

Table of Contents

Introduction.....	2
Protocol.....	2
Accounting Guidelines and Internal Controls.....	2
Annual Audit.....	3
Annual Budget.....	3
Financial Statements.....	3
Insurance Coverage.....	4
Security.....	4
Record Retention.....	4
Cash Receipts and Revenue Processing.....	4
Cash Disbursements and Accounts Payable.....	6
Use of Purchase Orders.....	6
Use of Check Requests.....	6
Travel Expense Reimbursement.....	7
Net Asset Classification.....	8
Notes Payable.....	8
Conflict of Interest Policy.....	9
Code of Conduct.....	11

Introduction

The purpose of this manual is to set policies and procedures that are consistent with the mission of the *Lamar Point, Emberson, Caviness Volunteer Fire Department and Community Center*. Also, the purpose of this manual is to set financial guidelines that promote prudent fiscal management.

Protocol

1. This manual will become effective after adoption by majority vote of a *quorum*¹ of the *Organization*².
2. The *Financial Audit Committee*³ will review and recommend financial policies and procedures changes to the *Organization* which will review and approve all changes to financial policies and procedures.

Accounting Guidelines and Internal Controls

To ensure record keeping and appropriate internal controls are maintained, the following procedures need to be followed:

1. Standard accounting procedures will be used for all financial functions.
2. Accounting will be done on an *accrual*⁴ basis.
3. The *President*⁵ and the *Fire Chief*⁶ will conduct periodic, unannounced, internal audits to ensure the stated operating guidelines have been followed.
4. All *Accounts Payable*⁷ records will be stored by calendar year and alphabetized by vendor.
5. All *Accounts Receivable*⁸ records will be stored by calendar year.

1 Quorum is defined in the By-Laws.

2 Organization is defined in the By-Laws.

3 The Financial Audit Committee is defined in the By-Laws.

4 In accounting and finance, an accrual is an asset or liability that represents revenue or expenses that are receivable or payable but which have not yet been paid; the term accrued expense refers to liabilities that are recognized when an organization receives services or goods, even though the organization has not yet paid the provider. See: <https://en.wikipedia.org/wiki/Accrual>

5 The role and duties of the President, an administrative officer, are defined in Article IV "Officers" of the LPVFD ByLaws.

6 The role and duties of the Fire Chief, an operational officer, are defined in Article IV "Officers" of the LPVFD ByLaws.

7 Accounts payable (AP) is money owed by a business to its suppliers shown as a liability on a company's balance sheet. See: https://en.wikipedia.org/wiki/Accounts_payable

8 Accounts Receivable (AR) is money owed to the organization by entities outside of the organization. Accounts receivable are classified as current assets assuming that they are due within one calendar year or financial year. See: https://en.wikipedia.org/wiki/Accounts_receivable

Annual Audit

An annual audit will be conducted by the *Financial Audit Committee* as defined and described in the Bylaws.

Annual Budget

As defined and described in the Bylaws the officers of the *Organization* will create an annual budget⁹.

Financial Statements

Standard Financial Statements

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the *Organization*. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

The basic financial statements of the *Organization* shall include:

1. **Statement of Financial Position (Balance Sheet)**¹⁰ - reflects assets, liabilities and net assets of the *Organization* and classifies assets and liabilities as current or non-current/long-term
2. **Statement of Activities (Income Statement)**¹¹ - presents support, revenues, expenses, and other changes in net assets of the *Organization*, by category of net asset (unrestricted, temporarily restricted and permanently restricted)
3. **Statement of Cash Flows (Development Sheet)**¹² - reports the cash inflows and outflows of the *Organization* in three categories: operating activities, investing activities, and financing activities
4. **Statement of Functional Expenses (Summarized by Program Totals)**¹³ – presents the expenses of the *Organization* in both a natural, or objective, format and by function (i.e. which program or supporting service was served)

Frequency of Preparation

A standard set of financial statements described in the preceding section shall be produced on monthly basis, by the 21st of each month for the previous month. The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received

9 See “Annual Budget Meetings” in the By-Laws

10 See: https://en.wikipedia.org/wiki/Balance_sheet

11 See: https://en.wikipedia.org/wiki/Income_statement

12 See: https://en.wikipedia.org/wiki/Cash_flow_statement

13 See: https://en.wikipedia.org/wiki/Fund_accounting

by the end of the previous month. All financial statements and supporting schedules shall be reviewed and approved by the *President*.

After approval by the *President*, a complete set of financial statements shall be prepared and distributed to the members attending the next regular meeting.

Insurance Coverage

Each year during the month of January, the officers will review the *Organization's* insurance coverage.

Security

Accounting Department

The *Organization's* blank check stock shall be stored in a fireproof file cabinet in the Office of **LPVFD**¹⁴ Station #2 in Caviness. This cabinet will be locked with a key. Access to this file cabinet shall be by keys in the possession of the *President* and the *Treasurer*¹⁵.

Access to Electronically Stored Accounting Data

It is the policy of the *Organization* to use passwords to restrict access to accounting software and data.

Record Retention

The *Organization's* Record Retention Policy is that described in the Bylaws.

Cash Receipts and Revenue Processing

Processing of Checks and Cash Received in the Mail

For funds that are received directly, cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis.

The *Treasurer* will open the mail and prepare a listing of checks and cash received. The listing will include the date processed, and:

- if a check, the check number, date, and amount, the name of the payee, and purpose, if any.
- if cash, the amount; and if available, the payee/donor's name and the stated purpose, if any.

The *Treasurer* will prepare deposit slips, take the deposits to the bank, and record the cash receipts.

Endorsement of Checks

¹⁴ **LPVFD** is an abbreviation of convenience for *Lamar Point, Emberson, Caviness Volunteer Fire Department and Community Center*

¹⁵ The role and duties of the Treasurer, an administrative officer, are defined in Article IV "Officers" of the LPVFD ByLaws.

Lamar Point VFD Financial SOP

It is the policy of the *Organization* that all checks received that are payable to the *Organization* shall immediately be restrictively endorsed. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only
2. **Lamar Point-Emberson-Caviness Volunteer Fire Department and Community Center**
3. The bank name
4. The bank account number of the *Organization*

Timeliness of Bank Deposits

It is the policy of the *Organization* that bank deposits will be made twice per week, unless the total amount received for deposit is more than \$1,000. In no event shall deposits be made less frequently than weekly.

Bank Reconciliation

The *President* shall review the bank statements and reconciliation statement each month after it's prepared by the *Treasurer*.

Credit Card Processing

The *Organization* accepts MasterCard and Visa and credit cards for payment, all of which are authorized through the participating credit card company. This is done by following the credit card authorization instructions from the participating credit card company.

For all credit card payments, the *Organization* will document the following information:

1. Customer/Organization name, address and phone number
2. Name of credit cardholder
3. Address of cardholder
4. Last four digits of the credit card number
5. Expiration date

All credit card processing shall be performed by the *Treasurer*.

Cash Disbursements and Accounts Payable

The *Organization* processes the following three types of disbursements:

1. Repetitive (e.g. utilities)
2. Purchase orders¹⁶
3. Check requests.

Use of Purchase Orders

The *Organization* uses a purchase order system. A properly completed purchase order shall be required for each purchase decision (i.e. total amount of goods and services purchased, not unit cost), with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this SOP. A properly completed purchase order shall contain, at a minimum, the following information:

Purchase orders shall be pre-numbered, kept in a fireproof file cabinet in the Office of **LPVFD** Station #2 in Caviness, and issued upon request from an authorized purchaser. All purchase orders shall be recorded in a purchase order log.

Use of Check Requests

All checks require the signature of two officers of the *Organization*. One signee shall be either the *President* or *Treasurer*, the other signee shall be the *Fire Chief* or *Assistant Fire Chief*¹⁷.

The policy and procedures for processing invoices and account payables is as follows:

1. When the mail is opened, invoices are placed in the accounting inbox.
2. Invoices are entered and matched with the associated purchase orders in the accounting system.
3. Whenever possible, the *Organization* will pay invoices within specified deadlines required to take advantage of payment discounts.
4. At no time will checks be drawn to “cash” or “bearer”.
5. Cash may be withdrawn from the bank to make change for fund raising events, however there must be a matching bank deposit of the same amount after the event. The event tracking document will include (a) a statement, signed and dated by the President, authorizing the

¹⁶ A purchase order, often abbreviated to PO, is a commercial document issued by a buyer to a seller, indicating types, quantities, and agreed prices for products or services required. It is used to control the purchasing of products and services from external suppliers. Purchase orders can be an essential part of enterprise resource planning system orders. See: https://en.wikipedia.org/wiki/Purchase_order

¹⁷ The role and duties of the Assistant Fire Chief, an operational officer, are defined in Article IV “Officers” of the LPVFD ByLaws.

Lamar Point VFD Financial SOP

amount of the withdrawal and naming the event, (b) a copy of the bank's withdrawal form, and (c) a copy of the matching bank deposit slip.

6. Payments will not be made without proper documentation (i.e. invoices, receipts, and purchase orders)
7. Checks, copies of checks, and invoice details will be stapled together.
8. The assembled accounts payable packets will be given to the officers of the *Organization* for signature.
9. After being signed, the check will be removed from the accounts payable packet and mailed. The remainder of the accounts payable packet is filed in a fireproof file cabinet in the Office of **LPVFD** Station #2 in Caviness.

Travel Expense Reimbursement

To be reimbursed for travel expenses, a *firefighter*¹⁸ or *Officer*¹⁹ must submit the following:

1. A travel voucher documents all travel and travel related expenses. Such expenses may include, but are not limited, to the following: mileage, parking, tolls, and meals. The travel voucher acts as a request for reimbursement.
2. Receipts must be attached to the travel voucher. The *President* of the *Organization* must approve any travel voucher submitted without receipts.
3. The travel voucher must contain the following information: date, location visited, mileage, purpose of the travel and the cost of any other documented travel related expense.
4. Travel vouchers must be submitted to the *Treasurer* of the *Organization* within 7 days of completing the travel.
5. Questions about unusual or unique travel should be submitted to Officers of the *Organization*.
6. Travel reimbursement checks will not be written for amounts of less than \$5.00. Travel vouchers will be held until the reimbursement due is \$5.00 or greater. This rule will not apply to members or firefighters who are no longer part of the *Organization*.

¹⁸ The role and duties of the various classes of firefighters are defined in the By-Laws.

¹⁹ The various officers, their roles and duties are defined in the By-Laws.

Net Asset Classification

All income received by the *Organization* is classified as "unrestricted"²⁰, with the exception of the following:

1. Grants and other awards received from government agencies or other grantors, which are classified as temporarily restricted
2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes

From time to time, the *Organization* may raise other forms of contribution income which carry stipulations that the *Organization* use the funds for a specific purpose or within a specified time period identified by the donor of the funds. When this form of contribution income is received, the *Organization* shall classify this income as Temporarily Restricted income.

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor). The Temporarily Restricted net assets keep track of the grant or contribution balance and are reduced to zero as assets are released from restriction.

Notes Payable

The policy of the *Organization* is to maintain a schedule of all notes payable, mortgage obligations, lines of credit, and other financial arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension.
3. Total amount of debt or available credit.
4. Amounts and dates borrowed
5. Description of collateral, if any.
6. Interest rate.
7. Maturity date.
8. Address to which payments should be sent.
9. Contact person at the lender.

²⁰ In the non-profit industry, restricted funds refer to a reserve of money that can only be used for specific projects or purposes. The funds can be restricted because the donor wants the money to go to a specific program or the donor wants the money to be utilized after a specific time or event, such as an anniversary. Restricted funds give donors assurance that their money is being used in the manner they desire. See: <https://corporatefinanceinstitute.com/resources/wealth-management/restricted-funds/>

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal amount of payments due within the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position. Demand notes and any other notes without established repayment dates shall always be classified as current liabilities. Unpaid interest expense shall be accrued as a liability at the end of each accounting year.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences will be investigated.

Conflict of Interest Policy

Objective

Effective non-profit governance depends on deliberate, thoughtful, and fair decision making by Officers and committee members. The ability to make good decisions is sometimes affected by other interests - personal or professional - of individual Officers and committee members. One cannot eliminate conflicts of interest - they are a regular part of organizational and personal life. The objective of this policy is to permit the *Organization* to manage potential conflicts of interest successfully, when they do occur, in regards to Officers and committee members.

Definition

A conflict of interest arises when a person able to influence a decision, whether by official vote or moral and/or intellectual persuasion, is liable to gain:

- Some personal advantage from the outcome of the decision in which they are involved, and/or some advantage for an organization with which the individual is directly involved.
- A conflict of interest also arises when as individual Board or committee members outside duties, interests or obligations may or do differ fundamentally from his/her obligations as an *Officer* or a committee member of the *Organization*.

Assumptions

1. No *Officer* or committee member shall use his or her position, or the knowledge gained there from, in such a manner that a conflict between the interest of the *Organization* and his or her interests arises, but is not disclosed.
2. When functioning as an *Officer* or committee member, each person has a duty to place the interest of the *Organization* foremost in any dealings with the *Organization* and has a continuing responsibility to comply with the requirements of this policy.

Lamar Point VFD Financial SOP

3. Officers and committee members are not eligible for employment or service contracts with the *Organization* during their tenure. If an *Officer* or committee member wishes to apply for a permanent position with the *Organization*, he/she must immediately withdraw from active participation as an *Officer* or committee member. If the *Officer* or committee member is the successful candidate, he/she must resign as an *Officer* or from the committee upon accepting the position.
4. Any *Officer* or committee member who becomes aware of a potential conflict of interest with respect to any matter coming before the *Organization* or committee shall make this potential conflict known immediately in any discussion relating to the matter.
5. Decisions taken by the *Organization* or committees regarding the management of a conflict of interest, must not only be fair, they must be seen to be fair.

Procedure

When an actual, perceived, or potential conflict is identified by any person, the following action must be taken:

1. The *Officer* or committee member identifies the actual, perceived or potential conflict;
2. The *Officer* or committee member must fully disclose the conflict to the *President* and, where appropriate, to all Officers or committee members;
3. The *President* shall develop an appropriate response, including where necessary, disqualification from voting and discussion and any necessary remedial action. For example, if a vote may have been affected by a previously undeclared conflict of interest, it may be necessary to hold that vote again.
4. Where a potential conflict of interest is identified, the following options may be considered and combined as appropriate:
 - The *Officer* or committee member with the conflict should not be involved in any aspect of the decision making process.
 - He or she may be present and/or participate in discussions but refrain from voting.
 - He or she will absent him or herself from any discussions in connection with the matter in question.
 - He or she may participate in initial discussions and then be asked to leave for further discussions before the vote.
 - He or she may vote or be present for the vote, but the vote will be done by confidential ballot.
 - He or she may participate fully.

Lamar Point VFD Financial SOP

The Officers or committee members must agree in majority on the option or combination of options to be taken in any given conflict of interest situation.

5. Any *Officer* or committee member may ask for a decision to be taken by secret ballot when dealing with a matter where there is a conflict of interest.
6. The official minutes of the meeting must record the potential conflict of interest and how it was avoided and/or dealt with.
7. When there is a failure to agree on whether a conflict of interest exists and/or how it is to be managed, the *President* or committee chairperson (or if the potential conflict of interest involves him or her, the vice-chairperson) may seek legal counsel.

Common Sense Provision

The application of any part of this policy shall rely heavily on the common sense of the group as a whole. Conflict of interest circumstances vary and the judgment and flexibility of the Officers or committees must be preserved.

Examples

Some examples of situations which may indicate a conflict of interest are:

- Where an *Officer* or committee member is in a position to influence the creation of employment or a service contract and then becomes a candidate for such a position or contract.
- Where an *Officer* or committee member influences the selection of a supplier of goods and/or services and the *Officer* or committee member has an ownership interest in that supplier.
- Where an *Officer* or committee member uses the *Organization*' name and resources for personal benefit.
- Where an *Officer* or committee member could influence the giving of a grant, funds or project approval which would benefit themselves or an organization they are associated with as staff or volunteers.

Code of Conduct

The recent state of business scandals has focused attention on the importance of well developed and communicated code of conduct in promoting a culture of honesty and ethical behavior and deterring unethical business activity. To be effective, a code of conduct must be well communicated to, and understood by, those expected to adhere to it. The code of conduct should be presented to the *Organization* and conduct periodic training sessions to ensure that all remain aware of the code and understand its implications for their behavior.

Lamar Point VFD Financial SOP

The *Organization* is committed to the highest possible ethical standards and we encourage everyone associated with the *Organization* to commit to acting in the best interest of the *Organization* and its mission.

Our mission demands that we, Officers and committee members, staff and volunteers, as stewards of our mission, uphold the public trust and act in an ethical manner in all that we do in the name of the *Organization*. These ethical values include integrity, openness, honesty, accountability, fairness, respect and responsibility. These values are the basis of our Code of Conduct and commitment to act in a manner befitting the *Organization* and mission.

As a public charity, we rely on the public for funding and volunteer support, which is critical to the success of our mission.

The public trusts us to carry out our stated mission and to act in the best interest of the *Organization*. If we abuse the public trust, our ability to fulfill our mission is severely weakened. Therefore, it is critical that we operate in a manner that is above reproach in all aspects, including governance, fundraising, mission operations, legal matters and human resources.

As a public charity we are committed to:

- Acting responsibly and with integrity;
- Following not just the letter of the law, but the spirit of the law as well;
- Promoting financial accountability, transparency, and best governance practices;
- Respecting the wide variety of people who support our mission through donations of their time, talent and money;
- Being responsible stewards of the *Organization*, its mission, reputation and resources;
- Being open and honest in all of our dealings with both internal and external audiences.

This Code of Conduct applies to all Officers, committee members, firefighters, and members.

Accountability and Responsibility

All Officers, committee members, firefighters, and members will:

- Be open and honest with colleagues, stakeholders, volunteers, donors, and all others involved in the *Organization*;
- Abide by the by-laws and policies of the *Organization*;
- Take responsibility for their actions, and care in their dealings as representatives of the *Organization*;

Lamar Point VFD Financial SOP

- Exercise best governance and accounting practices and procedures;
- Use the resources of the *Organization* in a responsible and wise manner;
- Promote financial transparency while working to fulfill the mission of the *Organization*.

All who serve in a position of authority over the *Organization* will:

- Place the *Organization* above other interests, financial or otherwise;
- Act in the best interest of the *Organization*;
- Disclose any actual or perceived conflict of interest.
- Act in a responsible, ethical manner that promotes openness, fairness and integrity;
- Treat people with dignity and respect;
- Work together to achieve our mission to the best of our ability.

Professional Excellence

All Officers, committee members, firefighters, and members will:

- Act in a responsible, ethical manner that promotes openness, fairness and integrity;
- Treat people with dignity and respect;
- Work together to achieve our mission to the best of our ability.

The *Organization* does not discriminate on the basis of race, color, religion, gender, or national origin. We value the diversity of all people.