one or more close relationships with CPA firms that specialize in non-profit organizations and can address any issues that may arise concerning classification of income and expenses.

Financial statements are prepared and presented in PDF format. The FMR Account Manager, the NORDP Treasurer, and NORDP Revenue and Finance Committee review the financial statements. NORDP receives financial statements monthly, unless FPMR is instructed otherwise by the NORDP board to change the frequency. FPMR's Director of Finance receives and reviews all clients' financial statements.

XXIV. AUDITED FINANCIAL STATEMENTS

STATEMENT OF POLICY: It is the policy of the NORDP that their financial records are audited yearly by a qualified CPA firm. The audited financial statements are distributed to NORDP Board Members, key FPMR staff, and others as required by contractual obligation.

CHAPTER 9 - OTHER POLICIES

XXV. CORPORATE CREDIT CARD

STATEMENT OF POLICY: It is the policy of NORDP to issue a physical corporate credit card when necessary to the following position:

- NORDP Treasurer

All expenses incurred via the corporate credit card must be in compliance with the approved reimbursement policy guidelines and substantiated as to:

- Amount
- Vendor
- Date
- Business purpose/relationship

Expense receipts and invoices must be attached to credit card statements and submitted to the FPMR Finance and Accounting Assistant for processing and payment.

XXVI. INSURANCE

STATEMENT OF POLICY: It is the policy of NORDP to annually review insurance policies to ensure that insurance coverage is complete and adequate, and that coverage limits adequately meet the needs of NORDP, members, and employees. Insurance policies to be reviewed include, but are not limited to, the following:

- Directors & Officers policies (D&O/EPLI)
- General Liability policy
- Cyber-liability

Approved by the Board of Directors at its monthly meeting September 28, 2021.