WHEA

Accounting & Financial Policies and Procedures

Approved by WHEA Governing Board 10/20/2021

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GENERAL POLICIES

1. Managing resources effectively
   a. It is the responsibility of the Board to protect the accumulated assets of WHEA and ensure that current income is managed properly. To this end the Board will appoint a standing Audit Committee.
   b. The annual budget will be prepared by the Director and Governing Board Treasurer and must be approved by the full Board.
   c. The Board must monitor the implementation of the budget through the review of accurate financial reports. All Board members will receive monthly balance sheets with a consolidated accounting of assets and liabilities. This will be prepared and given to Board members no more than 40 days after month end. These reports should show year to date expenses and revenue to budget.
   d. The Board shall conduct an annual audit by an independent certified public accountant. Audit process to include a face-to-face meeting between the auditor and Treasurer. Auditor's report is to be approved annually by the entire Board and made available to the public upon request.
   e. The Audit Committee oversees bank accounts and the management of other assets. The Committee also assures conformity of these transactions with relevant law and other regulations.
   f. The Board must ensure that WHEA has enough resources to offset cash flow problems associated with delays from funders.

2. Audit Committee Responsibilities
   a. The Audit Committee shall act as an oversight committee to insure the implementation of all fiscal policies and procedures. The committee shall have the following areas of emphasis:
      - Annual Operating Budget – review for recommendation to the Governing Board;
      - Monitoring of expenses and revenue – review monthly financial statements to determine if revenue and expenses are in line with the approved budget, review any budget changes;
      - Annual Audit – arranges for an annual audit, reviews it when completed and presents it to the board.

   The review of the organization's financial statements shall not be limited to the Audit Committee, but shall involve the entire Governing Board.

ACCOUNTING PERSONNEL OVERVIEW

Organization

The accounting department consists of a Bookkeeper who manages and process financial information for WHEA. The positions comprising the accounting department of WHEA, and the abbreviations of each position used throughout this manual, are as follows:

1. Bookkeeper (BK)

Other officers and employees of WHEA who have financial responsibilities, and the abbreviations of each position used throughout this manual, are as follows:

1. Treasurer – Board-Level (TR)

2. Audit Committee (AC)
3. Executive Committee (EC)
4. Full Governing Board (BOD)
5. Director (DIR)

Responsibilities

The primary responsibilities of the Bookkeeper consist of:

1. Accounts Payable
2. Accounts Receivable and Billing
3. Annual Audit
4. Asset Management
5. Bank Reconciliation
6. Budgeting
7. Cash and Investment Management
8. Cash Disbursements
9. Cash Receipts
10. Compliance with Government Reporting Requirements
11. External Reporting of Financial Information
12. Financial Statement Processing
13. General Ledger
14. Grants and Contracts Administration
15. Insurance
16. Leases
17. Payroll and Benefits
18. Purchasing
19. Reconciliation of Sub-Ledgers

Conflicts of Interest

It is the policy of WHEA to provide services to the community and not to serve the individual interests of volunteers, employees or consultants. Therefore, decisions that could result in financial, material or other individual benefit to them or to members of their immediate family will be considered to be a conflict of interest. Financial interest includes any interest in the assets, leases, business transactions or professional services of WHEA. This policy also prohibits the practice of steering or directing referrals of applicants or persons served to a private practice in which volunteers, professional personnel, consultants or the immediate families of volunteers, personnel, former personnel and consultants may be engaged.

1. Any transaction which may result in financial or material gain or other individual benefit to a volunteer, employee or consultant or any immediate family member thereof must be disclosed to the Director and/or the Governing Board for action. Under no circumstances may a member of the Governing Board vote on any action in which the other members of the Board determine there is a conflict of interest.

2. All conflicts of interest which are self-disclosed must be submitted to either the Director or the Governing Board in writing and must be documented in either the personnel record of the employee or in the Governing Board record.

All volunteers and employees will be bound by HRS Chapter 84 Standards of Conduct.

FRAUD POLICY

Scope

This policy applies to any fraud or suspected fraud involving employees, officers or directors, as well as members, vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with WHEA. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with WHEA.

Policy

The Governing Board and the Director are responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. The Director and any designated member of the administration will be familiar with the types of improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity.

Any fraud that is detected or suspected must be reported immediately to the Director or, alternatively, to the Chair of the WHEA Audit Committee, who coordinates all investigations.

Actions Constituting Fraud

The terms fraud, misappropriation, and other fiscal irregularities refer to, but are not limited to:

1. Any dishonest or fraudulent act
2. Forgery or alteration of any document or account belonging to WHEA
3. Forgery or alteration of a check, bank draft, or any other financial document
4. Misappropriation of funds, securities, supplies, equipment, or other assets of WHEA
5. Impropriety in the handling or reporting of money or financial transactions
6. Disclosing confidential and proprietary information to outside parties
7. Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to WHEA.
8. Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
9. Any similar or related irregularity

Other Irregularities

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by the Director.

If there is a question as to whether an action constitutes fraud, contact the Director or the Chair of the Audit Committee for guidance.

Investigation Responsibilities

The Audit Committee has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Audit Committee may utilize whatever internal and/or external resources it considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the Audit Committee will issue reports to appropriate designated personnel and, if appropriate, to the WHEA Governing Board and/or the Executive Committee.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final dispositions of the case.

If suspected fraud or other wrongdoing involves programs funded in whole or in part with federal funds, additional responsibilities, such as special reporting and disclosure to the awarding agency, may apply to the organization. It is the policy of WHEA to fully comply with all additional reporting, disclosure and other requirements pertaining to suspected acts of fraud as described in award documents.

Confidentiality

The Audit Committee and the Bookkeeper will treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Director or the Audit Committee Chair immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see **Reporting Procedures** section below).

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect WHEA from potential civil liability.

Authority for Investigation of Suspected Fraud

Members of the WHEA Audit Committee will have:

1. Free and unrestricted access to all WHEA records and premises, whether owned or rented; and

2. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody or any such items or facilities when it is within the scope of their investigations.

3. The members of the Audit Committee will have the authority to hold closed meetings while the investigation is active.

Reporting Procedures

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is underway.

An employee who discovers or suspects fraudulent activity will contact the Director or the Chair of the Audit Committee immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer should be directed to the Audit Committee or legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is “I am not at liberty to discuss this matter.” Under no circumstances should any reference be made to “the allegation,” “the crime,” “the fraud,” “the forgery,” “the misappropriation,” or any other specific reference.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.

2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by WHEA’s legal counsel or the Audit Committee.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of WHEA, and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

Chart of Accounts Overview

The chart of accounts is the framework for the general ledger system, and therefore the basis for WHEA’s accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense and gain and loss account.

WHEA’s chart of accounts is comprised of six types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses
6. Surplus and Losses

Distribution of Chart of Accounts

All WHEA employees involved with account coding responsibilities (assignment or review of coding) or budgetary responsibilities will be issued a current chart of accounts. As the chart of accounts is revised, an updated copy of the chart of accounts shall be distributed to these individuals promptly.

Control of Chart of Accounts

WHEA’s chart of accounts is monitored and controlled by the Bookkeeper. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Director, who ensures that the chart of accounts is consistent with the organizational structure of WHEA and meets the needs of each department.

Account Definitions

Category

Assets

Assets are probable future economic benefits obtained or controlled by the organization as a result of past transactions or events. Assets of WHEA are classified as current assets, fixed assets, contra-assets, and other assets.

Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.

Fixed assets are tangible assets with a useful life of more than one year that are acquired for use in the operation of the organization and are not held for resale.

Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable.

Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property.

Liabilities

Liabilities are probable future sacrifices of economic benefits arising from present obligations of the organization to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities of WHEA are classified as current or long-term.

Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.

Long-Term Liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements.

Net Assets

Net Assets is the difference between total assets and total liabilities. See the next section for WHEA's policies on classifying net assets.

Revenues

Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute an organization's ongoing major or central operations. Revenues of WHEA include membership dues, conference registrations, and sales of publications.

Revenues of WHEA also include contributions received from donors and grants received from government agencies, private foundations and corporations.

Expenses

Expenses are outflows or other using up of assets or incurrences of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute WHEA's ongoing major or central operations.

Classification of Net Assets

Net assets of WHEA shall be classified based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of the agency and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that the agency permanently maintain certain contributed assets. Generally, donors of such assets permit the agency to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes.

Net assets accumulated by WHEA that are not subject to donor imposed restrictions, but which the Governing Board has earmarked for specific uses, shall be segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

Changes to the Chart of Accounts

Additions to, deletions from or any other changes to WHEA's standard chart of accounts shall only be done with the approval of the Director and detailed in reports to the Audit Committee.

Fiscal Year of Organization

WHEA shall operate on a fiscal year that begins on July 1 and ends on June 30. Any changes to the fiscal year of the organization must be ratified by majority vote of WHEA's Governing Board.

Journal Entries

All general ledgers entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, which shall include a reasonable explanation of each such entry. Examples of such journal entries include:

1. Recording of noncash transactions
2. Corrections of posting errors
3. Non-recurring accruals of income and expenses

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accretion of discounts on promises to give
4. Accruals of recurring expenses
5. Amortization of deferred revenue

Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, in the form of a journal voucher.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policies

WHEA receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements of WHEA in the following manner:

1. **Contract and Grant income -** Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards);
2. **Contributions** - Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income); and
3. Immaterial categories of revenue may be recorded on the cash basis of accounting (i.e. recorded as revenue when received) as deemed appropriate by the Director.

CONTRIBUTIONS RECEIVED

Definitions

The following definitions shall apply with respect to the policies described in this section:

Contribution - An unconditional transfer of cash or other assets to the agency, or a settlement or cancellation of the agency's liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Condition - A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to the Organization or releases the promisor from its obligation to transfer its assets.

Restriction - A donor-imposed stipulation that specifies a use for the contributed asset that is more specific than broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in WHEA's articles of incorporation and bylaws. Restrictions on WHEA's use of an asset may be temporary or permanent.

Nonreciprocal Transfer - A transaction in which an entity incurs a liability or transfers assets to WHEA without directly receiving value from WHEA in exchange.

Promise to Give - A written or oral agreement to contribute cash or other assets to WHEA.

Accounting for Contributions

WHEA shall recognize contribution income in the period in which it receives restricted or unrestricted assets in nonreciprocal transfers, or unconditional promises of future nonreciprocal asset transfers, from donors. Contribution income shall be classified as increases in unrestricted, temporarily restricted, or permanently restricted net assets based on the existence or absence of such restrictions.

Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) of WHEA in the period that WHEA receives evidence that a promise to support the agency has been made. Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management. Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value. Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to WHEA at the time the agency receives a promise from a donor.

When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

WHEA's Director shall be responsible for the documentation of all parent and community volunteer donations for grantors who require in-kind donations. When it receives support in the form of volunteer labor, WHEA shall record contribution income and assets or expenses if one of the following two criteria is met:

1. The contributed service creates or enhances a nonfinancial asset (such as a building or equipment), or
2. The contributed service possesses all three of the following characteristics:
    a. It is the type of service that would typically need to be purchased by WHEA if it had not been contributed,
    b. It requires specialized skills (i.e. formal training in a trade or profession), and
    c. It is provided by an individual possessing those specialized skills.

Contributed services that meet one of the two preceding criteria shall be recorded at the fair market value of the service rendered. Department staff shall collect and enter in-kind donations into a database as the donations occur or within 10 days. Each month the Director will report the value of the in-kind donations collected by the program in the prior month to the Director.

Receipts and Disclosures

WHEA and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying Regulations. To comply with those rules, WHEA shall adhere to the following guidelines with respect to contributions received.

For any separate contribution received by WHEA, it shall provide a receipt to the donor. The receipt shall be prepared by the WHEA Administrative Department. All receipts prepared by WHEA shall include the following information:

1. The amount of cash received and/or a description (but not an assessment of the value) of any noncash property received,

2. A statement of whether WHEA provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received by the agency from the donor, and
3. If any goods or services were provided to the donor by WHEA, a description and good faith estimate of the value of those goods or services.

It is the policy of WHEA to comply with all current federal and state rules regarding solicitation and collection of charitable contributions, whether specifically addressed in this manual or not, as well as all future revisions to those rules.

BILLING/INVOICING POLICIES

Responsibilities for Billing and Collection

WHEA's Accounting Department is responsible for the invoicing of goods and services as well as the collection of outstanding receivables. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections).

Accounts Receivable Entry Policies

Posting of invoices to the accounts receivable subsidiary ledger shall be performed by individuals independent of the cash receipts function of WHEA.

Posting of credit memos and other adjustments to accounts receivable shall also be performed by an individual independent of the cash receipts function of WHEA.

Classification of Income and Net Assets

All income received by WHEA is classified as "unrestricted", 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, WHEA may raise other forms of contribution income which carry stipulations that WHEA utilize 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, WHEA 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), WHEA will reclassify the related net assets from "Temporarily Restricted" to "Unrestricted" in its Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

From time to time, the WHEA Governing Board may determine that it is appropriate to set funds aside for specific projects. To the extent these set-asides result from a Board action, rather than a donor-imposed requirement, the resulting set-aside shall be classified as "unrestricted". However, to identify these funds as being set aside for special projects, such set-asides shall be labeled “Board-Designated” funds within the unrestricted net assets of WHEA and shall be reported as a separate component of unrestricted net assets on the WHEA financial statements.

CASH RECEIPTS

Overview

Cash (including checks payable to the organization) is the most liquid asset an organization has. Therefore, it is the objective of WHEA to establish and follow the strongest possible internal controls in this area.

Processing of Checks and Cash Received in the Mail

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

Mail is opened and a listing of cash/checks received is prepared by the one of the administrative support staff under the supervision of the Director or his/her designee. The administrative support staff are not involved in the accounts receivable or accounts payable process.

Fundraising Income:

1. Upon processing income (counting monies), the amount will be verified by two counters before submitting the Income Checklist to the bookkeeper.
2. The bookkeeper will verify checks and cash with Income Checklist and process in QuickBooks.

A deposit slip is prepared from the cash/checks received and compared to the daily receipts listing for discrepancies. Deposits are prepared and taken to the bank by the Bookkeeper.

Endorsement of Checks

It is the policy of WHEA that all checks received that are payable to the Organization shall immediately be restrictively endorsed by the individual who prepares the daily receipts listing. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only
2. WHEA
3. The bank name
4. The bank account number of WHEA

All checks will be duplicated and logged onto the Check Log.

Timeliness of Bank Deposits

It is the policy of WHEA that bank deposits will be made in a timely manner. In no event shall deposits be made less frequently than weekly.

Reconciliation of Deposits

On a periodic basis, the Director or their designee, who does not prepare the initial cash receipts listing or bank deposit, shall reconcile the listings of receipts to bank deposits reflected on the monthly bank statement. Any discrepancies shall be immediately investigated.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

Overview

THE POLICIES DESCRIBED IN THIS SECTION APPLY TO ALL PURCHASES MADE BY WHEA.

It is the policy of WHEA to follow a practice of ethical, responsible and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

Responsibility for Purchasing

The Director shall have the authority to initiate purchases. In addition, The Director may delegate purchasing authority to responsible individuals. Director shall inform the Audit Committee of all individuals that may initiate purchases.

The Director has approval authority over all purchases and contractual commitments as defined in this policy. The Director shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

Authorizations and Purchasing Limits

All completed purchase decisions must be signed by the preparer and approved by their supervisor. In addition, the Director must approve all purchases in excess of $ 100.

All contracts between WHEA and outside parties must be approved by the Director as well as the Governing Board. The Director is authorized to enter into any contract on behalf of WHEA. These policies shall also apply to renewals of existing contracts.

Credit Cards Purchases

1. Requestor to complete Check/Credit Card section of the WHEA Financial Request Form and submit to Administration for approval.
2. Only the bookkeeper, Office Coordinator or Administration can make the credit card purchase.
3. The payment receipt will be attached to the request/requisition form.
4. Data input in QuickBooks for reconciliation at the end of the month.

Vendor Files and Required Documentation

The Accounting Department shall create a vendor folder for each new vendor from whom WHEA purchases goods or services.

Upon making the initial purchase from any vendor (regardless of whether a contract is involved), the Accounting Department shall mail a blank Form W-9 to that vendor, along with a request for the vendor to complete and sign the W-9 or provide equivalent, substitute information and return it in the postage-paid envelope provided. Completed, signed Forms W-9 or substitute documentation shall be filed in each vendor's folder. Vendors who do not return a completed, signed Form W-9 or provide equivalent documentation shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on "Government Returns."

Ethical Conduct in Purchasing

Ethical conduct in managing WHEA's purchasing activities is an absolute essential. Staff must always be mindful that they represent the Governing Board and share a professional trust with other staff and the general membership.

Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services. Staff shall notify their immediate supervisor if they are offered such gifts. Gifts to the Organization, viewed as normal business incentives to obtain future Organization-approved business such as for meeting sites, are acceptable donations.

Conflicts of Interest Prohibited

No officer, board member, employee, or agent of WHEA shall participate in the selection or administration of a vendor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee or agent, or any member of his/her immediate family, his/her spouse/partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor selected.

Officers, board members, employees and agents of WHEA shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements.

Receipt and Acceptance of Goods

The Director or her/his designated staff member shall inspect all goods received ordered by the Department. Upon receipt of any item from a vendor, the following actions shall immediately be taken:

1. Review bill of lading for correct delivery point
2. Verify the quantity of boxes/containers with the bill of lading
3. Examine boxes/containers for exterior damage
4. Note on the bill of lading any discrepancies (missing or damaged boxes/containers, etc.)
5. Sign and date the bill of lading
6. Remove the packing slip from each box/container
7. Compare the description and quantity of goods per the purchase order to the packing slip
8. Examine goods for physical damage
9. Count or weigh items, if appropriate
10. Record an indication of counts on the receipt

It is the policy of WHEA to perform the preceding inspection procedures in a timely manner in order to facilitate prompt return of goods and/or communication with vendors.

ACCOUNTS PAYABLE MANAGEMENT

Overview

WHEA strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

It is the policy of WHEA that the recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor invoice for the related goods or services. The vendor invoice should be supported by an approved purchase request form where necessary and should be reviewed and approved by the Department Director prior to being processed for payment.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized
2. Invoices are processed in a timely manner
3. Vendor credit terms and operating cash are managed for maximum benefits
4. Minimize the time elapsing between the transfer of funds and the issuance of payment

Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

Accounts payable are processed on a daily basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

It is the policy of WHEA that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment.

Procedure

1. Purchases under $100 – Receiving document should be signed by Purchaser and other Director designee.
2. Purchases over $100 – Purchaser must complete a WHEA Purchase Request form which needs to be approved by Director or his/her designee. It is preferred to make these purchases using the WHEA Credit Card.
3. Purchaser should submit a WHEA Purchase Request Form to Administration for approval and attach invoices/receipts.
4. The bookkeeper will process the check/reimbursement in Quickbooks.
5. All checks will require two authorized check signatures before disbursement.

Accounts Payable Cut-Off

For purposes of the preparation of WHEA's monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation by the tenth day of the following month shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.

Establishment of Control Devices

Control of invoices is established by the Bookkeeper as soon as invoices are received. Vendors are instructed to mail all invoices directly to the accounts payable department.

Upon receipt of invoices, each invoice shall be recorded on a log of invoices received, "date received" stamped, and distributed to the appropriate personnel for approval.

Approvals by the Director, or his/her authorized designee, indicate acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account coding, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individual(s).

Payment Discounts

To the extent practical, it is the policy of WHEA to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

Employee Expense Reports

Reimbursements for travel expenses or other approved costs will be made only upon the receipt of a properly approved and completed reimbursement form. All receipts must be attached, and a brief description of the business purpose of the trip or meeting must be noted on the form. Expense reports will be processed for reimbursement to staff as a part of the payroll process and must be received by accounting by the Friday prior to payday along with timesheets as appropriate.

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

It is the policy of WHEA to print vendor checks and expense reimbursement checks on a weekly basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies described in this manual
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors

3. Generally, all vendors shall be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services
4. Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer
6. Blank check stock shall be adequately controlled by the Director.
7. All checks shall be prenumbered and used in sequence
7. Checks shall never be made payable to “bearer” or “cash”
8. Checks shall never be signed prior to being prepared

Check Signing

The school’s bookkeeper generates checks based on approved purchase requests/invoices or reimbursement forms submitted. These checks are delivered to the Director for review with the corresponding documentation to match the disbursement. The Director and one other authorized signatory each sign all checks and then return to the bookkeeper to facilitate distribution.

LIABILITY ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Checking Account (operating account):

The primary operating account provides for routine business check disbursements. All cash and credit card deposits are made to this account.

Cash transfers are done on an as needed basis to cover disbursements.

Bank Reconciliations

Bank account statements are received each month and forwarded unopened to a Director-level employee who is not involved in the accounting department. This individual shall open the statement and review its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. Unusual or unexplained items shall be reported immediately to the Audit Committee.

Reconciliation of Bank and Credit Card Statements:

1. Attach supporting documentation to the statement.
2. Reconcile in QuickBooks and attach reconciliation report to statement.
3. Give statement(s) to the Administration for review, questions and signature of reconciliation verification.

The entire bank statement is forwarded to the Bookkeeper, where a reconciliation between the bank balance and general ledger balance is prepared by someone who is not an authorized check signer. It is the policy of WHEA to complete the bank reconciliation process within one week of receipt of each bank statement.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed by the Director on a monthly basis.

Bank reconciliations and copies of resulting journal entries are filed in the current year's accounting files. All canceled checks returned with bank statements shall be filed in numerical order by bank account and month.

Stale Checks

It is the policy of WHEA to write off checks of $1,000 or less that are more than 9 months old that have not cleared WHEA's bank account. For uncashed checks that are more than 9 months old and that exceed $1,000, contact will be made with the payee to resolve the issue.

All stale checks that are written off within the same fiscal year as they were written shall be credited to the same expense or asset account that was debited when the check was written, or the expenditure incurred. For stale checks written off in fiscal years subsequent to the year in which the check was written, the credit shall be to miscellaneous income.

Petty Cash

WHEA does not maintain a petty cash account.

PREPAID EXPENSES

Accounting Treatment

It is the policy of WHEA to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses and to amortize these items over the corresponding time period. For purposes of this policy, payments of less than $500 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date shall be classified as non-current assets.

Procedures

As part of the account coding process performed during the processing of accounts payable, all incoming vendor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

The accounting department shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the monthly closeout process.

FIXED ASSET MANAGEMENT

Capitalization Policy

Physical assets acquired with unit costs in excess of $5,000 are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Contributed Assets

Assets with fair market values in excess of $5000 (per unit) that are contributed to WHEA shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized fixed assets shall be recorded in a property log. This log shall include the following information with respect to each asset:

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number)
4. Location of asset
5. Depreciation method
6. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by WHEA. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Associate Director.

Receipt of Newly-Purchased Equipment and Furniture

At the time of arrival, all newly purchased equipment and furniture shall be “eyeballed” for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor immediately.

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor immediately.

Depreciation and Useful Lives

All capitalized assets are maintained in the special fixed assets account group and are not to be included as an operating expense. Fixed assets are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have 8 full months of depreciation (eight-twelfths of one year) recorded for that year.

Estimated useful lives of capitalized assets shall be determined by the Accounting Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture, and fixtures	Up to 10 years
General office equipment	5 years
Computer hardware and peripherals	3-5 years
Computer software	2-3 years
Leased assets	Life of lease
Leasehold Improvements	Remaining lease term

Alternatively, at the direction of the Director, capitalized assets may be depreciated over useful lives expressed in terms of units of production or hours of service in place of the preceding useful lives expressed in terms of time.

For accounting and interim financial reporting purposes, depreciation expense will be recorded on a monthly basis.

Repairs of Fixed Assets

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

Dispositions of Fixed Assets

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss if the money received is less than the book value and a gain if the money received is more than the book value.

Write-Offs of Fixed Assets

The Director approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Audit Committee Chair. If not located, this property will be written off the books with the proper notation specifying the reason.

LEASES

Classification of Leases

It is the policy of WHEA to classify all leases in which the Organization is a lessee as either capital or operating leases. WHEA shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to WHEA at the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75% or more of the estimated economic life of the leased property; or
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of WHEA's incremental borrowing rate or, if known, the lessor's implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the obligation to make a lease payment is incurred. For leases with firm commitments for lease payments that vary over the term of the lease (i.e. a lease with fixed annual increases that are determinable upon signing the lease), the amount that WHEA shall recognize as monthly lease expense shall equal the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability of WHEA.

All leases that are classified as capital leases shall be treated as fixed asset additions of WHEA. As such, upon the inception of a capital lease, WHEA shall record a fixed asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The fixed asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

WHEA shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms.

ACCRUED LIABILITIES

Identification of Liabilities

The accounting department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by WHEA at the end of an accounting period are:

1. Salaries and wages
2. Payroll taxes
3. Vacation pay
4. Rent
5. Interest on notes payable

In addition, WHEA shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual. Adjustments to deferred revenue accounts shall be made monthly.

NOTES PAYABLE

Record-Keeping

It is the policy of WHEA to maintain a schedule of all notes payable, mortgage obligations, lines of credit, and other financing 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. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

Accounting and Classification

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position of WHEA. 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 period.

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 shall be investigated.

Non-Interest-Bearing Notes Payable

As a charitable organization, WHEA may from time to time receive notes payable that do not require the payment of interest, or that require the payment of a below-market rate of interest for the type of obligation involved. In such cases, it shall be the policy of WHEA to record contribution income for any unpaid interest.

For demand loans, recording of interest expense and contribution income shall be performed at the end of each accounting period, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid by WHEA.

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid by WHEA. The difference between the cash proceeds of the note and the present value shall be recorded as contribution income in the period the loan is made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

POLICIES ASSOCIATED WITH FINANCIAL REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

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 WHEA that are maintained on an organization-wide basis shall include:

1. **Statement of Financial Position** - 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** - 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 Functional Expenses** – presents the expenses of the organization in a natural, or objective, format and by function (i.e. which program or supporting service was served)

Frequency of Preparation

The objective of the accounting department is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements described in the preceding section shall be produced on a monthly basis, by the 15th of each month. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

1. Individual statements of activities on a functional basis.
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts

The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received by the 10th of the month, and actual depreciation expense.

Review and Distribution

All financial statements and supporting schedules shall be reviewed and approved by the Director prior to being issued to the Audit Committee.

After approval by the Director, a complete set of monthly financial statements, including the supplemental schedules described above, shall be distributed to the following individuals:

1. Treasurer and all members of the Audit Committee
2. Any other employee with budget-monitoring responsibilities

Financial statements will include an additional supplemental schedule prepared or compiled by the Bookkeeper. The purpose of this schedule is to provide known explanations for material budget variances in accordance with WHEA's budget monitoring policies described later in this manual (under the "Financial Management Policies" section).

Annual Financial Statements

A formal presentation of the Organization's annual financial statements shall be provided by the Independent Auditor to the Audit Committee when it is completed. This presentation will be preceded by a meeting with WHEA's Audit Committee, at which the Audit Committee will vote to accept or reject the annual financial statements. See separate policies regarding the annual audit under "Financial Management Policies."

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of the organization's financial and human resources. A budget is a management commitment of a plan for present and future organizational activities that will ensure survival. It provides an opportunity to examine the composition and viability of the organization's programs and activities simultaneously in light of the available resources.

Preparation and Adoption

It is the policy of WHEA to ensure adequate financial resources, accurate projections of revenues and expenditures and effective monitoring of revenue and expenses. To this end, WHEA will conduct on an annual basis the following budget planning and review process.

Prepare an annual budget on the accrual basis of accounting. To prepare the Organization budget, the Director shall gather proposed budget information from others with budgetary responsibility and prepares the first draft of the budget. Budgets proposed should be accompanied by a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years.

The draft Budget is then submitted to the Audit Committee of the Governing Board and finally to the entire Governing Board for adoption.

It is the policy of WHEA to adopt a final budget at least 30 days before the beginning of the WHEA's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the accounting department to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

Monitoring Performance – Monthly Financial Reports

It is the policy of WHEA to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the accounting department and distributed to each employee with budgetary responsibilities. These individuals shall be responsible for responding with a written explanation of all budget variances in excess of five percent on a quarterly basis.

Procedure:

1. Process the Profit & Loss Budget vs. Actual and Balance Sheet reports.

2. Notify the Administration regarding budgetary concerns/overages on the Profit & Loss Budget vs. Actual report and review expenditures to determine the issue.
3. Forward to Administration for review, questions, and comments. Correct any discrepancies.
4. Send reports to the Governing Board secretary one week prior to the board meeting.

Budget Modifications

After a budget has been approved by the Governing Board, reclassifications may be made only with approval of the Governing Board.

ANNUAL AUDIT

Role of the Independent Auditor

It is the policy of WHEA to arrange for an annual audit of its financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by WHEA will be required to communicate directly with the agency's Audit Committee upon the completion of their audit. In addition, members of the Audit Committee and Executive Committee are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and approved by the Governing Board at a Governing Board meeting after the financial statements have been reviewed and approved by the Audit Committee.

Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by WHEA in selecting an accounting firm:

1. The firm’s reputation in the nonprofit and Charter School community
2. The firm’s demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner

If WHEA decides to prepare and issue a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information shall be included:

1. Period of services required
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Organization chart of WHEA
6. Chart of account information
7. Financial information about the organization

8. Copy of prior year reports (financial statements, management letters, etc.)
9. Other information considered appropriate
10. Description of proposal and format requirements
11. Due date of proposals
12. Overview of selection process (i.e. whether finalists will be interviewed, when a decision shall be made, etc.)
13. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm member who will serve WHEA
3. Client references
4. Information about the firm's capabilities
5. Firm's approach to performing an audit
6. Copy of the firm’s most recent quality/peer review report, including any accompanying letter of findings
7. Other resources available with the firm
8. Expected timing and completion of the audit
9. Expected delivery of reports
10. Cost estimate including estimated number of hours per staff member
11. Rate per hour for each auditor
12. Other information as appropriate

In order to narrow down the proposals to the top selections, the Director shall meet with the prospective engagement teams from each proposing firm to discuss their proposal. Copies of all proposals shall be forwarded to each member of the Audit Committee. After the Director narrows down the field of prospective auditors to three firms, final interviews of each firm are conducted by the Audit Committee, who makes the final recommendation to the Governing Board for approval.

Preparation for the Annual Audit

WHEA shall be actively involved in planning for and assisting with the agency’s independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the accounting department shall provide assistance to the independent auditors in the following areas:

Planning - The Director is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

Involvement - Organization staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the WHEA's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. The Director, Bookkeeper and any other staff will as much as possible provide requested schedules and documents and to otherwise assist the auditors during any interim audit fieldwork that is performed.

Throughout the audit process, it shall be the policy of WHEA to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

<u>Concluding the Audit</u>

Upon receipt of a draft of the audited financial statements of WHEA from its independent auditor, the Director shall perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of WHEA
3. Review each footnote for accuracy and completeness

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Director.

It shall also be the responsibility of the Director to review and respond in writing to the Auditor's management letter or other internal control and compliance report findings and recommendations made by the independent auditor.

<u>Audit Committee Responsibilities</u>

In accordance with the WHEA by-laws, there shall be an Audit Committee consisting of at least three members. The term of office shall be for three years, with one member being elected by the WHEA Governing Board each year.

The Audit Committee's audit responsibilities include, but shall not be limited to, the following:

1. Appointment of, and communication with, the Organization's independent auditors
2. Review and approval of the annual, audited financial statements
3. Discussion of internal control matters with the independent auditor
4. Responding to any reported instances of fraud involving WHEA or its employees
5. Conducting a quarterly analysis of the Organization's financial statements
6. Making policy and other recommendations to the WHEA Governing Board regarding matters arising out of the audit

In fulfilling these duties and responsibilities, the Audit Committee is entitled to examine any and all documents within the control of WHEA and its employees. In addition, the Audit Committee shall have the authority to contract with independent contractors in the fulfillment of the committee's responsibilities.

Policy

It is the policy of WHEA to retain records as required by law and to destroy them when appropriate. The destruction of records must be approved by the Director, and logged into the Organization's Destroyed Records Log. The formal records retention policy of WHEA is as follows:

Accident reports/claims (settled Cases) .... 7 Years
Accounts payable ledgers and schedules .... 7 Years
Accounts receivable ledgers and schedules .... 7 Years
Audit reports .... Permanently
Bank reconciliations .... 3 Years
Bank Statements .... 3 Years
Chart of Accounts .... Permanently
Cancelled Checks .... 7 Years
Contracts, mortgages, notes and leases:

- Expired .... 7 Years
- Still in effect .... Permanently

Correspondence:

- General .... 2 Years
- Legal and important matters only .... Permanently
- Routine with customers and/or vendors .... 2 Years

Deeds, mortgages and bills of sales .... Permanently
Depreciation schedules .... Permanently
Duplicate deposit slips .... 3 Years
Employment applications .... 3 Years
Expense analyses/expense distribution schedule .... 7 Years
Financial statements:

- Year end .... Permanently
- Other .... Optional

Garnishments .... 7 Years
General ledgers/year end trial balance .... Permanently
Insurance policies (expired) .... 3 Years
Insurance records (policies, claims, etc.) .... Permanently
Internal audit reports .... 3 Years +
Internal reports .... 3 Years
Inventories of products, materials and supplies .... 7 Years
Invoices (to customers, from vendors) .... 7 Years
Journals .... Permanently
Minute books of directors, bylaws and charters .... Permanently
Notes receivable ledgers and schedules .... 7 Years
Payroll records and summaries .... 7 Years
Personnel records (terminated) .... 7 Years
Petty cash vouchers .... 3 Years
Physical inventory tags .... 3 Years
Property records (incl. depreciation schedules) .... Permanently
Purchase orders:

- Purchasing department copy .... 7 Years
- Other copies .... 1 Year

Receiving sheets	1 Year
Retirement and pension records	Permanently
Requisitions	1 Year
Sales records	7 Years
Subsidiary ledgers	7 Years
Tax returns and worksheets, examination reports and other Documents relating to determination of income tax liability	Permanently
Time sheets/cards	7 Years
Trademark registrations and copyrights	Permanently
Training manuals	Permanently
Voucher register and schedules	7 Years
Withholding tax statements	7 Years